



FLORENCE CRITTENTON SERVICES OF COLORADO

**Financial Statements
and
Independent Auditors' Report
June 30, 2016 and 2015**

EKS&H
AUDIT | TAX | CONSULTING

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

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, 2016 and 2015, 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.

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

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, 2016 and 2015, 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 20, 2016
Denver, Colorado

FLORENCE CRITTENTON SERVICES OF COLORADO

Statements of Financial Position

	June 30,	
	2016	2015
Assets		
Cash and cash equivalents	\$ 2,253,343	\$ 1,718,036
Accounts receivable	62,690	74,454
Investments	1,193,280	1,180,299
Beneficial interest in perpetual trusts	139,223	155,155
Parent Pathways, Inc. Florence Crittenton Legacy Fund	34,109	35,353
Pledges receivable	160,051	374,491
Prepaid expenses and other assets	11,083	571,811
Property and equipment, net	4,374,563	2,416,979
Total assets	\$ 8,228,342	\$ 6,526,578
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 1,441,942	\$ 137,514
Accrued payroll expenses	191,132	135,251
Deferred revenue	44,873	4,000
Note payable	335,323	385,722
Total liabilities	2,013,270	662,487
Commitments and contingencies		
Net assets		
Unrestricted		
Board-designated - capital campaign	363,407	363,407
Unrestricted	4,574,221	3,221,283
	4,937,628	3,584,690
Temporarily restricted	1,115,052	2,101,077
Permanently restricted	162,392	178,324
Total net assets	6,215,072	5,864,091
Total liabilities and net assets	\$ 8,228,342	\$ 6,526,578

See notes to financial statements.

FLORENCE CRITTENTON SERVICES OF COLORADO

Statements of Activities

	For the Years Ended							
	June 30, 2016			June 30, 2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support								
Gifts and grants								
Government grants	\$ 54,362	\$ -	\$ -	\$ 54,362	\$ 52,598	\$ -	\$ -	\$ 52,598
Individuals	159,480	210,031	-	369,511	220,280	194,830	-	415,110
Capital campaign	-	331,186	-	331,186	-	664,898	-	664,898
Foundations	497,290	557,248	-	1,054,538	195,226	379,100	-	574,326
Corporations	38,748	25,140	-	63,888	16,547	41,054	-	57,601
Mile High United Way	16,316	200,000	-	216,316	19,542	200,000	-	219,542
Other	-	6,982	-	6,982	-	364	-	364
Government contracts	2,389,347	-	-	2,389,347	1,723,637	-	-	1,723,637
Program service fees	293,514	-	-	293,514	302,007	-	-	302,007
Miscellaneous income	13,574	-	-	13,574	1,299	-	-	1,299
Special events, net of direct costs of \$60,879 (2016) and \$55,677 (2015)	126,330	-	-	126,330	140,621	-	-	140,621
In-kind services	-	-	-	-	278,150	-	-	278,150
Net assets released from restrictions due to satisfaction of expenditure requirements	<u>2,316,612</u>	<u>(2,316,612)</u>	<u>-</u>	<u>-</u>	<u>772,963</u>	<u>(772,963)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>5,905,573</u>	<u>(986,025)</u>	<u>-</u>	<u>4,919,548</u>	<u>3,722,870</u>	<u>707,283</u>	<u>-</u>	<u>4,430,153</u>
Expenses								
Program services	<u>3,747,525</u>	<u>-</u>	<u>-</u>	<u>3,747,525</u>	<u>2,936,852</u>	<u>-</u>	<u>-</u>	<u>2,936,852</u>
Support services								
Administration and general	265,807	-	-	265,807	221,211	-	-	221,211
Fundraising	367,657	-	-	367,657	325,008	-	-	325,008
Fundraising - capital campaign	<u>7,595</u>	<u>-</u>	<u>-</u>	<u>7,595</u>	<u>138,683</u>	<u>-</u>	<u>-</u>	<u>138,683</u>
Total support services	<u>641,059</u>	<u>-</u>	<u>-</u>	<u>641,059</u>	<u>684,902</u>	<u>-</u>	<u>-</u>	<u>684,902</u>
Total expenses	<u>4,388,584</u>	<u>-</u>	<u>-</u>	<u>4,388,584</u>	<u>3,621,754</u>	<u>-</u>	<u>-</u>	<u>3,621,754</u>
Change in net assets before net investment income, change in value of perpetual trusts, and depreciation	1,516,989	(986,025)	-	530,964	101,116	707,283	-	808,399
Net investment income	15,581	-	-	15,581	57,116	-	-	57,116
Change in value of perpetual trusts	-	-	(15,932)	(15,932)	-	-	(9,627)	(9,627)
Depreciation expense	<u>(179,632)</u>	<u>-</u>	<u>-</u>	<u>(179,632)</u>	<u>(98,404)</u>	<u>-</u>	<u>-</u>	<u>(98,404)</u>
Change in net assets	1,352,938	(986,025)	(15,932)	350,981	59,828	707,283	(9,627)	757,484
Net assets at beginning 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>
Net assets at end 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>

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	-	-	8,340	8,340	1,211	17,994	27,545	7,595	35,140
	<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	-	122,593	39,526	162,119	8,751	8,762	179,632	-	179,632
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

**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 Program</u>	<u>Total Program Services</u>	<u>Administration and General</u>	<u>Fundraising</u>			
Salaries	\$ 825,689	\$ 517,425	\$ 429,756	\$ 1,772,870	\$ 114,136	\$ 198,882	\$ 2,085,888	\$ 96,218	\$ 2,182,106
Payroll taxes	82,569	40,643	28,527	151,739	9,043	14,936	175,718	11,305	187,023
Employee benefits	<u>132,909</u>	<u>152,421</u>	<u>78,554</u>	<u>363,884</u>	<u>22,401</u>	<u>28,472</u>	<u>414,757</u>	<u>26,685</u>	<u>441,442</u>
Total salaries and related expenses	1,041,167	710,489	536,837	2,288,493	145,580	242,290	2,676,363	134,208	2,810,571
Occupancy	-	44,060	100,775	144,835	7,878	8,972	161,685	-	161,685
Client support	73,329	41,508	58,891	173,728	-	-	173,728	-	173,728
Organizational costs	-	13,732	12,313	26,045	36,035	14,740	76,820	-	76,820
Interest expense	-	5,772	12,505	18,277	481	481	19,239	-	19,239
Consultants	-	3,774	12,749	16,523	15,716	22,469	54,708	-	54,708
Office costs	-	5,705	2,383	8,088	8,090	9,594	25,772	-	25,772
Staff development	-	3,776	6,355	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>241,952</u>	<u>241,952</u>	-	-	<u>241,952</u>	-	<u>241,952</u>
	1,114,496	828,816	993,540	2,936,852	221,211	325,008	3,483,071	138,683	3,621,754
Depreciation	-	<u>29,791</u>	<u>63,278</u>	<u>93,069</u>	<u>2,901</u>	<u>2,434</u>	<u>98,404</u>	-	<u>98,404</u>
Total functional expenses	<u>\$ 1,114,496</u>	<u>\$ 858,607</u>	<u>\$ 1,056,818</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

Statements of Cash Flows

	For the Years Ended	
	June 30,	
	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 350,981	\$ 757,484
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	179,632	98,404
Contributions for capital campaign	(331,186)	(664,898)
Net realized and unrealized gain on investments	(6,743)	(47,062)
Change in value of beneficial interest in perpetual trusts	15,932	9,627
Loss on disposal of property and equipment	-	5,154
Changes in assets and liabilities		
Decrease in accounts receivable	11,764	28,525
Decrease in capital campaign pledges receivable	214,440	94,776
Decrease (increase) in prepaid expenses and other assets	9,180	(182,098)
(Decrease) increase in accounts payable and accrued liabilities	(24,500)	13,120
Increase (decrease) in accrued payroll expenses	55,881	(12,996)
Increase (decrease) in deferred revenue	40,873	(19,500)
	165,273	(676,948)
Net cash provided by operating activities	516,254	80,536
Cash flows from investing activities		
Net purchases of investments	(6,238)	(21,084)
Decrease (increase) in endowment fund	1,244	(364)
Purchases of property and equipment	(256,740)	-
Net cash used in investing activities	(261,734)	(21,448)
Cash flows from financing activities		
Repayment of note payable	(50,399)	(48,126)
Contributions for capital campaign	331,186	664,898
Net cash used in financing activities	280,787	616,772
Net increase in cash and cash equivalents	535,307	675,860
Cash and cash equivalents at beginning of year	1,718,036	1,042,176
Cash and cash equivalents at end of year	\$ 2,253,343	\$ 1,718,036

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

Interest paid was \$17,154 and \$19,425 for the years ended June 30, 2016 and 2015, respectively.

Florence Crittenton Services of Colorado received services and education materials from Denver Public Schools of \$1,771,846 and \$1,114,496 for the years ended June 30, 2016 and 2015, 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 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, 2016 and 2015, 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 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 3 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, 2016, 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 \$0 and \$278,150 for the years ended June 30, 2016 and 2015, respectively. In-kind services consist primarily of medical, dental, immunization, rent, and counseling services. The delivery of the in-kind services in the year ending June 30, 2016 changed. Medical, immunization, and counseling services are now provided through the on-site School-Based Health Center ("SBHC"), eliminating in-kind revenue for the year ending June 30, 2016.

Many individuals 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, 2016 and 2015.

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, 2016 and 2015. 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, 2016 and 2015.

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 2015 financial statements have been reclassified to conform to the 2016 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

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, 2016 and 2015, the Organization raised approximately \$331,000 and \$665,000, respectively, for the capital campaign. Total cumulative amounts pledged and received through June 30, 2016 and 2015 were approximately \$2,296,000 and \$1,965,000, respectively. As of June 30, 2016, the Organization received total pledges and board-designated funding of approximately \$2,860,000, exceeding the capital campaign goal set in 2013.

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

Note 2 - Capital Campaign and Redevelopment (continued)

The ECEC, Life Skills classrooms, and Administrative Offices are located at 96 S. Zuni. The High School and 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 by late October 2015.

The capital campaign also provided dollars for future capacity building and covered all fundraising costs of the campaign.

Note 3 - Investments

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

	June 30,	
	2016	2015
Equity holdings	\$ 638,255	\$ 660,906
Corporate bonds	80,164	132,592
Money market funds	<u>474,861</u>	<u>386,801</u>
Total investments	<u>\$ 1,193,280</u>	<u>\$ 1,180,299</u>

Investments are recorded in unrestricted net assets.

Investment return is summarized as follows:

	For the Years Ended June 30,	
	2016	2015
Dividends, interest, and investment income	\$ 14,754	\$ 16,434
Net realized and unrealized gains	6,743	47,062
Less investment management fees	<u>(8,517)</u>	<u>(8,064)</u>
Total investment income	<u>\$ 12,980</u>	<u>\$ 55,432</u>

Additionally, during the years ended June 30, 2016 and 2015, the Organization earned interest income of \$2,601 and \$1,684, respectively, on its cash and cash equivalents.

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

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 \$139,223 and \$155,155 at June 30, 2016 and 2015, 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 ending June 30, 2016 and 2015.

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, 2016 and 2015, the Organization received \$50,779 and \$38,850 in endowment distributions, respectively, that are included in gifts and grants. The value of the fund was \$903,180 and \$996,038 at June 30, 2016 and 2015, respectively.

Note 6 - Pledges Receivable

Pledges receivable for the capital campaign consist of the following at June 30, 2016:

Due in less than one year	\$	128,051
Due in one to three years		<u>32,000</u>
	\$	<u>160,051</u>

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, 2016, 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.	
	2016	2015
Buildings and improvements	\$ 4,327,758	\$ 3,511,288
Furniture and equipment	104,547	700,895
Land	200,400	200,400
Vehicles	26,628	-
Construction-in-progress	4,999	-
	4,664,332	4,412,583
Less accumulated depreciation	289,769	1,995,604
	\$ 4,374,563	\$ 2,416,979

Note 8 - Note Payable and Line-of-Credit

Note payable consists of the following:

	June 30.	
	2016	2015
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.	\$ 335,323	\$ 385,722

Future payments consist of the following:

For the Year Ending June 30.

2017	\$ 52,873
2018	55,420
2019	58,090
2020	60,873
2021	63,823
Thereafter	44,244
	\$ 335,323

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, 2016 and 2015, the Organization was in compliance with the loan covenants.

Operating Line-of-Credit

The Organization had an unsecured \$200,000 operating line-of-credit agreement with a bank, which expired December 2015. The Organization renewed the line-of-credit for an unsecured amount of \$250,000, which expires December 2016. 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, 2016 or 2015.

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>2016</u>	<u>2015</u>
Capital Campaign	\$ 972,315	\$ 1,965,058
ECEC	50,907	50,031
Student and Family Support Program	78,896	71,811
Unexpended earnings on endowment fund	12,934	14,177
	<u>\$ 1,115,052</u>	<u>\$ 2,101,077</u>

Net assets released from restriction consisted of the following:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Capital Campaign	\$ 1,360,928	\$ -
ECEC	432,723	418,623
Student and Family Support Program	522,961	354,340
	<u>\$ 2,316,612</u>	<u>\$ 772,963</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>2016</u>	<u>2015</u>
Beneficial interest in perpetual trusts	\$ 139,223	\$ 155,155
Parent Pathways, Inc. Florence Crittenton Legacy Fund	<u>23,169</u>	<u>23,169</u>
	<u>\$ 162,392</u>	<u>\$ 178,324</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 \$19,985 and \$18,514 during the years ended June 30, 2016 and 2015, 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, 2016.

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	\$ 1,113,116	\$ 80,164	\$ 34,109	\$ 1,227,389

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
Total	\$ 1,047,707	\$ 132,592	\$ 35,353	\$ 1,215,652

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

Note 11 - Fair Value Measurements (continued)

Level 3 Investments

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 35,353	\$ 34,989
Total (losses) gains (realized/unrealized) included in earnings	<u>(1,244)</u>	<u>364</u>
Ending balance	<u>\$ 34,109</u>	<u>\$ 35,353</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, 2016 and 2015 was approximately \$9,000 and \$11,000, respectively.

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

For the Year Ending June 30,

2017	\$ 9,400
2018	9,400
2019	9,400
2020	9,400
2021	<u>3,915</u>
	<u>\$ 41,515</u>