



FLORENCE CRITTENTON SERVICES OF COLORADO

**Financial Statements
and
Independent Auditors' Report
June 30, 2017 and 2016**

EKS&H

FLORENCE CRITTENTON SERVICES OF COLORADO

Table of Contents

	<u>Page</u>
Independent Auditors' Report.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8



8181 East Tufts Avenue, Suite 600
Denver, Colorado 80237-2521
P: 303-740-9400
F: 303-740-9009
www.EKSH.com

EKS&H LLLP

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Florence Crittenton Services of Colorado (the "Organization"), which are comprised of the statements of financial position as of June 30, 2017 and 2016, 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 audit 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Florence Crittenton Services of Colorado
Page Two

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, 2017 and 2016, 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.

EKS&H LLLP
EKS&H LLLP

October 19, 2017
Denver, Colorado

FLORENCE CRITTENTON SERVICES OF COLORADO

Statements of Financial Position

	June 30,	
	2017	2016
Assets		
Cash and cash equivalents	\$ 568,911	\$ 1,743,343
Restricted cash	555,983	510,000
Accounts receivable	26,870	62,690
Investments	1,381,085	1,193,280
Beneficial interest in perpetual trusts	144,939	139,223
Endowment investments	64,737	34,109
Pledges receivable	84,979	160,051
Prepaid expenses and other assets	31,114	11,083
Property and equipment, net	4,203,436	4,374,563
Total assets	\$ 7,062,054	\$ 8,228,342
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 154,865	\$ 1,441,942
Accrued payroll expenses	249,444	191,132
Deferred revenue	45,845	44,873
Note payable	282,450	335,323
Total liabilities	732,604	2,013,270
Commitments and contingencies		
Net assets		
Unrestricted		
Board-designated - capital campaign	363,407	363,407
Unrestricted	4,644,825	4,574,221
	5,008,232	4,937,628
Temporarily restricted	1,153,110	1,115,052
Permanently restricted	168,108	162,392
Total net assets	6,329,450	6,215,072
Total liabilities and net assets	\$ 7,062,054	\$ 8,228,342

See notes to financial statements.

FLORENCE CRITTENTON SERVICES OF COLORADO

Statements of Activities

	For the Years Ended							
	June 30, 2017			June 30, 2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support								
Gifts and grants								
Government grants	\$ 48,974	\$ -	\$ -	\$ 48,974	\$ 54,362	\$ -	\$ -	\$ 54,362
Individuals	219,838	189,716	-	409,554	159,480	210,031	-	369,511
Capital campaign	-	502	-	502	-	331,186	-	331,186
Foundations and institutions	404,973	618,731	-	1,023,704	536,038	582,388	-	1,118,426
Mile High United Way	15,684	200,000	-	215,684	16,316	200,000	-	216,316
Other specified giving	-	57,135	-	57,135	-	6,982	-	6,982
Government contracts	2,369,554	-	-	2,369,554	2,389,347	-	-	2,389,347
Program service fees	383,635	-	-	383,635	293,514	-	-	293,514
Miscellaneous income	4,810	-	-	4,810	13,574	-	-	13,574
Special events, net of direct costs of \$47,798 (2017) and \$60,879 (2016)	126,152	-	-	126,152	126,330	-	-	126,330
Net assets released from restrictions due to satisfaction of expenditure requirements	<u>1,028,026</u>	<u>(1,028,026)</u>	<u>-</u>	<u>-</u>	<u>2,316,612</u>	<u>(2,316,612)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>4,601,646</u>	<u>38,058</u>	<u>-</u>	<u>4,639,704</u>	<u>5,905,573</u>	<u>(986,025)</u>	<u>-</u>	<u>4,919,548</u>
Expenses								
Program services	<u>3,941,419</u>	<u>-</u>	<u>-</u>	<u>3,941,419</u>	<u>3,747,525</u>	<u>-</u>	<u>-</u>	<u>3,747,525</u>
Support services								
Administration and general	264,158	-	-	264,158	265,807	-	-	265,807
Fundraising	391,628	-	-	391,628	367,657	-	-	367,657
Fundraising - capital campaign	-	-	-	-	7,595	-	-	7,595
Total support services	<u>655,786</u>	<u>-</u>	<u>-</u>	<u>655,786</u>	<u>641,059</u>	<u>-</u>	<u>-</u>	<u>641,059</u>
Total expenses	<u>4,597,205</u>	<u>-</u>	<u>-</u>	<u>4,597,205</u>	<u>4,388,584</u>	<u>-</u>	<u>-</u>	<u>4,388,584</u>
Change in net assets before net investment income, change in value of perpetual trusts, and depreciation	4,441	38,058	-	42,499	1,516,989	(986,025)	-	530,964
Net investment income	232,292	-	-	232,292	15,581	-	-	15,581
Change in value of perpetual trusts	-	-	5,716	5,716	-	-	(15,932)	(15,932)
Depreciation expense	<u>(166,129)</u>	<u>-</u>	<u>-</u>	<u>(166,129)</u>	<u>(179,632)</u>	<u>-</u>	<u>-</u>	<u>(179,632)</u>
Change in net assets	70,604	38,058	5,716	114,378	1,352,938	(986,025)	(15,932)	350,981
Net assets at beginning of year	<u>4,937,628</u>	<u>1,115,052</u>	<u>162,392</u>	<u>6,215,072</u>	<u>3,584,690</u>	<u>2,101,077</u>	<u>178,324</u>	<u>5,864,091</u>
Net assets at end of year	<u>\$ 5,008,232</u>	<u>\$ 1,153,110</u>	<u>\$ 168,108</u>	<u>\$ 6,329,450</u>	<u>\$ 4,937,628</u>	<u>\$ 1,115,052</u>	<u>\$ 162,392</u>	<u>\$ 6,215,072</u>

See notes to financial statements.

FLORENCE CRITTENTON SERVICES OF COLORADO

**Statement of Functional Expenses
For the Year Ended June 30, 2017**

	<u>Program Services</u>			<u>Administration and Fundraising</u>			
	<u>Florence Crittenton School</u>	<u>Early Childhood Education Center</u>	<u>Student and Family Support Program</u>	<u>Total Program Services</u>	<u>Administration and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,130,764	\$ 818,009	\$ 458,485	\$ 2,407,258	\$ 145,965	\$ 258,808	\$ 2,812,031
Payroll taxes	103,000	58,445	33,342	194,787	11,435	19,309	225,531
Employee benefits	<u>214,900</u>	<u>134,845</u>	<u>52,279</u>	<u>402,024</u>	<u>22,090</u>	<u>29,612</u>	<u>453,726</u>
Total salaries and related expenses	1,448,664	1,011,299	544,106	3,004,069	179,490	307,729	3,491,288
Occupancy	-	222,598	82,498	305,096	7,028	14,099	326,223
Client support	215,560	102,562	230,949	549,071	-	-	549,071
Organizational costs	2,895	17,472	7,937	28,304	64,947	11,068	104,319
Interest expense	-	10,855	2,895	13,750	289	434	14,473
Consultants	-	-	250	250	3,030	8,225	11,505
Office costs	-	14,843	1,729	16,572	1,269	16,193	34,034
Staff development	-	8,459	10,003	18,462	6,716	5,060	30,238
Marketing/public relations	-	-	<u>5,845</u>	<u>5,845</u>	<u>1,389</u>	<u>28,820</u>	<u>36,054</u>
	<u>1,667,119</u>	<u>1,388,088</u>	<u>886,212</u>	<u>3,941,419</u>	<u>264,158</u>	<u>391,628</u>	<u>4,597,205</u>
Depreciation	-	<u>120,546</u>	<u>37,546</u>	<u>158,092</u>	<u>3,215</u>	<u>4,822</u>	<u>166,129</u>
Total functional expenses	<u>\$ 1,667,119</u>	<u>\$ 1,508,634</u>	<u>\$ 923,758</u>	<u>\$ 4,099,511</u>	<u>\$ 267,373</u>	<u>\$ 396,450</u>	<u>\$ 4,763,334</u>

See notes to financial statements.

FLORENCE CRITTENTON SERVICES OF COLORADO

**Statement of Functional Expenses
For the Year Ended June 30, 2016**

	<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 Program</u>	<u>Total Program Services</u>	<u>Administration and General</u>	<u>Fundraising</u>			
Salaries	\$ 1,179,499	\$ 714,847	\$ 407,215	\$ 2,301,561	\$ 162,519	\$ 259,907	\$ 2,723,987	\$ -	\$ 2,723,987
Payroll taxes	100,258	51,764	29,544	181,566	11,434	19,648	212,648	-	212,648
Employee benefits	<u>253,592</u>	<u>114,018</u>	<u>67,752</u>	<u>435,362</u>	<u>25,478</u>	<u>27,555</u>	<u>488,395</u>	-	<u>488,395</u>
Total salaries and related expenses	1,533,349	880,629	504,511	2,918,489	199,431	307,110	3,425,030	-	3,425,030
Occupancy	-	186,249	72,959	259,208	3,975	10,636	273,819	-	273,819
Client support	238,497	74,220	190,142	502,859	-	-	502,859	-	502,859
Organizational costs	-	12,420	4,376	16,796	44,351	13,734	74,881	-	74,881
Interest expense	-	11,871	4,238	16,109	339	509	16,957	-	16,957
Consultants	-	-	-	-	3,095	-	3,095	-	3,095
Office costs	-	15,769	1,876	17,645	2,700	15,494	35,839	-	35,839
Staff development	-	3,747	4,332	8,079	10,705	2,180	20,964	-	20,964
Marketing/public relations	-	-	<u>8,340</u>	<u>8,340</u>	<u>1,211</u>	<u>17,994</u>	<u>27,545</u>	<u>7,595</u>	<u>35,140</u>
	<u>1,771,846</u>	<u>1,184,905</u>	<u>790,774</u>	<u>3,747,525</u>	<u>265,807</u>	<u>367,657</u>	<u>4,380,989</u>	<u>7,595</u>	<u>4,388,584</u>
Depreciation	-	<u>122,593</u>	<u>39,526</u>	<u>162,119</u>	<u>8,751</u>	<u>8,762</u>	<u>179,632</u>	-	<u>179,632</u>
Total functional expenses	<u>\$ 1,771,846</u>	<u>\$ 1,307,498</u>	<u>\$ 830,300</u>	<u>\$ 3,909,644</u>	<u>\$ 274,558</u>	<u>\$ 376,419</u>	<u>\$ 4,560,621</u>	<u>\$ 7,595</u>	<u>\$ 4,568,216</u>

See notes to financial statements.

FLORENCE CRITTENTON SERVICES OF COLORADO

Statements of Cash Flows

	For the Years Ended	
	June 30,	
	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 114,378	\$ 350,981
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	166,129	179,632
Contributions for capital campaign	(502)	(331,186)
Net realized and unrealized gain on investments	(219,476)	(6,743)
Change in value of beneficial interest in perpetual trusts	(5,716)	15,932
Disposal of property and equipment	4,998	-
Changes in assets and liabilities		
Decrease in accounts receivable	35,820	11,764
Decrease in capital campaign pledges receivable	75,072	214,440
(Increase) decrease in prepaid expenses and other assets	(20,031)	9,180
Increase (decrease) in accounts payable and accrued liabilities	41,851	(24,500)
Increase in accrued payroll expenses	58,312	55,881
Increase in deferred revenue	972	40,873
	137,429	165,273
Net cash provided by operating activities	251,807	516,254
Cash flows from investing activities		
Net sales (purchases) of investments	31,671	(6,238)
(Increase) decrease in endowment fund	(30,628)	1,244
Purchases of property and equipment	-	(256,740)
Payment on financed capital expenditures	(1,328,928)	-
Net cash used in investing activities	(1,327,885)	(261,734)
Cash flows from financing activities		
Repayment of note payable	(52,873)	(50,399)
Contributions for capital campaign	502	331,186
Net cash (used in) provided by financing activities	(52,371)	280,787
Net (decrease) increase in cash, cash equivalents, and restricted cash	(1,128,449)	535,307
Cash, cash equivalents, and restricted cash at beginning of year	2,253,343	1,718,036
Cash, cash equivalents, and restricted cash at end of year	\$ 1,124,894	\$ 2,253,343

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

Interest paid was \$14,678 and \$17,154 for the years ended June 30, 2017 and 2016, respectively.

Florence Crittenton Services of Colorado received services and education materials from Denver Public Schools of \$1,664,225 and \$1,771,846 for the years ended June 30, 2017 and 2016, respectively.

As of June 30, 2016, the Organization financed \$1,328,928 of capital expenditures through accounts payable, the final amount payable to Denver Public Schools for construction of the new facility.

During the year ended June 30, 2016, the Organization transferred \$551,548 of prepaid expenses and other assets related to construction-in-progress to property and equipment.

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 and their children 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 ("FCS") 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 Program**, which includes the **Family Resource 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.

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

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

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment reduces the classes of net assets to *net assets with donor restrictions* and *net assets without donor restrictions*; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for the Organization for the year ended June 30, 2019 with early adoption allowed. Entities should apply the amendment in this update retrospectively to all periods presented. Management of the Organization is evaluating the impact that this ASU will have on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes current revenue recognition requirements and industry-specific guidance. The codification was amended through additional ASUs and, as amended, requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. The Organization is required to adopt the new standard in 2019 and may adopt either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption using one of two retrospective application methods. The Organization is continuing to evaluate the provisions of this new guidance and has not determined the impact this standard may have on its financial condition, change in net assets, cash flows, and related disclosures or decided upon the method of adoption.

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.

Restricted Cash

The Organization has established restricted cash accounts to segregate cash related to temporarily restricted activities. For the years ended June 30, 2017 and 2016, the Organization's restricted cash balances were \$555,983 and \$510,000, respectively.

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

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

Fiscal Agent

The Organization was appointed the fiscal agent for The Colorado Teen Parent Collaborative ("TPC") in 2016. The TPC, founded in 2015, is a unified community of organizations driven by the strength of teen parents to raise public awareness, share resources, and advocate for public policy that benefits teen parents and their children. As an active member of the TPC, the Organization is able to provide resources to facilitate the fiscal agency, administering grants received and paying expenses incurred by the collaborative. These funds are held as restricted cash with the corresponding liability included in accounts payable. The balance was \$45,983 and \$0 at June 30, 2017 and 2016, respectively.

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, 2017 and 2016, 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.

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

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

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.

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 5 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, 2017, 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

Many individuals and companies volunteer their time and perform a variety of tasks that benefit the Organization. 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.

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

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

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, 2017 and 2016.

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, 2017 and 2016. 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, 2017 and 2016.

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 2016 financial statements have been reclassified to conform to the 2017 presentation.

Subsequent Events

The Organization has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued. Except as disclosed in Note 5, there were no material subsequent events that required recognition or disclosure in the financial statements.

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

Note 2 - Capital Campaign and Redevelopment

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. The Organization concluded the capital campaign in January 2016. For the years ended June 30, 2017 and 2016, the Organization raised approximately \$1,000 and \$331,000, respectively, for the capital campaign. Total cumulative amounts pledged and received through June 30, 2017 and 2016 were approximately \$2,297,000 and \$2,296,000, respectively. As of June 30, 2017, the Organization received total pledges and board-designated funding of approximately \$2,860,000, exceeding the capital campaign goal set in 2013.

The ECEC, Life Skills classrooms, and Administrative Offices are located at 96 S. Zuni. The High School and School-Based Health Center ("SBHC") are located at 55 S. Zuni. DPS funded the construction of the High School building and managed the construction of the 96 S. Zuni building on behalf of FCS. The project was extensive and included not only a new High School, but also the SBHC, complete remodel of the 96 S. Zuni building, new ECEC playgrounds, and common space to connect the buildings and create a cohesive campus. The expanded ECEC was open for the first day of the 2015-16 Academic year, and the Administration wing was completed in late October 2015.

The capital campaign also covered all fundraising costs of the campaign and provided dollars for future capacity building. The Wombacher Child Care Service Fund ("Wombacher Fund") will fund future operating costs as a result of the ECEC program expansion. The balance in the Wombacher Fund was \$510,000 at June 30, 2017 and June 30, 2016. The temporarily restricted capital campaign amounts disclosed in Note 9 will be released as these purposes are fulfilled.

Note 3 - Investments

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

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Equity holdings	\$ 1,015,556	\$ 638,255
Corporate bonds	331,982	80,164
Money market funds	<u>33,547</u>	<u>474,861</u>
Total investments	<u>\$ 1,381,085</u>	<u>\$ 1,193,280</u>

Investments are recorded in unrestricted net assets.

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

Note 3 - Investments (continued)

Investment return is summarized as follows:

	For the Years Ended June 30,	
	2017	2016
Dividends, interest, and investment income	\$ 20,359	\$ 14,754
Net realized and unrealized gains	219,476	6,743
Less investment management fees	<u>(8,608)</u>	<u>(8,517)</u>
Total investment income	<u>\$ 231,227</u>	<u>\$ 12,980</u>

Additionally, during the years ended June 30, 2017 and 2016, the Organization earned interest income of \$1,065 and \$2,601, 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 ECEC. The beneficial interest in these perpetual trusts, recorded as permanently restricted net assets, was \$144,939 and \$139,223 at June 30, 2017 and 2016, 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 ECEC. 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. No distributions were taken from the Legacy Fund in the years ended June 30, 2017 and 2016.

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

Note 5 - Endowment Funds (continued)

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, 2017 and 2016, the Organization received \$48,675 and \$50,779 in endowment distributions, respectively, that are included in gifts and grants. The value of the fund was \$977,950 and \$903,180 at June 30, 2017 and 2016, respectively.

The Dorothea Hogue Endowment Fund

During 2017, the Organization started an Endowment Campaign, with the intent to raise funds for a permanent endowment to be held by the Rose Community Foundation ("RCF"). The endowment was named The Dorothea Hogue Endowment Fund (the "Hogue Fund"). Income from the fund must be used to support the operations of Florence Crittenton. The Organization is entitled to receive 5% of the fund balance at December 31 annually. No distributions were received from the Hogue Fund during the year ended June 30, 2017.

An unanticipated bequest of \$375,000 was received by the Organization in July 2017. At the recommendation of the Development and Business committees, the Board of Directors approved the transfer of this bequest into the Hogue Fund in September 2017.

Note 6 - Pledges Receivable

Pledges receivable for the capital campaign consist of the following at June 30, 2017:

Due in less than one year	\$	84,979
---------------------------	----	--------

As of June 30, 2017, there is no allowance for uncollectible pledges as management deems all pledges receivable to be collectible.

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

Note 7 - Property and Equipment

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

	June 30.	
	2017	2016
Buildings and improvements	\$ 4,327,757	\$ 4,327,758
Furniture and equipment	104,548	104,547
Land	200,400	200,400
Vehicles	26,628	26,628
Construction-in-progress	-	4,999
	4,659,333	4,664,332
Less accumulated depreciation	455,897	289,769
	\$ 4,203,436	\$ 4,374,563

Note 8 - Note Payable and Line-of-Credit

Note payable consists of the following:

	June 30.	
	2017	2016
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.	\$ 282,450	\$ 335,323

Future payments consist of the following:

For the Year Ending June 30.

2018	\$ 55,420
2019	58,090
2020	60,873
2021	63,823
2022	44,244
	\$ 282,450

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, 2017 and 2016, the Organization was in compliance with the loan covenants.

Operating Line-of-Credit

The Organization has an unsecured \$250,000 operating line-of-credit agreement with a bank, which expires December 2017. The line-of-credit agreement requires monthly interest payments at 5%. There were no amounts outstanding under this line-of-credit agreement at June 30, 2017 or 2016.

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:

	June 30,	
	2017	2016
Capital Campaign	\$ 972,942	\$ 972,315
ECEC	49,358	50,907
Student and Family Support Program	118,000	78,896
Unexpended earnings on endowment fund	12,810	12,934
	\$ 1,153,110	\$ 1,115,052

Net assets released from restriction consisted of the following:

	June 30,	
	2017	2016
Capital Campaign	\$ 502	\$ 1,360,928
ECEC	444,383	432,723
Student and Family Support Program	583,141	522,961
	\$ 1,028,026	\$ 2,316,612

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>2017</u>	<u>2016</u>
Beneficial interest in perpetual trusts	\$ 144,939	\$ 139,223
Parent Pathways, Inc. Florence Crittenton Legacy Fund	<u>23,169</u>	<u>23,169</u>
	<u>\$ 168,108</u>	<u>\$ 162,392</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 completed 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 six 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 \$26,023 and \$19,985 during the years ended June 30, 2017 and 2016, 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.

Endowment fund held at Rose Community Foundation: Recorded at the amount provided by The Rose Community 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, 2017.

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, 2017:

Description	Level 1	Level 2	Level 3	Total
Equity holdings	\$ 1,015,556	\$ -	\$ -	\$ 1,015,556
Corporate bonds	-	331,982	-	331,982
Money market funds	33,547	-	-	33,547
Endowment fund held at The Denver Foundation	-	-	38,706	38,706
Endowment fund held at Rose Community Foundation	-	-	26,031	26,031
Total	<u>\$ 1,049,103</u>	<u>\$ 331,982</u>	<u>\$ 64,737</u>	<u>\$ 1,445,822</u>

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, 2016:

Description	Level 1	Level 2	Level 3	Total
Equity holdings	\$ 638,255	\$ -	\$ -	\$ 638,255
Corporate bonds	-	80,164	-	80,164
Money market funds	474,861	-	-	474,861
Endowment fund held at The Denver Foundation	-	-	34,109	34,109
Total	<u>\$ 1,113,116</u>	<u>\$ 80,164</u>	<u>\$ 34,109</u>	<u>\$ 1,227,389</u>

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

Note 11 - Fair Value Measurements (continued)

Level 3 Investments

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 34,109	\$ 35,353
Contributions	26,031	-
Total gains (losses) (realized/unrealized) included in earnings	<u>4,597</u>	<u>(1,244)</u>
Ending balance	<u>\$ 64,737</u>	<u>\$ 34,109</u>

Note 12 - Commitments

Operating Leases

The Organization leases equipment under non-cancelable operating leases through November 2020. Rent expense for the years ended June 30, 2017 and 2016 was approximately \$10,000 and \$9,000, respectively.

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

For the Year Ending June 30,

2018	\$ 11,200
2019	12,300
2020	13,500
2021	<u>6,000</u>
	<u>\$ 43,000</u>