

**The Epworth Foundation**

**FINANCIAL STATEMENTS**

**December 31, 2010**

*JACKSON ASHBY GOLDSTINE, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS*

**The Epworth Foundation**

FINANCIAL STATEMENTS

December 31, 2010

Accountants’ Audit Report.....1

Statement of Financial Position.....2

Statement of Activities.....3

Statement of Cash Flows.....4

Notes to Financial Statements.....5-10

**JACKSON ASHBY GOLDSTINE, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Independent Auditor's Report

May 31, 2011

Board of Directors  
The Epworth Foundation  
Denver, Colorado

We have audited the accompanying statements of financial position of The Epworth Foundation as of December 31, 2010 and the related statements of activities and cash flow for the year then ended. These financial statements are the responsibility of The Epworth Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides 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 The Epworth Foundation as of December 31, 2010 and the changes in its net assets and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
Jackson Ashby Goldstine, P.C.

**THE EPWORTH FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
As of December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$54,506	\$5,000	\$0	\$59,506
Accounts Receivable	17,235			17,235
Due from Related Party	1,242			1,242
<b>Total Current Assets</b>	<u>72,983</u>	<u>5,000</u>	<u>0</u>	<u>77,983</u>
<b>TOTAL ASSETS</b>	<b><u>\$72,983</u></b>	<b><u>\$5,000</u></b>	<b><u>\$0</u></b>	<b><u>\$77,983</u></b>
<b>LIABILITIES</b>				
Accounts Payable	\$26,652	0	0	\$26,652
Payable to Related Parties	10,168			10,168
<b>Total Liabilities</b>	<b>36,820</b>	<b>0</b>	<b>0</b>	<b>36,820</b>
<b>Net Assets</b>				
Net Assets	36,163	5,000	0	41,163
<b>Total Net Assets</b>	<u>36,163</u>	<u>5,000</u>	<u>0</u>	<u>41,163</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>\$72,983</u></b>	<b><u>\$5,000</u></b>	<b><u>\$0</u></b>	<b><u>\$77,983</u></b>

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

**THE EPWORTH FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE</b>				
Contributed Support	\$371,474	\$5,000		\$376,474
Earned Revenues	115,841			115,841
In Kind Revenue	78,537			78,537
Interest	39			39
Other	1,585			1,585
<b>Total Revenue</b>	<u>567,476</u>	<u>5,000</u>	<u>0</u>	<u>572,476</u>
<b>EXPENSES</b>				
Program services	440,210	363	0	440,573
General & administrative	80,353	0	0	80,353
Fundraising	12,486	0	0	12,486
<b>Total Expense</b>	<u>533,049</u>	<u>363</u>	<u>0</u>	<u>533,412</u>
<b>CHANGE IN NET ASSETS</b>	34,427	4,637	0	39,064
<b>NET ASSETS, Beginning of Year</b>	<u>1,736</u>	<u>363</u>		<u>2,099</u>
<b>Net ASSETS, End of Year</b>	<u><u>\$36,163</u></u>	<u><u>\$5,000</u></u>	<u><u>\$0</u></u>	<u><u>\$41,163</u></u>

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

**THE EPWORTH FOUNDATION**  
**STATEMENT OF CASH FLOW**

For the Year Ended December 31, 2009

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets \$39,063

**Adjustments to reconcile changes in net assets**

**(Increase) decrease in assets:**

Accounts Receivable 56,094

Due from Related Parties (172)

**Increase (decrease) in liabilities:**

Accounts Payable 17,768

Due to Related Party (34,693)

Net Cash Provided by Operating Activities 78,060

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents, Beginning of Year (18,554)

Cash and Cash Equivalents, End of Year \$59,506

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

**THE EPWORTH FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2010**

**NOTE 1 – NATURE OF ORGANIZATION**

The Epworth Foundation (the Foundation), a not-for-profit organization incorporated in the State of Colorado, was established in April, 2005. The Foundation's purpose is to engage in certain charitable activities that initially had been conducted by Epworth United Methodist Church of Denver (EUMC), which operates under the auspices of the Rocky Mountain Conference of the United Methodist Church. The Foundation's Board is approved by the governing board of the Epworth United Methodist Church.

The Foundation's mission is to address the needs of the whole individual. The Foundation supports and promotes healthy families, with an emphasis on children. The Foundation operates primarily in the 80205 zip code area, which includes the neighborhoods of Clayton, Cole, Whittier, Five Points and Skyland, historically some of Denver's most blighted and economically depressed communities. The Foundation works to provide help to families and individuals in the form of information, services, support and education.

In February 2007, the Foundation received designation from the Internal Revenue Service as a 501(c)(3) organization under section 170 of the Internal Revenue Code. Contributions to the Foundation in the form of bequests, gifts and contributions are tax deductible.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting**

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of American (GAAP). Accordingly, support, revenue and related assets are recognized when unconditionally awarded, pledged, transferred or earned, and expenses and related liabilities are recorded when the obligations are incurred.

**Basis of presentation**

The financial statements follow the recommendations of the Financial Accounting Standards Board in its Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, UF is required to report information regarding its financial position and activities according to three classes of net assets, unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**THE EPWORTH FOUNDATION**  
**Notes to Financial Statements**  
(continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

The Foundation does not have permanently restricted assets.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash equivalent

The Foundation considers all short-term investments with original maturities of less than ninety days to be cash equivalents.

Contributions

Contributions are recorded when pledged and classified as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Restrictions on temporarily restricted contributions that are fulfilled in the same accounting period are recorded as unrestricted support in the statements of activities and change in net assets.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity and change in net assets. Accordingly, certain costs have been allocated among programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of The Foundation.

Uncollected earned revenues and pledges

The Foundation writes off earned revenue and pledges once they have been determined to be uncollectible.

Restricted net assets

Net assets that have been restricted are released from donor restrictions by incurring expenses satisfying the restricted purpose.



**THE EPWORTH FOUNDATION**  
**Notes to Financial Statements**  
(continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Subsequent events

The Foundation has evaluated subsequent events through May 31, 2011, which is the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events requiring disclosure.

**NOTE 3 – INCOME TAXES**

The Foundation has been granted 501(c)(3) tax exempt status by the Internal Revenue Service (IRS) effective April 3, 2005 and is considered by the IRS to be a public charity to which tax deductible contributions may be made under Section 170 of the IRS Code. No provision for income taxes has been recorded in the accompanying financial statements.

**NOTE 4 – TRANSACTIONS WITH RELATED ENTITIES**

Cal Park

In the past, Cal Park, Inc has advanced funds to the Foundation for working capital and provided in-kind staff, computers, and other support services to the Foundation. During the year ended December 31, 2010, Cal Park provided contributions totaling \$45,072 to the Foundation. Also, Cal Park provided in-kind contributions totaling \$33,465. The Foundation's Executive Director is the sole shareholder of Cal Park, Inc.

Reconstruction Road

Reconstruction Road Ministries (RRM) is an outreach ministry operating under the auspices of the Rocky Mountain Conference of the United Methodist Church. In the past, RRM has made contributions to and advanced funds to the Foundation for working capital. There was no interest charged to the Foundation for the funds advanced. At December 31, 2010 the Foundation had a \$328 liability payable to RRM. For the year ended December 31, 2010, RRM made contributions to the Foundation totaling \$4,000. The Foundation's Executive Director is the Senior Pastor of RRM.

Epworth United Methodist Church

The Administrative Board of Epworth United Methodist Church (EUMC) provides oversight of all the Foundation's business and affairs. The Foundation's Executive Director is the Senior Pastor of EUMC. The following are a summary of the Foundation's activities and transactions with EUMC:

**THE EPWORTH FOUNDATION**  
**Notes to Financial Statements**  
(continued)

**NOTE 4 – TRANSACTIONS WITH RELATED ENTITIES (cont'd)**

- The Foundation does not compensate the Executive Director for the time expended on the Foundation's matters. It is estimated the value of these services provided during 2010 to the Foundation by the Church at no cost to the Foundation was \$16,065.
- The Church provided facilities, equipment and other services to the Foundation at no cost to the Foundation during 2010. The estimated value of the facilities and equipment during 2010 was \$14,920.
- The Foundation rents office space from the Church on a month-to-month basis at \$1,057 per month.
- EUMC has several contracts with the City and County of Denver and the State of Colorado to provide program services. EUMC has subcontracted with the Foundation for the Foundation to perform all the services required of these contracts. These contracts fund a significant percentage of the programs and services provided by the Foundation. See Note 5
- At December 31, 2010, EUMC had a balance of \$1,242 payable to the Foundation.

Directors and Officers

Over the past several years, the Executive Director and Secretary have advanced funds to the Foundation from time to time. At December 31, 2010, the Foundation had a liability to the Executive Director in the amount of \$4,080. During the year ended December 31, 2010, the Executive Director made contributions totaling \$6,000 and the Secretary of the board of directors made contributions totaling \$6,252.

Summary of Related Parties December 31, 2010 balances:

Reconstruction Road	\$ 328
Executive Director	9,840
Epworth U.M.C.	<u>(1,242)</u>
Total	<u><u>\$8,926</u></u>

**NOTE 5 – PROGRAMS AND SERVICES**

The Denver Feed-A-Family Thanksgiving Program

For the year ended December 31, 2010, The Foundation with the help of the Foundation's sponsors provided approximately 8,250 food baskets at Thanksgiving containing a

## THE EPWORTH FOUNDATION

### Notes to Financial Statements

(continued)

#### NOTE 5 – PROGRAMS AND SERVICES (cont'd)

complete traditional holiday meal, with sufficient food to feed five to eight people. More than 1,000 volunteers from the broader community participated in this annual event, which is held to commemorate the memory and spirit of giving of “Daddy Bruce” Randolph, the legendary Denver restaurateur who fed hundreds of hungry people each Thanksgiving.

#### The Five Points Family to Family Collaboration

The EUMC has a cost reimbursable contract with the City and County of Denver to provide services including; reducing the number of at risk children that are placed in foster care, increase the number of foster care children that are placed in homes in their communities, increase the number and rate of children reunited with their birth families and decrease the number of children re-entering placement in foster care. During the year ended December 31, 2010, EUMC received \$112,096 from the City and County of Denver under this contract. EUMC subcontracted with the Foundation to provide these services.

#### The Fatherhood Initiative

The Foundation has a program to provide services that bring fathers of all ages together in an inter-generation support group to help promote responsible fatherhood.

#### Talent Camp

The Foundation has a Talent Camp program that is held during the spring, summer and winter breaks from Denver Public Schools. The Program provides over 200 neighborhood youth between the ages of five and twelve the opportunity to experience the performing and fine arts including music, dance, photography, drama, sculpture and more. Wholesome meals are provided as the children learn from experienced tutors, practitioners, artists and teachers.

#### Food Bank

The Foundation’s Food Bank serves more than 1,000 people annually, opening its doors twice a week with the goal of providing enough healthy food for a family for two to five days.

**THE EPWORTH FOUNDATION**  
**Notes to Financial Statements**  
(continued)

**NOTE 5 – PROGRAMS SERVICES (cont’d)**

Youth

The Foundation has assisted youth ages sixteen to twenty in obtaining the vital documents (often lost during their time in the foster care system), for enrolling in higher education, obtaining employment, housing and help with other needs they face in transition to adulthood. The Foundation holds weekly sessions focused on helping youth. Facilitators educate youth on how they can make informed, correct choices.

Epworth Foundation HIV/AIDS Program

In response to the health disparity and the highest rate of infection from HIV/AIDS Epworth conducts an ongoing program to mobilize residents within its community to educate and equip people with the knowledge and information that can prevent the infection from happening, where to get help if infected, and help those infected with related issues.

**NOTE 6 – WRITE OFF OF UNCOLLECTED REVENUE**

At December 31, 2010, \$22,388 of accounts receivable were determined to be uncollectible and written off as bad debt expense.