



**FLORENCE CRITTENTON SERVICES OF COLORADO**

**Financial Statements  
and  
Independent Auditors' Report  
June 30, 2018 and 2017**

# FLORENCE CRITTENTON SERVICES OF COLORADO

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## **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 (a non-profit corporation), which are comprised of the statements of financial position as of June 30, 2018, statements of activities, functional expenses, and cash flows for the year 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.

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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **OTHER MATTERS**

The financial statements of Florence Crittenton Services of Colorado as of June 30, 2017, were audited by EKS&H LLLP, whose report dated October 19, 2017, expressed an unqualified opinion on those statements.

*Plante & Moran, PLLC*

Plante & Moran, PLLC

Denver, Colorado  
November 6, 2018

**FLORENCE CRITTENTON SERVICES OF COLORADO**

**Statements of Financial Position**

	June 30,	
	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 467,305	\$ 568,911
Restricted cash	121,338	555,983
Accounts receivable	141,625	26,870
Investments	2,225,866	1,381,085
Beneficial interest in perpetual trusts	144,823	144,939
Endowment investments	476,572	64,737
Pledges receivable	10,000	84,979
Prepaid expenses and other assets	14,022	31,114
Property and equipment, net	4,037,308	4,203,436
<b>Total assets</b>	<b>\$ 7,638,859</b>	<b>\$ 7,062,054</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 158,765	\$ 154,865
Accrued payroll expenses	168,332	249,444
Deferred revenue	24,700	45,845
Note payable	227,030	282,450
Total liabilities	578,827	732,604
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
<b>Unrestricted</b>		
Board-designated - capital campaign	500,000	363,407
Invested in property and equipment	4,037,308	4,203,436
Undesignated	1,185,420	441,389
Total unrestricted	5,722,728	5,008,232
Temporarily restricted	1,169,312	1,153,110
Permanently restricted	167,992	168,108
Total net assets	7,060,032	6,329,450
<b>Total liabilities and net assets</b>	<b>\$ 7,638,859</b>	<b>\$ 7,062,054</b>

See notes to financial statements.

**FLORENCE CRITTENTON SERVICES OF COLORADO**

**Statements of Activities**

	For the Years Ended							
	June 30, 2018			June 30, 2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support								
Gifts and grants								
Government grants	\$ 52,472	\$ -	\$ -	\$ 52,472	\$ 48,974	\$ -	\$ -	\$ 48,974
Individuals	283,751	347,358	-	631,109	219,838	190,218	-	410,056
Planned giving	375,000	-	-	375,000	-	-	-	-
Foundations and institutions	429,637	649,597	-	1,079,234	404,973	618,731	-	1,023,704
Mile High United Way	14,379	200,000	-	214,379	15,684	200,000	-	215,684
Other specified giving	-	37,482	-	37,482	-	57,135	-	57,135
Government contracts	771,111	-	-	771,111	705,329	-	-	705,329
Denver Public Schools contract	1,879,600	-	-	1,879,600	1,664,225	-	-	1,664,225
Program service fees	435,484	-	-	435,484	383,635	-	-	383,635
Miscellaneous income	6,949	-	-	6,949	4,810	-	-	4,810
Special events, net of direct costs of \$111,355 (2018) and \$47,798 (2017)	167,754	-	-	167,754	126,152	-	-	126,152
Net assets released from restrictions due to satisfaction of expenditure requirements	<u>1,218,235</u>	<u>(1,218,235)</u>	<u>-</u>	<u>-</u>	<u>1,028,026</u>	<u>(1,028,026)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>5,634,372</u>	<u>16,202</u>	<u>-</u>	<u>5,650,574</u>	<u>4,601,646</u>	<u>38,058</u>	<u>-</u>	<u>4,639,704</u>
Expenses								
Program services	<u>4,331,411</u>	<u>-</u>	<u>-</u>	<u>4,331,411</u>	<u>3,941,419</u>	<u>-</u>	<u>-</u>	<u>3,941,419</u>
Support services								
Administration and general	257,744	-	-	257,744	264,158	-	-	264,158
Fundraising	364,897	-	-	364,897	391,628	-	-	391,628
Total support services	<u>622,641</u>	<u>-</u>	<u>-</u>	<u>622,641</u>	<u>655,786</u>	<u>-</u>	<u>-</u>	<u>655,786</u>
Total expenses	<u>4,954,052</u>	<u>-</u>	<u>-</u>	<u>4,954,052</u>	<u>4,597,205</u>	<u>-</u>	<u>-</u>	<u>4,597,205</u>
Change in net assets before net investment income, change in value of perpetual trusts, and depreciation	680,320	16,202	-	696,522	4,441	38,058	-	42,499
Net investment income	200,304	-	-	200,304	232,292	-	-	232,292
Change in value of perpetual trusts	-	-	(116)	(116)	-	-	5,716	5,716
Depreciation expense	<u>(166,128)</u>	<u>-</u>	<u>-</u>	<u>(166,128)</u>	<u>(166,129)</u>	<u>-</u>	<u>-</u>	<u>(166,129)</u>
Change in net assets	714,496	16,202	(116)	730,582	70,604	38,058	5,716	114,378
Net assets at beginning 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>
Net assets at end of year	<u>\$ 5,722,728</u>	<u>\$ 1,169,312</u>	<u>\$ 167,992</u>	<u>\$ 7,060,032</u>	<u>\$ 5,008,232</u>	<u>\$ 1,153,110</u>	<u>\$ 168,108</u>	<u>\$ 6,329,450</u>

See notes to financial statements.

**FLORENCE CRITTENTON SERVICES OF COLORADO**

**Statement of Functional Expenses  
For the Year Ended June 30, 2018**

	<u>Program Services</u>			<u>Administration and Fundraising</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	\$ 1,323,060	\$ 870,527	\$ 469,694	\$ 2,663,281	\$ 148,685	\$ 252,440	\$ 3,064,406
Payroll taxes	121,600	65,928	33,822	221,350	11,233	18,980	251,563
Employee benefits	<u>266,900</u>	<u>170,823</u>	<u>62,546</u>	<u>500,269</u>	<u>14,417</u>	<u>27,275</u>	<u>541,961</u>
Total salaries and related expenses	1,711,560	1,107,278	566,062	3,384,900	174,335	298,695	3,857,930
Occupancy	-	262,118	94,521	356,639	7,421	7,785	371,845
Client support	168,040	54,621	263,265	485,926	-	-	485,926
Organizational costs	-	23,843	7,362	31,205	36,407	14,632	82,244
Interest expense	-	8,836	2,485	11,321	238	357	11,916
Consultants	-	-	14,291	14,291	29,943	8,165	52,399
Office costs	-	7,600	2,035	9,635	1,412	19,781	30,828
Staff development	-	19,105	17,390	36,495	5,797	1,742	44,034
Marketing/public relations	<u>-</u>	<u>-</u>	<u>999</u>	<u>999</u>	<u>2,191</u>	<u>13,740</u>	<u>16,930</u>
	1,879,600	1,483,401	968,410	4,331,411	257,744	364,897	4,954,052
Depreciation	<u>-</u>	<u>120,545</u>	<u>37,546</u>	<u>158,091</u>	<u>3,215</u>	<u>4,822</u>	<u>166,128</u>
Total functional expenses	<u>\$ 1,879,600</u>	<u>\$ 1,603,946</u>	<u>\$ 1,005,956</u>	<u>\$ 4,489,502</u>	<u>\$ 260,959</u>	<u>\$ 369,719</u>	<u>\$ 5,120,180</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>		
	Florence Crittenton School	Early Childhood Education Center	Student and Family Support Program	Total Program Services	Administration and General	Fundraising	Total
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>-</u>	<u>-</u>	<u>5,845</u>	<u>5,845</u>	<u>1,389</u>	<u>28,820</u>	<u>36,054</u>
	1,667,119	1,388,088	886,212	3,941,419	264,158	391,628	4,597,205
Depreciation	<u>-</u>	<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

## Statements of Cash Flows

	For the Years Ended	
	June 30,	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 730,582	\$ 114,378
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	166,128	166,129
Net realized and unrealized gain on investments	(53,883)	(219,476)
Change in value of beneficial interest in perpetual trusts	116	(5,716)
Disposal of property and equipment	-	4,998
Changes in operating assets and liabilities		
Accounts receivable	(114,755)	35,820
Capital campaign pledges receivable	74,979	75,072
Prepaid expenses and other assets	17,092	(20,031)
Accounts payable and accrued liabilities	3,900	41,851
Accrued payroll expenses	(81,112)	58,312
Deferred revenue	(21,145)	972
	<u>(8,680)</u>	<u>137,931</u>
Net cash provided by operating activities	<u>721,902</u>	<u>252,309</u>
Cash flows from investing activities		
Net (purchases) sales of investments	(790,898)	31,671
Increase in endowment fund	(411,835)	(30,628)
Payment on financed capital expenditures	-	(1,328,928)
Net cash used in investing activities	<u>(1,202,733)</u>	<u>(1,327,885)</u>
Cash flows from financing activities		
Repayment of note payable	(55,420)	(52,873)
Net cash used in financing activities	<u>(55,420)</u>	<u>(52,873)</u>
Net decrease in cash, cash equivalents, and restricted cash	(536,251)	(1,128,449)
Cash, cash equivalents, and restricted cash at beginning of year	<u>1,124,894</u>	<u>2,253,343</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 588,643</u>	<u>\$ 1,124,894</u>

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

Interest paid was \$13,892 and \$14,678 for the years ended June 30, 2018 and 2017, respectively.

Florence Crittenton Services of Colorado received services and education materials from Denver Public Schools of \$1,879,418 and \$1,664,225 for the years ended June 30, 2018 and 2017, 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 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 are described below:

Florence Crittenton Services operates in a close partnership with Denver Public Schools 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.

In August 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard clarifies and improves current guidance to determine whether a transaction is a contribution or an exchange transaction in order for an entity to identify which revenue recognition guidance is applicable. The standard also provides additional guidance to classify contributions as conditional or unconditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018.

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

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

#### Recently Issued Accounting Pronouncements (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

#### 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, 2018 and 2017, the Organization's restricted cash balances were \$121,338 and \$555,983, respectively.

#### 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 \$53,338 and \$45,983 at June 30, 2018 and 2017, 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, 2018 and 2017, management has determined that accounts receivable are fully collectible and an allowance for doubtful accounts is not considered necessary.

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

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

#### 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.

#### 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 are classified as temporarily restricted assets 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.

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

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

#### 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, 2018, 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.

#### 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, 2018 and 2017.

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, 2018 and 2017. 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, 2018 and 2017.

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

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

#### 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 2017 financial statements have been reclassified to conform to the 2018 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. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

### **Note 2 - Investments**

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

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Equity holdings	\$ 1,141,478	\$ 1,015,556
Treasury bills	297,996	-
Corporate bonds	148,593	331,982
Taxable municipal bonds	73,009	-
Money market funds	109,503	-
Fixed income mutual funds	<u>154,348</u>	<u>33,547</u>
Total investments, at fair value	<u>1,924,927</u>	<u>1,381,085</u>
Certificates of deposit, at cost	<u>300,939</u>	<u>-</u>
Total investments	<u>\$ 2,225,866</u>	<u>\$ 1,381,085</u>

Investments are recorded in unrestricted net assets.

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

### **Note 2 - Investments (continued)**

Investment return is summarized as follows:

	For the Years Ended	
	June 30,	
	2018	2017
Dividends, interest, and investment income	\$ 150,478	\$ 20,359
Net realized and unrealized gains	53,883	219,476
Less investment management fees	<u>(8,327)</u>	<u>(8,608)</u>
Total investment income	<u>\$ 196,034</u>	<u>\$ 231,227</u>

Additionally, during the years ended June 30, 2018 and 2017, the Organization earned interest income of \$4,270 and \$1,065, respectively, on its cash and cash equivalents.

### **Note 3 - 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 \$144,823 and \$144,939 at June 30, 2018 and 2017, respectively.

### **Note 4 - 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, 2018 and 2017.



# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

### **Note 4 - 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, 2018 and 2017, the Organization received \$46,788 and \$48,675 in endowment distributions, respectively, that are included in gifts and grants. The value of the fund was \$1,000,458 and \$977,950 at June 30, 2018 and 2017, 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. The endowment was named The Dorothea Hogue Endowment 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. For the years ended June 30, 2018 and 2017, no distributions were taken.

### **Note 5 - 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.

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

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

# FLORENCE CRITTENTON SERVICES OF COLORADO

## Notes to Financial Statements

### Note 5 - Fair Value Measurements (continued)

*Corporate bonds, treasury bills, and taxable municipal 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.

*Beneficial interest in perpetual trusts:* Recorded at the amounts provided by investment statements, which are based upon the fair value of the marketable securities underlying the trusts.

There were no changes to the valuation methodologies during the year ended June 30, 2018.

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, 2018:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity holdings	\$ 1,141,478	\$ -	\$ -	\$ 1,141,478
Corporate bonds	-	148,593	-	148,593
Treasury bills	-	297,996	-	297,996
Taxable municipal bonds	-	73,009	-	73,009
Fixed income mutual funds	154,348	-	-	154,348
Money market funds	109,503	-	-	109,503
Endowment fund held at The Denver Foundation	-	-	41,546	41,546
Endowment fund held at Rose Community Foundation	-	-	435,026	435,026
Beneficial interest in perpetual trusts	-	-	144,823	144,823
Total	<u>\$ 1,405,329</u>	<u>\$ 519,598</u>	<u>\$ 621,395</u>	<u>\$ 2,546,322</u>

**FLORENCE CRITTENTON SERVICES OF COLORADO**

**Notes to Financial Statements**

**Note 5 - Fair Value Measurements (continued)**

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:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
Beneficial interest in perpetual trusts	-	-	144,939	144,939
<b>Total</b>	<b><u>\$ 1,049,103</u></b>	<b><u>\$ 331,982</u></b>	<b><u>\$ 209,676</u></b>	<b><u>\$ 1,590,761</u></b>

**Level 3 Investments**

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 209,676	\$ 173,332
Contributions	403,875	26,031
Total gains (realized/unrealized) included in earnings	7,844	10,313
Ending balance	<b><u>\$ 621,395</u></b>	<b><u>\$ 209,676</u></b>

**Note 6 - Pledges Receivable**

Pledges receivable for the capital campaign consist of the following at June 30, 2018:

Due in less than one year	\$ 10,000
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As of June 30, 2018, 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:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 4,327,757	\$ 4,327,757
Furniture and equipment	104,548	104,548
Land	200,400	200,400
Vehicles	<u>26,628</u>	<u>26,628</u>
	4,659,333	4,659,333
Less accumulated depreciation	<u>622,025</u>	<u>455,897</u>
	<u>\$ 4,037,308</u>	<u>\$ 4,203,436</u>

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

Note payable consists of the following:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
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.	<u>\$ 227,030</u>	<u>\$ 282,450</u>

Future payments consist of the following:

#### For the Year Ending June 30,

2019	\$ 58,090
2020	60,873
2021	63,823
2022	<u>44,244</u>
	<u>\$ 227,030</u>

# 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, 2018 and 2017, 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 2019. The line-of-credit agreement requires monthly interest payments at prime plus 1.0% or 5.5% at June 30, 2018. There were no amounts outstanding under this line-of-credit agreement at June 30, 2018 or 2017.

### **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,	
	2018	2017
Future building operating costs	\$ 973,547	\$ 972,942
ECEC	76,745	49,358
Student and Family Support Program	106,210	118,000
Unexpended earnings on endowment fund	12,810	12,810
	<b>\$ 1,169,312</b>	<b>\$ 1,153,110</b>

Net assets released from restriction consisted of the following:

	June 30,	
	2018	2017
Capital campaign	\$ -	\$ 502
ECEC	765,677	444,383
Student and Family Support Program	452,558	583,141
	<b>\$ 1,218,235</b>	<b>\$ 1,028,026</b>

# 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>2018</u>	<u>2017</u>
Beneficial interest in perpetual trusts	\$ 144,823	\$ 144,939
Parent Pathways, Inc. Florence Crittenton Legacy Fund	<u>23,169</u>	<u>23,169</u>
	<u>\$ 167,992</u>	<u>\$ 168,108</u>

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

The Organization sponsors an 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 100% 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 100% 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 \$27,632 and \$26,023 during the years ended June 30, 2018 and 2017, respectively.

### **Note 11 - Commitments**

#### Operating Leases

The Organization leases equipment under non-cancelable operating leases through November 2020. Rent expense for the years ended June 30, 2018 and 2017 was approximately \$11,000 and \$10,000, respectively.

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

#### For the Year Ending June 30,

2019	\$ 12,300
2020	13,500
2021	<u>6,000</u>
	<u>\$ 31,800</u>