

**MILE HIGH MINISTRIES**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

## CONTENTS

Independent Auditor's Report	2
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-10



## Independent Auditor's Report

Board of Directors  
Mile High Ministries  
Denver, Colorado

We have audited the accompanying statements of financial position of Mile High Ministries (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mile High Ministries as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

August 10, 2011

400 South Colorado Boulevard, Suite 690 • Denver, Colorado 80246  
303 733-3796 • FAX 303 733-6230 • [www.pnacpa.com](http://www.pnacpa.com)

MILE HIGH MINISTRIES  
STATEMENTS OF FINANCIAL POSITION

<u>June 30,</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 361,579	\$ 326,130
Accounts receivable	30,606	1,090
Prepaid expenses	0	15,820
Notes receivable	3,559	3,559
Cash held for long-term purposes	0	18,240
Property and equipment, net of accumulated depreciation	<u>2,345,843</u>	<u>2,347,171</u>
Total Assets	<u>\$ 2,741,587</u>	<u>\$ 2,712,010</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 18,686	\$ 2,992
Accrued liabilities	16,285	14,552
Deferred revenue	<u>16,718</u>	<u>18,004</u>
Total liabilities	<u>51,689</u>	<u>35,548</u>
<u>Net assets</u>		
Unrestricted	2,584,217	2,545,313
Temporarily restricted	<u>105,681</u>	<u>131,149</u>
Total net assets	<u>2,689,898</u>	<u>2,676,462</u>
Total Liabilities and Net Assets	<u>\$ 2,741,587</u>	<u>\$ 2,712,010</u>

The accompanying notes are an integral part of these financial statements.

MILE HIGH MINISTRIES  
STATEMENT OF ACTIVITIES

For the Year Ended June 30,

2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support, Revenue and Other Gains</u>			
Donations	\$ 342,632	\$ 1,275,100	\$ 1,617,732
Joshua Station Enterprises	92,125	0	92,125
Issachar rental	69,417	0	69,417
Interest income	9	0	9
Other revenue	14,667	0	14,667
Net assets released from restrictions	<u>1,300,568</u>	<u>(1,300,568)</u>	<u>0</u>
Total support, revenue and other gains	<u>1,819,418</u>	<u>(25,468)</u>	<u>1,793,950</u>
<u>Expenses</u>			
<u>Program expenses</u>			
Joshua Station Enterprises	706,571		706,571
Issachar Community	340,647		340,647
Justice and Mercy Legal Aid Clinic	318,561		318,561
Other programs	<u>77,355</u>		<u>77,355</u>
Total program expenses	1,443,134		1,443,134
<u>Supporting services</u>			
Management and general	178,658		178,658
Fundraising	<u>158,722</u>		<u>158,722</u>
Total expense	<u>1,780,514</u>		<u>1,780,514</u>
Changes in net assets	38,904	(25,468)	13,436
Net assets at beginning of year	<u>2,545,313</u>	<u>131,149</u>	<u>2,676,462</u>
Net assets at end of year	<u>\$2,584,217</u>	<u>\$ 105,681</u>	<u>\$2,689,898</u>

The accompanying notes are an integral part of these financial statements.

MILE HIGH MINISTRIES  
STATEMENT OF ACTIVITIES

For the Year Ended June 30,

2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support, Revenue and Other Gains</u>			
Donations	\$ 318,443	\$ 1,046,617	\$ 1,365,060
Joshua Station Enterprises	126,895	0	126,895
Issachar rental	66,922	0	66,922
Interest income	12	0	12
Other revenue	14,777	0	14,777
Net assets released from restrictions	<u>1,023,646</u>	<u>(1,023,646)</u>	<u>0</u>
Total support, revenue and other gains	<u>1,550,695</u>	<u>22,971</u>	<u>1,573,666</u>
<u>Expenses</u>			
<u>Program expenses</u>			
Joshua Station Enterprises	699,134		699,134
Issachar Community	389,095		389,095
Justice and Mercy Legal Aid Clinic	214,704		214,704
Other programs	<u>45,425</u>		<u>45,425</u>
Total program expenses	1,348,358		1,348,358
<u>Supporting services</u>			
Management and general	84,266		84,266
Fundraising	<u>121,749</u>		<u>121,749</u>
Total expense	<u>1,554,373</u>		<u>1,554,373</u>
Changes in net assets	(3,678)	22,971	19,293
Net assets at beginning of year	<u>2,548,991</u>	<u>108,178</u>	<u>2,657,169</u>
Net assets at end of year	<u>\$ 2,545,313</u>	<u>\$ 131,149</u>	<u>\$ 2,676,462</u>

The accompanying notes are an integral part of these financial statements.

MILE HIGH MINISTRIES  
STATEMENTS OF CASH FLOWS

For the Years Ended June 30,	2011	2010
Cash flows from operating activities		
Cash received from:		
Donations	\$ 1,538,709	\$ 1,305,780
Revenues	145,407	220,006
Interest income	9	12
Cash paid to suppliers and employees	<u>(1,616,094)</u>	<u>(1,457,355)</u>
Net cash provided by operating activities	<u>68,031</u>	<u>68,443</u>
Cash flows from investing activities		
Purchase of property and equipment	(50,822)	(7,100)
Net change in restricted cash	<u>18,240</u>	<u>0</u>
Net cash used in investing activities	<u>(32,582)</u>	<u>(7,100)</u>
Net increase in cash and cash equivalents	35,449	61,343
Cash and cash equivalents at beginning of year	<u>326,130</u>	<u>264,787</u>
Cash and cash equivalents at end of year	<u>\$ 361,579</u>	<u>\$ 326,130</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	\$ 13,436	\$ 19,293
Adjustments		
Depreciation	52,150	52,924
Changes in operating assets and liabilities:		
Accounts receivable	(29,516)	8,595
Prepaid expenses	15,820	(12,657)
Accounts payable	15,694	(4,547)
Accrued liabilities	1,733	2,018
Deferred revenue	<u>(1,286)</u>	<u>2,817</u>
Net cash provided by operating activities	<u>\$ 68,031</u>	<u>\$ 68,443</u>

The accompanying notes are an integral part of these financial statements.

MILE HIGH MINISTRIES  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mile High Ministries (Organization) is a not-for-profit corporation whose mission is to mobilize and equip people to connect their lives to God's active concern for the poor and oppressed in the Denver metro area, and assist local urban churches in their role as catalysts of community development.

The Organization is exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code and comparable state law, and contributions to it are deductible within the limitations prescribed by the Code. The organization has been classified as a publicly supported organization which is not a private foundation under section 509(a) of the Code. The Organization did not have any material unrelated business income tax liability or significant uncertain tax positions for the years ended June 30, 2011 and 2010.

The significant accounting policies are described below.

Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

Cash and Cash Equivalents

Mile High Ministries considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged.

Mile High Ministries reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Mile High Ministries reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Mile High Ministries reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of services shall be recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

MILE HIGH MINISTRIES  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Expenses

The costs of providing the various programs and supporting activities of Mile High Ministries have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities.

Land, Buildings, Equipment and Depreciation

Expenditures for land, buildings and equipment in excess of \$1,000 are capitalized at cost. Donated assets are capitalized at their fair value on the date of gift. Depreciation of buildings and equipment is computed on the straight-line method over the estimated useful lives of the assets.

Cash Deposits in Excess of Federally Insured Limits

The Organization has determined that current operational cash needs will occasionally result in cash balances in excess of insured limits.

Subsequent Events

The provisions of FASB ASC 855, *Subsequent Events*, require management to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Organization's financial statements were available to be issued on September 9, 2011, and this is the date through which subsequent events were evaluated. The Organization did not identify any subsequent events requiring disclosure.

Other Matters

Advertising and promotion costs are expensed as incurred.

NOTE 2 - LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION

	<u>2011</u>	<u>2010</u>
Land	\$ 493,600	\$ 493,600
Buildings and improvements	2,327,865	2,318,690
Vehicles	24,325	24,325
Furniture and equipment	84,532	84,532
Construction in progress	<u>41,647</u>	<u>0</u>
	2,971,969	2,921,147
Accumulated depreciation	<u>(626,126)</u>	<u>(573,976)</u>
	<u>\$ 2,345,843</u>	<u>\$ 2,347,171</u>

NOTE 3 - LINE OF CREDIT

The Organization maintains a \$150,000 bank line of credit dated September 12, 2008. The line includes a due on demand feature with an interest rate of 1% over the National Prime Rate. No draws were taken for the years ended June 30, 2011 and 2010.

MILE HIGH MINISTRIES  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

	<u>2011</u>	<u>2010</u>
Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:		
Christmas Store	\$ 36,569	\$ 36,644
Issachar Community	113,228	98,761
JAMLAC	285,746	171,614
Joshua Station	506,082	389,422
Service Journeys	82,073	76,800
Staff support	<u>276,870</u>	<u>250,405</u>
	<u>\$ 1,300,568</u>	<u>\$ 1,023,646</u>
Temporarily restricted net assets available for future use:		
Issachar Community	\$ 21,625	\$ 17,068
Joshua Station	12,620	28,360
Service Journeys	17,316	44,879
Staff support	47,694	40,614
Christmas Store	6,198	0
Other	<u>228</u>	<u>228</u>
	<u>\$ 105,681</u>	<u>\$ 131,149</u>

NOTE 5 - ENDOWMENTS

The Organization has several term-endowments related to its exempt mission (see Note 4 - Temporarily Restricted Net Assets). As required by the generally accepted accounting principles, net assets associated with the endowment funds, including term-endowments and quasi-endowments, are classified and reported based on the existence or absence of donor imposed, or other self-imposed, restrictions.

The Board of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted and temporarily restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted would be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment and term-endowment funds:

1. The duration and preservation of the fund.
2. The purpose of the Organization and the donor restricted endowment fund.

MILE HIGH MINISTRIES  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ENDOWMENTS (CONTINUED)

3. The duration and preservation of the fund.
4. The purpose of the Organization and the donor restricted endowment fund.
5. General economic conditions.
6. The possible effect of inflation and deflation.
7. The expected total return from income and the appreciation of investments.
8. Other resources of the Organization.
9. The investment policies of the Organization.

The Organization did not have any permanent endowment funds as of June 30, 2011. Changes in term-endowment net assets for the years ended June 30, 2011 and 2010, are reflected in the statements of activities.

NOTE 6 - TAX SHELTERED ANNUITY PLAN

Mile High Ministries has a tax-sheltered annuity plan under Internal Revenue Code Section 403(b). The plan is salary reduction only with no employer contributions, offered to all employees.