

KARIS COMMUNITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

TOGETHER WITH INDEPENDENT ACCOUNTANTS'
REVIEW REPORT

KARIS COMMUNITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

CONTENTS

	<u>Page</u>
Independent Accountants' Review Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

TAYLORROTH

Certified Public Accountants

WORKING EXCLUSIVELY WITH NONPROFITS

August 21, 2023

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Karis Community
Denver, Colorado

We have reviewed the accompanying financial statements of **Karis Community** (a Colorado nonprofit corporation) which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Karis Community and meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Report on Summarized Comparative Information

We previously reviewed Karis Community's 2022 financial statements, and in our report dated September 9, 2022, stated that based on our procedures, we were unaware of any material modifications that should be made to the 2022 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We are unaware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2023, for it to be consistent, in all material respects with the reviewed financial information from which it has been derived.

Taylor Roth and Company PLLC

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
DENVER, COLORADO

KARIS COMMUNITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 188,256	\$ 157,266
Resident fees receivable	629	1,525
Contributions receivable	30,000	35,000
Prepaid expenses	7,028	5,833
Property and equipment (Note 3)	<u>1,742,803</u>	<u>1,780,182</u>
Total assets	<u><u>\$ 1,968,716</u></u>	<u><u>\$ 1,979,806</u></u>
 <u>Liabilities and net assets</u>		
Accounts payable	\$ 9,001	\$ 14,964
Payroll liabilities	15,896	14,475
Resident fee deposits	4,000	2,200
Deferred Revenue	1,980	-
Line of credit (Note 4)	<u>-</u>	<u>-</u>
Liabilities	<u>30,877</u>	<u>31,639</u>
 Net assets		
Without donor restrictions	1,149,839	1,119,667
With donor restrictions (Note 5)	<u>788,000</u>	<u>828,500</u>
Total net assets	<u>1,937,839</u>	<u>1,948,167</u>
Total liabilities and net assets	<u><u>\$ 1,968,716</u></u>	<u><u>\$ 1,979,806</u></u>

See accompanying notes and independent accountants' review report

KARIS COMMUNITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>			<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<u>Revenue and other support</u>				
Foundations	\$ 111,475	\$ 176,320	\$ 287,795	\$ 206,064
Resident fees	115,841	-	115,841	119,414
Individuals and board contributions	109,633	-	109,633	150,270
Wills and Bequests	104,873	-	104,873	-
Special events	40,367	-	40,367	68,638
Less cost of direct benefits to donors	(13,879)	-	(13,879)	(9,385)
Corporations	7,080	-	7,080	5,059
Investment income	18	-	18	18
Loan forgiveness income	-	-	-	59,267
Net assets released from restrictions (Note 6)	216,820	(216,820)	-	-
Total revenue and support	692,228	(40,500)	651,728	599,345
<u>Expense</u>				
Program services				
Karis	415,429	-	415,429	383,269
Cottage	31,822	-	31,822	46,527
Total program services	447,251	-	447,251	429,796
Supporting services				
Management and general	63,360	-	63,360	71,824
Fundraising	80,040	-	80,040	67,669
Total	590,651	-	590,651	569,289
Change in net assets before depreciation	101,577	(40,500)	61,077	30,056
Less: Depreciation expense	71,405	-	71,405	71,561
Change in net assets	30,172	(40,500)	(10,328)	(41,505)
Net assets, beginning of year	1,119,667	828,500	1,948,167	1,989,672
Net assets, end of year	\$ 1,149,839	\$ 788,000	\$ 1,937,839	\$ 1,948,167

See accompanying notes and independent accountants' review report

KARIS COMMUNITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023					2022	
	Program			Supporting Services		Total	Total
	Karis	Cottage	Total Program	Management and General	Fund-raising		
Salaries	\$ 240,668	\$ 7,800	\$ 248,468	\$ 36,707	\$ 46,889	\$ 332,064	\$ 309,305
Payroll taxes and benefits	54,212	982	55,194	8,270	10,561	74,025	72,907
Maintenance and repairs	39,122	5,665	44,787	406	222	45,415	29,586
Resident programs and activities	32,190	4,008	36,198	-	-	36,198	58,220
Occupancy	22,840	5,582	28,422	237	130	28,789	26,159
Insurance	12,017	3,892	15,909	125	68	16,102	15,853
Uncollectible accounts expense	506	-	506	-	10,000	10,506	4,847
Telephone/ internet	6,461	3,870	10,331	61	34	10,426	10,422
Professional services	-	-	-	10,056	-	10,056	2,983
Indirect fundraising	-	-	-	-	8,461	8,461	9,179
Audit fees	-	-	-	5,850	-	5,850	15,600
Staff and board development	2,292	-	2,292	349	446	3,087	2,396
Membership dues and subscriptions	2,258	-	2,258	344	440	3,042	4,238
Donation processing fees	-	-	-	-	2,388	2,388	1,559
Office supplies	1,286	-	1,286	196	251	1,733	2,750
Newsletter	1,196	-	1,196	224	75	1,495	797
Printing	285	-	285	43	56	384	43
Bank fees	-	-	-	277	-	277	738
Postage	96	-	96	15	19	130	128
Interest	-	-	-	-	-	-	89
All other	-	23	23	200	-	223	1,490
	415,429	31,822	447,251	63,360	80,040	590,651	569,289
Depreciation	40,960	29,788	70,748	424	233	71,405	71,561
Total	\$ 456,389	\$ 61,610	\$ 517,999	\$ 63,784	\$ 80,273	\$ 662,056	\$ 640,850

See accompanying notes and independent accountants' review report

KARIS COMMUNITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>	<u>2022</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (10,328)	\$ (41,505)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	71,405	71,561
PPP loan forgiveness income	-	(59,267)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in resident fees receivable	896	(752)
(Increase)decrease in contributions receivable	5,000	(25,000)
(Increase)decrease in prepaid expenses	(1,195)	(811)
(Decrease)increase in accounts payable	(5,963)	(640)
(Decrease)increase in accrued payroll liabilities	1,421	5,671
(Decrease)increase in deferred revenue	1,980	-
(Decrease)increase in resident fee deposits	1,800	(400)
Net cash provided(used) by operating activities	<u>65,016</u>	<u>(51,143)</u>
<u>Cash flows from investing activities</u>		
(Purchases) of property and equipment	<u>(34,026)</u>	<u>(37,374)</u>
Net increase in cash and cash equivalents	30,990	(88,517)
Cash and cash equivalents, beginning of year	<u>157,266</u>	<u>245,783</u>
Cash and cash equivalents, end of year	<u>\$ 188,256</u>	<u>\$ 157,266</u>
<u>Supplemental disclosure of information</u>		
Amount paid in interest	<u>\$ -</u>	<u>\$ 89</u>

See accompanying notes and independent accountants' review report

KARIS COMMUNITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1 - NATURE OF ACTIVITIES

Karis Community (The Organization) is a Denver-based non-profit organization offering a community-oriented residential program for adults managing serious and persistent mental illness as well as co-occurring substance use disorders. Established in 1976, the mission of Karis is to provide a community where people heal together. The Empowerment Program provides a safe, supportive, and minimally restrictive environment where Community Members are encouraged to pursue growth and personal change. At Karis, recovery goals often center around managing/reducing symptoms, learning coping strategies, developing life skills, and increasing the capacity to engage in healthy relationships with others. Karis Community consists of two properties: the main Karis Community building, which can house up to 18 Community Members, and the Stepping Stone Cottage (Cottage), which can house up to 7 Community Members. The Organization is primarily supported by foundations, resident fees, and individual and board contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulation regarding how long the contributed asset must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents, except for those amounts that are held in the investment portfolio for long-term purposes.

4. Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities and other assets; an unconditional promise to give; or a notification of a beneficial interest is received; conditional promises to give with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend have been met.

5. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for furniture and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

6. Estimates

The preparation of financial statements in conformity with 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.

7. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

8. Functional Reporting of Expenses

For the year ended June 30, 2023, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocations are determined by management on a rational and systematic basis. Salaries and benefits are allocated on a time and effort basis. Occupancy is allocated on square footage. All other expenses are allocated on a time and effort basis.

9. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

10. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

11. Subsequent Events

Management has evaluated subsequent events through August 21, 2023, the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT

At year-end, property and equipment consist of:

<u>Description</u>	<u>Amount</u>
Building and improvements	\$2,420,719
Furniture and fixtures	98,327
Office equipment	<u>10,182</u>
Total	2,529,228
Less: accumulated depreciation	<u>(786,425)</u>
Net property and equipment	<u>\$1,742,803</u>

Depreciation expense for the year was \$71,405.

In 2011, the Organization, received a grant totaling \$300,000 from the State of Colorado (State) and a \$300,000 grant from the City and County of Denver (City) for the renovation of the Karis Community Building. In 2015, the Organization received grants totaling \$415,000 and \$175,000 from the City and State, respectively, for the purchase and renovation of the Stepping Stone Cottage.

Each of these grants includes a covenant that has been recorded against the property to ensure that all affordable units identified in the agreements continue to be used to provide affordable housing for low-income persons for thirty years from the date of the agreements. Should the housing conditions not be met during the 30-year period, the grants must be repaid to the State or City.

Additionally, in 2012, a \$25,000 grant was received from a private foundation that requires the Organization to continue their program in the Karis Community Building for a 30-year period.

NOTE 4 - LINE OF CREDIT

At year-end there is a \$0 balance on a \$150,000 line of credit that was established with Bank of the West. The line of credit bears variable interest at the Bank of the West Prime Rate (the Index) plus 1.350%. At June 30, 2023, the interest rate was 9.60%.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following program purposes:

<u>Description</u>	<u>Amount</u>
Stepping Stone Cottage	\$ 410,667
Karis Community building	<u>377,333</u>
Total	<u>\$ 788,000</u>

NOTE 6 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:

<u>Description</u>	<u>Amount</u>
Empowerment program	\$ 117,158
Building improvements	54,410
Stepping Stone Cottage	20,833
Karis Community building	19,667
Software Upgrades	<u>4,752</u>
Total	<u>\$ 216,820</u>

NOTE 7 - PENSION PLAN

The Organization has adopted a Simple IRA retirement plan. The plan allows eligible employees to defer a portion of their compensation. The Organization matches up to 3% of each employee's salary after one year of service. During the year pension expense was \$4,998.

NOTE 8 - AVAILABILITY AND LIQUIDITY

The following represents Karis Community's financial assets at June 30, 2023:

<u>Financial assets at year-end</u>	<u>Amount</u>
Cash and cash equivalents	\$ 188,256
Resident fees and contributions receivable	<u>30,629</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 218,885</u>

The Organization's goal is generally to maintain financial assets to meet six months of operating expenses. Management considers donor restricted contributions that will be used within one year as part of its ordinary operations, as being available for general expenditures.