



**FLORENCE CRITTENTON SERVICES OF COLORADO**

**Financial Statements  
and  
Independent Auditors' Report  
June 30, 2015 and 2014**

**EKS&H**  
AUDIT | TAX | CONSULTING

**FLORENCE CRITTENTON SERVICES OF COLORADO**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Florence Crittenton Services of Colorado  
Denver, Colorado

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Florence Crittenton Services of Colorado, which are comprised of the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these 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.

### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors  
Florence Crittenton Services of Colorado  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**OPINION**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florence Crittenton Services of Colorado as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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November 5, 2015  
Denver, Colorado

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Statements of Financial Position

	June 30,	
	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,718,036	\$ 1,042,176
Accounts receivable	74,454	102,979
Investments	1,180,299	1,112,153
Beneficial interest in perpetual trusts	155,155	164,782
Parent Pathways, Inc. Florence Crittenton Legacy Fund	35,353	34,989
Pledges receivable	374,491	469,267
Prepaid expenses and other assets	571,811	389,713
Property and equipment, net	<u>2,416,979</u>	<u>2,520,537</u>
Total assets	<u>\$ 6,526,578</u>	<u>\$ 5,836,596</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued liabilities	\$ 137,514	\$ 124,394
Accrued payroll expenses	135,251	148,247
Deferred revenue	4,000	23,500
Note payable	<u>385,722</u>	<u>433,848</u>
Total liabilities	<u>662,487</u>	<u>729,989</u>
Commitments and contingencies		
Net assets		
Unrestricted		
Board-designated - capital campaign	363,407	363,407
Unrestricted	<u>3,221,283</u>	<u>3,161,455</u>
	3,584,690	3,524,862
Temporarily restricted	2,101,077	1,393,794
Permanently restricted	<u>178,324</u>	<u>187,951</u>
Total net assets	<u>5,864,091</u>	<u>5,106,607</u>
Total liabilities and net assets	<u>\$ 6,526,578</u>	<u>\$ 5,836,596</u>

See notes to financial statements.

**FLORENCE CRITTENTON SERVICES OF COLORADO**

**Statements of Activities**

	For the Years Ended							
	June 30, 2015				June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support								
Gifts and grants								
Government grants	\$ 52,598	\$ -	\$ -	\$ 52,598	\$ 362,010	\$ -	\$ -	\$ 362,010
Individuals	220,280	194,830	-	415,110	492,443	149,348	-	641,791
Capital campaign	-	664,898	-	664,898	-	1,156,284	-	1,156,284
Foundations	195,226	379,100	-	574,326	235,462	471,477	-	706,939
Corporations	16,547	41,054	-	57,601	34,578	45,200	-	79,778
Mile High United Way	19,542	200,000	-	219,542	13,774	200,000	-	213,774
Other	-	364	-	364	-	3,937	-	3,937
Government contracts	1,723,637	-	-	1,723,637	1,447,867	-	-	1,447,867
Program service fees	302,007	-	-	302,007	138,565	-	-	138,565
Miscellaneous income	1,299	-	-	1,299	2,516	-	-	2,516
Special events, net of direct costs of \$55,677 (2015) and \$42,244 (2014)	140,621	-	-	140,621	91,692	-	-	91,692
In-kind services	278,150	-	-	278,150	359,879	-	-	359,879
Net assets released from restrictions due to satisfaction of expenditure requirements	<u>772,963</u>	<u>(772,963)</u>	<u>-</u>	<u>-</u>	<u>875,125</u>	<u>(875,125)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>3,722,870</u>	<u>707,283</u>	<u>-</u>	<u>4,430,153</u>	<u>4,053,911</u>	<u>1,151,121</u>	<u>-</u>	<u>5,205,032</u>
Expenses								
Program services	<u>2,936,852</u>	<u>-</u>	<u>-</u>	<u>2,936,852</u>	<u>2,875,567</u>	<u>-</u>	<u>-</u>	<u>2,875,567</u>
Support services								
Administration and general	221,211	-	-	221,211	269,225	-	-	269,225
Fundraising	325,008	-	-	325,008	364,922	-	-	364,922
Fundraising - capital campaign	<u>138,683</u>	<u>-</u>	<u>-</u>	<u>138,683</u>	<u>165,395</u>	<u>-</u>	<u>-</u>	<u>165,395</u>
Total support services	<u>684,902</u>	<u>-</u>	<u>-</u>	<u>684,902</u>	<u>799,542</u>	<u>-</u>	<u>-</u>	<u>799,542</u>
Total expenses	<u>3,621,754</u>	<u>-</u>	<u>-</u>	<u>3,621,754</u>	<u>3,675,109</u>	<u>-</u>	<u>-</u>	<u>3,675,109</u>
Change in net assets before net investment income, change in value of perpetual trusts, and depreciation	101,116	707,283	-	808,399	378,802	1,151,121	-	1,529,923
Net investment income	57,116	-	-	57,116	99,299	-	-	99,299
Change in value of perpetual trusts	-	-	(9,627)	(9,627)	-	-	10,499	10,499
Depreciation expense	<u>(98,404)</u>	<u>-</u>	<u>-</u>	<u>(98,404)</u>	<u>(123,002)</u>	<u>-</u>	<u>-</u>	<u>(123,002)</u>
Change in net assets	59,828	707,283	(9,627)	757,484	355,099	1,151,121	10,499	1,516,719
Net assets at beginning of year	<u>3,524,862</u>	<u>1,393,794</u>	<u>187,951</u>	<u>5,106,607</u>	<u>3,169,763</u>	<u>242,673</u>	<u>177,452</u>	<u>3,589,888</u>
Net assets at end of year	<u>\$ 3,584,690</u>	<u>\$ 2,101,077</u>	<u>\$ 178,324</u>	<u>\$ 5,864,091</u>	<u>\$ 3,524,862</u>	<u>\$ 1,393,794</u>	<u>\$ 187,951</u>	<u>\$ 5,106,607</u>

See notes to financial statements.

**FLORENCE CRITTENTON SERVICES OF COLORADO**

**Statement of Functional Expenses  
For the Year Ended June 30, 2015**

	<u>Program Services</u>				<u>Administration and Fundraising</u>		<u>Total Operational</u>	<u>Fundraising - Capital Campaign</u>	<u>Total</u>
	<u>Florence Crittenton School</u>	<u>Early Childhood Education Center</u>	<u>Student and Family Support Services Program</u>	<u>Total Program Services</u>	<u>Administration and General</u>	<u>Fundraising</u>			
Salaries	\$ 818,007	\$ 517,425	\$ 437,438	\$ 1,772,870	\$ 114,136	\$ 198,882	\$ 2,085,888	\$ -	\$ 2,085,888
Payroll taxes	77,113	40,643	33,983	151,739	9,043	14,936	175,718	-	175,718
Employee benefits	<u>135,210</u>	<u>152,421</u>	<u>76,253</u>	<u>363,884</u>	<u>22,401</u>	<u>28,472</u>	<u>414,757</u>	-	<u>414,757</u>
Total salaries and related expenses	1,030,330	710,489	547,674	2,288,493	145,580	242,290	2,676,363	-	2,676,363
Occupancy	88,603	44,060	12,172	144,835	7,878	8,972	161,685	-	161,685
Client support	124,273	41,508	7,947	173,728	-	-	173,728	-	173,728
Organizational costs	8,827	13,732	3,486	26,045	36,035	14,740	76,820	-	76,820
Interest expense	11,351	5,772	1,154	18,277	481	481	19,239	-	19,239
Consultants	6,852	3,774	5,897	16,523	15,716	22,469	54,708	134,208	188,916
Office costs	1,645	5,705	738	8,088	8,090	9,594	25,772	-	25,772
Staff development	898	3,776	5,457	10,131	6,891	3,259	20,281	-	20,281
Marketing/public relations	8,780	-	-	8,780	540	23,203	32,523	4,475	36,998
Other in-kind	<u>1,950</u>	<u>-</u>	<u>240,002</u>	<u>241,952</u>	<u>-</u>	<u>-</u>	<u>241,952</u>	<u>-</u>	<u>241,952</u>
	1,283,509	828,816	824,527	2,936,852	221,211	325,008	3,483,071	138,683	3,621,754
Depreciation	<u>57,437</u>	<u>29,791</u>	<u>5,841</u>	<u>93,069</u>	<u>2,901</u>	<u>2,434</u>	<u>98,404</u>	<u>-</u>	<u>98,404</u>
Total functional expenses	<u>\$ 1,340,946</u>	<u>\$ 858,607</u>	<u>\$ 830,368</u>	<u>\$ 3,029,921</u>	<u>\$ 224,112</u>	<u>\$ 327,442</u>	<u>\$ 3,581,475</u>	<u>\$ 138,683</u>	<u>\$ 3,720,158</u>

See notes to financial statements.

**FLORENCE CRITTENTON SERVICES OF COLORADO**

**Statement of Functional Expenses  
For the Year Ended June 30, 2014**

	<u>Program Services</u>				<u>Administration and Fundraising</u>		<u>Total Operational</u>	<u>Fundraising - Capital Campaign</u>	<u>Total</u>
	<u>Florence Crittenton School</u>	<u>Early Childhood Education Center</u>	<u>Student and Family Support Services Program</u>	<u>Total Program Services</u>	<u>Administration and General</u>	<u>Fundraising</u>			
Salaries	\$ 805,258	\$ 518,000	\$ 376,011	\$ 1,699,269	\$ 136,001	\$ 220,911	\$ 2,056,181	\$ -	\$ 2,056,181
Payroll taxes	76,417	37,540	31,102	145,059	10,527	16,141	171,727	-	171,727
Employee benefits	<u>127,915</u>	<u>132,061</u>	<u>72,740</u>	<u>332,716</u>	<u>13,796</u>	<u>33,500</u>	<u>380,012</u>	-	<u>380,012</u>
Total salaries and related expenses	1,009,590	687,601	479,853	2,177,044	160,324	270,552	2,607,920	-	2,607,920
Occupancy	108,508	65,663	15,216	189,387	35,663	31,958	257,008	-	257,008
Client support	98,240	33,805	15,721	147,766	-	227	147,993	-	147,993
Organizational costs	9,373	10,819	2,470	22,662	31,343	9,711	63,716	-	63,716
Interest expense	11,670	5,934	2,176	19,780	-	-	19,780	-	19,780
Consultants	7,090	7,640	655	15,385	21,798	18,116	55,299	159,255	214,554
Office costs	2,164	10,018	202	12,384	6,652	10,812	29,848	-	29,848
Staff development	397	2,603	1,947	4,947	7,538	2,148	14,633	-	14,633
Marketing/public relations	8,212	-	-	8,212	5,682	21,398	35,292	6,140	41,432
Other in-kind	-	-	<u>278,000</u>	<u>278,000</u>	<u>225</u>	<u>-</u>	<u>278,225</u>	<u>-</u>	<u>278,225</u>
	1,255,244	824,083	796,240	2,875,567	269,225	364,922	3,509,714	165,395	3,675,109
Depreciation	<u>61,931</u>	<u>40,879</u>	<u>11,546</u>	<u>114,356</u>	<u>8,646</u>	<u>-</u>	<u>123,002</u>	<u>-</u>	<u>123,002</u>
Total functional expenses	<u>\$ 1,317,175</u>	<u>\$ 864,962</u>	<u>\$ 807,786</u>	<u>\$ 2,989,923</u>	<u>\$ 277,871</u>	<u>\$ 364,922</u>	<u>\$ 3,632,716</u>	<u>\$ 165,395</u>	<u>\$ 3,798,111</u>

See notes to financial statements.



# FLORENCE CRITTENTON SERVICES OF COLORADO

## Statements of Cash Flows

	For the Years Ended June 30,	
	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 757,484	\$ 1,516,719
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	98,404	123,002
Net unrealized gain on investments	(21,891)	(68,159)
Net realized gain on investments	(25,171)	(22,065)
Change in value of beneficial interest in perpetual trusts	9,627	(10,499)
Loss on disposal of property and equipment	5,154	-
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	28,525	(8,526)
Decrease (increase) in capital campaign pledges receivable	94,776	(326,267)
Increase in prepaid expenses and other assets	(182,098)	(319,463)
Increase in accounts payable and accrued liabilities	13,120	37,565
(Decrease) increase in accrued payroll expenses	(12,996)	9,341
(Decrease) increase in deferred revenue	(19,500)	19,000
	(12,050)	(566,071)
Net cash provided by operating activities	745,434	950,648
Cash flows from investing- activities		
Net purchases of investments	(21,084)	(18,543)
Increase in endowment fund	(364)	(3,937)
Decrease in beneficial interest in perpetual trusts	-	1,369
Net cash used in investing activities	(21,448)	(21,111)
Cash flows from financing activities		
Repayment of note payable	(48,126)	(45,915)
Net cash used in financing activities	(48,126)	(45,915)
Net increase in cash and cash equivalents	675,860	883,622
Cash and cash equivalents at beginning of year	1,042,176	158,554
Cash and cash equivalents at end of year	\$ 1,718,036	\$ 1,042,176

Supplemental disclosure of cash flow information and non-cash activity:

Interest paid was \$19,425 and \$21,638 for the years ended June 30, 2015 and 2014, respectively.

Florence Crittenton Services of Colorado received services and education materials from Denver Public Schools of \$1,114,496 and \$1,092,642 for the years ended June 30, 2015 and 2014, respectively.

See notes to financial statements.

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

### Note 1 - Organization and Summary of Significant Accounting Policies

#### Organization

Florence Crittenton Services of Colorado (the "Organization") is a community-based, non-profit organization with over 100 years of experience in providing quality programs to families in metro Denver. The Organization's mission is to educate, prepare, and empower teen mothers to be productive members of the community using a holistic and proven approach. The Organization offers a spectrum of wraparound services for the entire teen family.

The Organization's service components include:

**Florence Crittenton Services** operates in a close partnership with Denver Public Schools ("DPS") to provide comprehensive support services and education for pregnant and parenting teen mothers. The young mothers earn credits toward graduation from high school, learn parenting and job skills, establish workable career plans, and build their self-esteem. The Organization operates an on-site **Early Childhood Education Center** ("ECEC") for the children of the teen mothers. Through the **Student and Family Support Services Program**, which includes the **Family Engagement Center**, the Organization offers a comprehensive array of integrated services to help family members, including young fathers, learn how to best support the young mothers.

#### Basis of Presentation

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

#### Financial Statement Presentation

The Organization 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.

Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the Organization's programs and those resources invested in property and equipment.

Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes, or programs.

Permanently restricted amounts are assets that must be maintained permanently by the Organization as required by the donor, but the Organization is permitted to use or expend part or all of any income derived from those assets.

#### Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio or otherwise encumbered.

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Accounts Receivable

Accounts receivable represent amounts due resulting from services provided under contracts. The allowance for doubtful accounts is based upon past experience and an analysis of current accounts receivable collectibility. Accounts deemed uncollectible are charged to the allowance in the year they are determined uncollectible. Accounts receivable are considered to be past due based on how recently payments have been received. As of June 30, 2015 and 2014, management has determined that accounts receivable are fully collectible and an allowance for doubtful accounts is not considered necessary.

#### Investments

The Organization is required to report investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with realized and unrealized gains and losses included in the statements of activities.

#### Trust Agreements

Certain donors have entered into perpetual trust agreements whereby the Organization receives benefits that are shared with other beneficiaries. Amortization of discounts and revaluations of expected future payments based on changes in life expectancy are recorded in the statements of activities as change in value of perpetual trusts.

#### Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of money market accounts and investment securities. The Organization places its money market accounts with creditworthy, high-quality financial institutions. A significant portion of the funds is not insured by the FDIC. The Organization has investments in equity and debt securities and is, therefore, subject to credit risk. Investments are made by investment managers engaged by the Organization, and the investments are monitored by the Board of Directors and management of the Organization. Though the market values of investments are subject to fluctuation on a year-to-year basis, the Board of Directors believes that the investment policy is prudent for the long-term welfare of the Organization.

#### Pledges Receivable

Pledges receivable relating to the capital campaign, which management began incurring costs and receiving pledges for in fiscal year 2013, that are expected to be collected within one year are recorded at their net realizable values. Pledges receivable relating to the capital campaign that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

### Note 1 - Organization and Summary of Significant Accounting Policies (continued)

#### Property and Equipment

Property and equipment are stated at cost or, if donated, at the fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years. Donated property and equipment is classified as a temporarily restricted asset at the time of the donation. The asset is released over the estimated useful life with the recognition of depreciation. The Organization capitalizes all fixed asset purchases over \$5,000 with an estimated useful life of three years or more.

#### Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Organization looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. Through June 30, 2015, no impairment has been deemed necessary.

#### Deferred Revenue

Registration fees and other receipts relating to future years are deferred and recognized as revenue in the applicable future period when the related services are provided and expenses are incurred.

#### In-Kind Services

In-kind services are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. The value of donated services was \$278,150 and \$359,879 for the years ended June 30, 2015 and 2014, respectively. In-kind services consist primarily of medical, dental, immunization, rent, and counseling services.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific program tasks. No amounts have been reflected in the financial statements for these in-kind services since the volunteers' time does not meet the criteria for recognition.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and qualifies for the charitable contribution deduction. Accordingly, no provision for income taxes is made in these financial statements. Income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization did not have any significant unrelated business income during the years ended June 30, 2015 and 2014.

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Income Taxes (continued)

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2015 and 2014. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expense. No interest or penalties have been assessed as of June 30, 2015 and 2014.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions 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 revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

#### Subsequent Events

The Organization has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available for issuance, noting no events requiring disclosure.

### **Note 2 - Capital Campaign and Redevelopment Project**

During the year ended June 30, 2013, the Organization commenced a three-year capital campaign, "Building for Teen Family Success," in order to raise funds for construction and remodeling of the buildings currently used by the Organization. For the years ended June 30, 2015 and 2014, the Organization raised approximately \$665,000 and \$1,156,000, respectively, for the capital campaign. Total cumulative amounts pledged and received through June 30, 2015 and 2014 were approximately \$1,965,000 and \$1,300,000 respectively.

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

### **Note 2 - Capital Campaign and Redevelopment Project (continued)**

The ECEC, Life Skills classrooms, and the administrative offices are located at 96 S. Zuni. The redevelopment project consists of construction and remodeling by DPS of the building at 55 S. Zuni to become the new high school building and school-based health center. DPS expects to incur \$6,000,000 in costs for the redevelopment of the school and purchase of the existing building and land. The Organization's capital campaign goal is to raise \$2,800,000. As of August 31, 2015, approximately \$2,700,000 had been raised for the capital campaign. The Early Childhood Education Center was opened in time for the first day of the 2015-16 school year. The administrative offices remain under construction and are expected to be ready for occupancy mid-October 2015. This will provide for the expansion of the ECEC, remodel the family services center, Life Skills classrooms, and administrative offices all located at 96 S. Zuni. The campaign also provides dollars for capacity building and fundraising costs of the campaign.

On August 15, 2013, the Organization assigned its purchase option to DPS on the building at 55 S. Zuni Street so DPS could purchase it for \$975,000. On October 16, 2013, DPS exercised the option and the building was purchased. DPS allowed the Organization to use the building without paying rent through July 2014, at which time the building was vacated in order to begin construction on the new school building and the Organization moved back into its own building.

### **Note 3 - Investments**

Investments are stated at fair value and are composed of the following:

	June 30,	
	2015	2014
Equity holdings	\$ 660,906	\$ 588,528
Corporate bonds	132,592	162,490
Money market funds	386,801	361,135
Total investments	\$ 1,180,299	\$ 1,112,153

Investments are recorded in unrestricted net assets.

Investment return is summarized as follows:

	For the Years Ended June 30,	
	2015	2014
Dividends, interest, and investment income	\$ 16,434	\$ 15,840
Net realized gains	25,171	22,065
Net unrealized gains	21,891	68,159
Less investment management fees	(8,064)	(7,516)
Total investment income	\$ 55,432	\$ 98,548

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

### **Note 3 - Investments (continued)**

Additionally, during the years ended June 30, 2015 and 2014, the Organization earned interest income of \$1,684 and \$751, respectively, on its cash and cash equivalents.

### **Note 4 - Beneficial Interest in Perpetual Trusts**

The Organization receives net income from certain perpetual trusts but will never receive the assets of these trusts. Distributions from these trusts are restricted for the Florence Crittenton School. The beneficial interest in these perpetual trusts, recorded as permanently restricted net assets, was \$155,155 and \$164,782 at June 30, 2015 and 2014, respectively.

### **Note 5 - Endowment Funds**

#### **The Parent Pathways, Inc. Florence Crittenton Legacy Fund**

During 2006, the Organization transferred funds from an investment account to The Denver Foundation (the "Foundation") to be administered by the Foundation. The endowment fund is named The Parent Pathways, Inc. Florence Crittenton Legacy Fund. Income from the fund must be used to support the operation of the Florence Crittenton School. The Organization is entitled to receive 5% of the endowment fund in equal quarterly distributions based on the value of the fund as of December 31 of the preceding calendar year.

#### **The Helen McLoraine Parent Pathways, Inc. Endowment Fund**

During 2006, the Organization was named the beneficiary of The Helen McLoraine Parent Pathways, Inc. Endowment Fund with a \$1,000,000 endowment held and administered by the Foundation. This endowment fund was contributed directly to the Foundation and is not shown as an asset of the Organization. The endowment was created initially to fund the program improvements and operations of the ECEC but may be used to fund other aspects of the Organization's activities. The Organization is entitled to 5% of the endowment as valued on December 31 of the preceding calendar year. Distributions are paid equally, quarterly. For the years ended June 30, 2015 and 2014, the Organization received \$38,850 and \$50,445 in endowment distributions, respectively, that are included in gifts and grants from foundations. The value of the fund was \$996,038 and \$1,032,248 at June 30, 2015 and 2014, respectively.

### **Note 6 - Pledges Receivable**

Pledges receivable for the capital campaign consist of the following at June 30, 2015:

Due in less than one year	\$ 266,669
Due in one to three years	<u>107,822</u>
	<u>\$ 374,491</u>

**FLORENCE CRITTENTON SERVICES OF COLORADO**

**Notes to Financial Statements**

**Note 6 - Pledges Receivable (continued)**

No discount to present value has been recorded on promises to give over more than one year, as the amount would have been insignificant. As of June 30, 2015, there is no allowance for uncollectible pledges as management deems all pledges receivable to be collectible.

**Note 7 - Property and Equipment**

The Organization's property and equipment are comprised of the following:

	June 30.	
	2015	2014
Buildings and improvements	\$ 3,511,288	\$ 3,627,007
Furniture and equipment	700,895	770,773
Land	200,400	200,400
	4,412,583	4,598,180
Less accumulated depreciation	1,995,604	2,077,643
	\$ 2,416,979	\$ 2,520,537

**Note 8 - Note Payable and Line-of-Credit**

Note payable consists of the following:

	June 30.	
	2015	2014
Note payable with an original principal balance of \$1,500,000 due in monthly principal and interest installments of \$5,629; interest is 4.65% until the loan matures. Final payment of the unpaid principal balance and accrued interest is due February 2022, collateralized by certain property, subject to certain loan covenants described below.	\$ 385,722	\$ 433,848

Future payments consist of the following:

**For the Year Ending June 30.**

2016	\$ 50,399
2017	52,873
2018	55,420
2019	58,090
2020	60,873
Thereafter	108,067
	\$ 385,722



# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

### Note 8 - Note Payable and Line-of-Credit (continued)

#### Loan Covenants

In connection with its financing, the Organization must meet certain loan covenants, including the requirement for the Organization's annual cash flow to not be less than its annual required debt payments (debt servicing ratio as defined in the agreement). If this condition is not met, then the Organization's non-restricted liquid assets cannot be less than \$500,000. For the years ended June 30, 2015 and 2014, the Organization was in compliance with the loan covenants.

#### Operating Line-of-Credit

The Organization has an unsecured \$200,000 operating line-of-credit agreement with a bank, which expires December 2015. The line-of-credit agreement requires monthly interest payments at the greater of the prime rate plus 1% or 5% (5% at June 30, 2015). Additionally, the Organization must maintain a minimum of \$500,000 in non-restricted liquid investments during the term of the line-of-credit. There were no amounts outstanding under this line-of-credit agreement at June 30, 2015 or 2014.

### Note 9 - Temporarily and Permanently Restricted Net Assets

The temporarily restricted net assets represent the net proceeds of donations that have been restricted by the donors to be used only for the following purposes:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Capital Campaign	\$ 1,965,058	\$ 1,300,284
Florence Crittenton School	37,788	14,452
Early Childhood Education Center	50,031	29,877
Student and Family Support Services Program	34,023	35,368
Unexpended earnings on endowment fund	14,177	13,813
	<u>\$ 2,101,077</u>	<u>\$ 1,393,794</u>

Net assets released from restriction consisted of the following:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Florence Crittenton School	\$ 50,921	\$ 112,513
Early Childhood Education Center	309,079	330,472
Student and Family Support Services Program	212,963	228,979
United Way	200,000	200,000
Capacity building	-	3,161
	<u>\$ 772,963</u>	<u>\$ 875,125</u>

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

### **Note 9 - Temporarily and Permanently Restricted Net Assets (continued)**

The permanently restricted net assets represent the net proceeds of donations that have been restricted by the donors to be used only for the following purposes:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Beneficial interest in perpetual trusts	\$ 155,155	\$ 164,782
Parent Pathways, Inc. Florence Crittenton Legacy Fund	<u>23,169</u>	<u>23,169</u>
	<u>\$ 178,324</u>	<u>\$ 187,951</u>

### **Note 10 - Retirement Plan**

The Organization sponsors a tax-deferred employee retirement plan (the "Plan") under the provisions of IRC Section 401(k). All permanent full-time employees and part-time employees, who work at least half-time, are eligible to participate in the Plan on the first day of the calendar month after they have 30 days of employment. Participants are eligible to contribute up to 15% of their earnings. Under the Plan, the Organization makes a contribution for all employees who have completed 6 months of service in an amount equal to 50% of the employee's contributions, up to 3% of the employee's annual salary. The Organization may also make a discretionary contribution of up to 2% of the employee's annual salary, to be determined annually, without regard to employee contributions. The Organization made matching contributions of \$18,514 and \$17,655 during the years ended June 30, 2015 and 2014, respectively.

### **Note 11 - Fair Value Measurements**

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under this guidance are described below:

- Level 1: Quoted prices in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2: Observable prices that are based on inputs not quoted in active markets, but are corroborated by market data; or
- Level 3: Unobservable inputs in which there is little or no market data, which requires the reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measure. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

### Note 11 - Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value:

*Money market funds and equity holdings:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Corporate bonds:* Valued based on prices currently available on comparable securities.

*Endowment fund held at The Denver Foundation:* Recorded at the amount provided by The Denver Foundation, which is based upon the fair value of the marketable securities underlying the fund.

There were no changes to the valuation methodologies during the year ended June 30, 2015.

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets measured on a recurring basis at fair value as of June 30, 2015:

Description	Level 1	Level 2	Level 3	Total
Equity holdings	\$ 660,906	\$ -	\$ -	\$ 660,906
Corporate bonds	-	132,592	-	132,592
Money market funds	386,801	-	-	386,801
Endowment fund held at The Denver Foundation	-	-	35,353	35,353
<b>Total</b>	<b>\$ 1,047,707</b>	<b>\$ 132,592</b>	<b>\$ 35,353</b>	<b>\$ 1,215,652</b>

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets measured on a recurring basis at fair value as of June 30, 2014:

Description	Level 1	Level 2	Level 3	Total
Equity holdings	\$ 588,528	\$ -	\$ -	\$ 588,528
Corporate bonds	-	162,490	-	162,490
Money market funds	361,135	-	-	361,135
Endowment fund held at The Denver Foundation	-	-	34,989	34,989
<b>Total</b>	<b>\$ 949,663</b>	<b>\$ 162,490</b>	<b>\$ 34,989</b>	<b>\$ 1,147,142</b>

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

### Note 11 - Fair Value Measurements (continued)

#### Level 3 Investments

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 34,989	\$ 31,052
Total gains (realized/unrealized) included in earnings	<u>364</u>	<u>3,937</u>
Ending balance	<u>\$ 35,353</u>	<u>\$ 34,989</u>

### Note 12 - Commitments

#### Operating Leases

The Organization leases equipment under non-cancelable operating leases through 2020. Rent expense for the years ended June 30, 2015 and 2014 was approximately \$11,000 and \$81,000, respectively.

Future minimum lease payments under these leases are approximately as follows:

#### For the Year Ending June 30,

2016	\$ 8,600
2017	9,400
2018	9,400
2019	9,400
2020	9,400
Thereafter	<u>3,100</u>
	<u>\$ 49,300</u>