
Florence Crittenton Services of Colorado

**Financial Report
June 30, 2019**

Florence Crittenton Services of Colorado

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Independent Auditor's Report

To the Board of Directors
Florence Crittenton Services of Colorado

We have audited the accompanying financial statements of Florence Crittenton Services of Colorado (the "Organization"), which comprise the statement of financial position as of June 30, 2019 and 2018 and the related statements of activities and changes in net assets, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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.

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, 2019 and 2018 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.

Emphasis of Matter

As described in Note 2 to the financial statements, the Organization adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, as of July 1, 2018. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

November 21, 2019

Florence Crittenton Services of Colorado

Statement of Financial Position

	June 30, 2019 and 2018	
	2019	2018
Assets		
Cash and cash equivalents	\$ 51,301	\$ 121,338
Restricted cash	461,321	467,305
Accounts receivable	135,627	141,625
Investments	2,661,029	2,225,866
Beneficial interest in perpetual trusts	141,002	144,823
Endowment investments	520,584	476,572
Prepaid expenses and other assets	500	14,022
Pledges receivable	-	10,000
Property and equipment - Net	4,003,855	4,037,308
Total assets	\$ 7,975,219	\$ 7,638,859
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 165,782	\$ 158,765
Deferred revenue	12,105	24,700
Accrued payroll expenses	104,499	168,332
Note payable	-	227,030
Total liabilities	282,386	578,827
Net Assets		
Net assets without donor restrictions:		
Undesignated	1,583,219	1,185,420
Invested in property and equipment	4,003,855	4,037,308
Board designated:		
Board designated - Operating and capital	500,000	500,000
Board designated - Wombacher fund for ECEC	500,000	500,000
Total board designated	1,000,000	1,000,000
Total net assets without donor restrictions	6,587,074	6,222,728
Net assets with donor restrictions	1,105,759	837,304
Total net assets	7,692,833	7,060,032
Total liabilities and net assets	\$ 7,975,219	\$ 7,638,859

Florence Crittenton Services of Colorado

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Government grants	\$ 50,752	\$ -	\$ 50,752	\$ 52,472	\$ -	\$ 52,472
Individuals	307,435	305,397	612,832	283,751	347,358	631,109
Planned giving	-	-	-	375,000	-	375,000
Foundations and institutions	406,903	971,615	1,378,518	429,637	649,597	1,079,234
Mile High United Way	16,893	200,000	216,893	14,379	200,000	214,379
Other specified giving	-	27,779	27,779	-	37,482	37,482
Government contracts	858,881	-	858,881	771,111	-	771,111
Denver Public Schools contract	1,616,719	-	1,616,719	1,879,600	-	1,879,600
Program service fees	514,814	-	514,814	435,484	-	435,484
Miscellaneous income	30,534	-	30,534	6,949	-	6,949
Special event revenue - Net of direct costs of \$114,526 (2019) and \$121,161 (2018)	105,638	-	105,638	167,754	-	167,754
Net assets released from restrictions	1,232,515	(1,232,515)	-	1,718,235	(1,718,235)	-
Total revenue and support	5,141,084	272,276	5,413,360	6,134,372	(483,798)	5,650,574
Expenses						
Program series	4,197,535	-	4,197,535	4,411,187	-	4,411,187
<i>Support services:</i>						
Administration and general	364,069	-	364,069	360,491	-	360,491
Fundraising	359,864	-	359,864	348,502	-	348,502
Total support services	723,933	-	723,933	708,993	-	708,993
Total expenses	4,921,468	-	4,921,468	5,120,180	-	5,120,180
Change in Net Assets - Before net investment income and change in value of perpetual trusts	219,616	272,276	491,892	1,014,192	(483,798)	530,394
Nonoperating Income						
Net investment income	144,730	-	144,730	200,304	-	200,304
Change in value of perpetual trusts	-	(3,821)	(3,821)	-	(116)	(116)
Increase (Decrease) in Net Assets	364,346	268,455	632,801	1,214,496	(483,914)	730,582
Net Assets - Beginning of year	6,222,728	837,304	7,060,032	5,008,232	1,321,218	6,329,450
Net Assets - End of year	\$ 6,587,074	\$ 1,105,759	\$ 7,692,833	\$ 6,222,728	\$ 837,304	\$ 7,060,032

See notes to financial statements.

Florence Crittenton Services of Colorado

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services				Support Services		Total
	Florence Crittenton School	Early Childhood Education Center	Student and Family Support Program	Total Program Services	Administration and General	Fundraising	
Salaries	\$ 1,130,765	\$ 837,215	\$ 511,131	\$ 2,479,111	\$ 243,887	\$ 245,844	\$ 2,968,842
Payroll taxes	103,000	65,181	37,814	205,995	18,381	18,643	243,019
Employee benefits	214,900	168,212	65,574	448,686	13,320	22,172	484,178
Total salaries and related expenses	1,448,665	1,070,608	614,519	3,133,792	275,588	286,659	3,696,039
Occupancy	-	266,004	53,823	319,827	6,115	10,087	336,029
Client support	168,054	58,730	259,343	486,127	-	-	486,127
Organizational costs	-	11,778	6,974	18,752	51,165	2,319	72,236
Interest expense	-	-	-	-	9,193	-	9,193
Consultants	-	308	18,917	19,225	9,730	5,500	34,455
Office costs	-	10,657	4,892	15,549	3,011	21,643	40,203
Staff development	-	21,671	12,601	34,272	5,565	3,177	43,014
Marketing/public relations	-	-	7,412	7,412	393	25,515	33,320
Depreciation	-	124,089	38,490	162,579	3,309	4,964	170,852
Special event expenses	-	-	-	-	-	114,526	114,526
Subtotal	168,054	493,237	402,452	1,063,743	88,481	187,731	1,339,955
Total functional expenses	\$ 1,616,719	\$ 1,563,845	\$ 1,016,971	\$ 4,197,535	\$ 364,069	\$ 474,390	\$ 5,035,994

Florence Crittenton Services of Colorado

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services			Support Services			Total
	Florence Crittenton School	Early Childhood Education Center	Student and Family Support Program	Total Program Services	Administration and General	Fundraising	
Salaries	\$ 1,323,060	\$ 813,083	\$ 460,144	\$ 2,596,287	\$ 225,375	\$ 242,744	\$ 3,064,406
Payroll taxes	121,600	65,928	33,822	221,350	11,233	18,980	251,563
Employee benefits	266,900	170,823	62,546	500,269	14,417	27,275	541,961
Total salaries and related expenses	1,711,560	1,049,834	556,512	3,317,906	251,025	288,999	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	47,571	3,468	82,244
Interest expense	-	-	-	-	11,916	-	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	-	-	999	999	2,191	13,740	16,930
Depreciation	-	120,545	37,546	158,091	3,215	4,822	166,128
Special event expenses	-	-	-	-	-	121,161	121,161
Subtotal	168,040	487,832	437,409	1,093,281	109,466	180,664	1,383,411
Total functional expenses	<u>\$ 1,879,600</u>	<u>\$ 1,537,666</u>	<u>\$ 993,921</u>	<u>\$ 4,411,187</u>	<u>\$ 360,491</u>	<u>\$ 469,663</u>	<u>\$ 5,241,341</u>

Florence Crittenton Services of Colorado

Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase in net assets	\$ 632,801	\$ 730,582
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	170,852	166,128
Net realized and unrealized gain on investment	(127,492)	(53,883)
Change in value of beneficial interest in perpetual trusts	3,821	116
Contributions restricted for endowment	(29,450)	-
Changes in operating assets and liabilities		
Accounts receivable	5,998	(114,755)
Pledges receivable	10,000	74,979
Prepaid expenses and other assets	13,522	17,092
Accounts payable and accrued liabilities	7,017	3,900
Accrued payroll expenses	(63,833)	(81,112)
Deferred revenue	(12,595)	(21,145)
Net cash provided by operating activities	610,641	721,902
Cash Flows from Investing Activities		
Net purchases of investments	(351,683)	(790,898)
Increase in endowment fund	-	(411,835)
Purchases of property and equipment	(137,399)	-
Net cash used in investing activities	(489,082)	(1,202,733)
Cash Flows from Financing Activities		
Repayment of note payable	(227,030)	(55,420)
Contributions restricted for endowment	29,450	-
Net cash used in financing activities	(197,580)	(55,420)
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(76,021)	(536,251)
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	588,643	1,124,894
Cash, Cash Equivalents, and Restricted Cash - End of year	512,622	588,643
Statement of Financial Position Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 51,301	\$ 121,338
Restricted cash	461,321	467,305
Total cash and cash equivalents	<u>\$ 512,622</u>	<u>\$ 588,643</u>
Supplemental Cash Flow Information		
Interest paid	\$ 10,073	\$ 13,892
Florence Crittenton Services of Colorado received services and education materials from Denver Public Schools	1,616,719	1,879,600

Note 1 - Nature of Business

Florence Crittenton Services of Colorado (the "Organization") is a community-based nonprofit 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.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

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 donor-restricted activities. For the years ended June 30, 2019 and 2018, the Organization's restricted cash balances were \$461,321 and \$467,305, respectively.

Note 2 - Significant Accounting Policies (Continued)

Fiscal Agent

The Organization was appointed the fiscal agent for The Colorado Teen Parent Collaborative (the "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 \$53,337 and \$53,338 at June 30, 2019 and 2018, 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, 2019 and 2018, 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 statement of activities and changes in net assets.

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 statement of activities and changes in net assets 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, for which management began incurring costs and receiving pledges 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. All remaining pledges related to the capital campaign were collected during the year ended June 30, 2019.

Note 2 - 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. 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, 2019, 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. The Organization received services and education materials from Denver Public Schools of \$1,616,719 and \$1,879,600 for the years ended June 30, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the square footage utilized by each program. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Management is required to evaluate tax positions taken by the Organization and to recognize a tax liability if the Organization has taken an uncertain position that probably would not be sustained upon examination by taxing authorities. The Organization believes that it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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 addition and deductions during the reporting period. Actual results could differ from those estimates.

June 30, 2019 and 2018

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Principle

As of July 1, 2018, and retroactively applied to all years presented, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. Net assets of \$1,169,312 previously reported as temporarily restricted net assets and net assets of \$167,992 previously reported as permanently restricted net assets are now reported as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the Organization, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of adopting the amendment, \$78,315 of salaries and related expenses were reclassified from program services to administration and general.

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Organization plans to apply the standard using the modified retrospective method.

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending June 30, 2022 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Organization is still evaluating which method it will apply. Upon adoption, the Organization will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Notes to Financial Statements

June 30, 2019 and 2018

Note 2 - Significant Accounting Policies (Continued)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Organization's year ending June 30, 2020 and will be applied on a modified prospective basis. The Organization does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts, but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 21, 2019, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The Organization's financial assets available within one year of June 30, 2019 and 2018 for general expenditure are as follows:

	2019	2018
Cash and cash equivalents	\$ 51,301	\$ 121,338
Restricted cash	461,321	467,305
Accounts receivable	135,627	141,625
Investments	2,661,029	2,225,866
Total	<u>\$ 3,309,278</u>	<u>\$ 2,956,134</u>

Approximately \$854,171 of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 120 days of normal operating expenses, which are, on average, approximately \$1,040,000 and \$1,021,000 at June 30, 2019 and 2018, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The board has also designated \$500,000 of net assets without donor restrictions to be available for future operating and capital needs.

The Organization also realizes there could be unanticipated liquidity needs. The Organization has committed lines of credit in the amount of \$250,000 at June 30, 2019 and 2018, which it could draw upon if needed, as further described in Note 9.

June 30, 2019 and 2018

Note 4 - Investments

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

	2019	2018
Equity holdings	\$ 1,362,468	\$ 1,141,478
Treasury bills	894,740	297,996
Corporate bonds	-	148,593
Taxable municipal bonds	-	73,009
Money market funds	138,815	109,503
Fixed-income mutual funds	-	154,348
Exchange-traded funds	265,006	-
Total investments at fair value	2,661,029	1,924,927
Certificates of deposit at cost	-	300,939
Total investments	<u>\$ 2,661,029</u>	<u>\$ 2,225,866</u>

Investment return is summarized as follows:

	2019	2018
Dividends, interest, and investment income	\$ 31,800	\$ 150,478
Net realized and unrealized gains	121,290	53,883
Less investment management fees	(8,360)	(8,327)
Total investment income	<u>\$ 144,730</u>	<u>\$ 196,034</u>

Note 5 - 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 net assets with donor restrictions, was \$141,002 and \$144,823 at June 30, 2019 and 2018, respectively.

Note 6 - 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 percent 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, 2019 and 2018.

Note 6 - Endowment Funds (Continued)

The Helen McLorraine Parent Pathways, Inc. Endowment Fund

During 2006, the Organization was named the beneficiary of The Helen McLorraine 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 percent of the endowment, as valued on December 31 of the preceding calendar year. Distributions are paid equally, quarterly. For the years ended June 30, 2019 and 2018, the Organization received \$61,619 and \$46,787, respectively, in endowment distributions that are included in foundation and institution support. The value of the fund was \$979,964 and \$1,000,458 at June 30, 2019 and 2018, respectively.

The Dorotha 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 Dorotha Hogue Endowment Fund. Income from the fund must be used to support the operations of Florence Crittenton. The Organization is entitled to receive 5 percent of the fund balance at December 31 annually. For the years ended June 30, 2019 and 2018, no distributions were taken.

Note 7 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

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

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

Corporate bonds, Treasury bills, and taxable municipal bonds: Valued based on prices currently available on comparable securities.

Notes to Financial Statements

June 30, 2019 and 2018

Note 7 - Fair Value Measurements (Continued)

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, 2019.

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, 2019:

	Level 1	Level 2	Level 3	Total
Equity holdings	\$ 1,362,468	\$ -	\$ -	\$ 1,362,468
Exchange-traded funds	265,006	-	-	265,006
Treasury bills	-	894,740	-	894,740
Money market funds	138,815	-	-	138,815
Endowment fund held at The Denver Foundation	-	-	42,891	42,891
Endowment fund held at Rose Community Foundation	-	-	477,693	477,693
Beneficial interest in perpetual trust	-	-	141,002	141,002
Total	\$ 1,766,289	\$ 894,740	\$ 661,586	\$ 3,322,615

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:

	Level 1	Level 2	Level 3	Total
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 trust	-	-	144,823	144,823
Total	\$ 1,405,329	\$ 519,598	\$ 621,395	\$ 2,546,322
	Level 3 Investments			
			2019	2018
Beginning balance			\$ 621,395	\$ 209,676
Contributions			29,450	403,875
Total gains (realized/unrealized) included in earnings			10,741	7,844
Ending balance			\$ 661,586	\$ 621,395

Notes to Financial Statements

June 30, 2019 and 2018

Note 8 - Property and Equipment

Property and equipment are summarized as follows:

	2019	2018
Buildings and improvements	\$ 4,465,156	\$ 4,327,757
Land	200,400	200,400
Vehicles	26,628	26,628
Furniture and equipment	104,548	104,548
Total cost	4,796,732	4,659,333
Accumulated depreciation	792,877	622,025
Net property and equipment	\$ 4,003,855	\$ 4,037,308

Note 9 - Note Payable and Line of Credit

Note Payable

The Organization held a 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 percent until the loan matures. The note was paid in full in June 2019.

Operating Line of Credit

The Organization has an unsecured \$250,000 operating line of credit agreement with a bank, which expires in December 2019. The line of credit agreement required monthly interest payments at prime plus 1.0 percent or 5.5 percent at June 30, 2019. There were no amounts outstanding under this line of credit agreement at June 30, 2019 or 2018.

Note 10 - Net Assets with Donor Restrictions

At June 30, 2019 and 2018, net assets with donor restrictions are restricted for the following purposes:

	2019	2018
Net assets with donor restrictions available for use:		
Future building costs	\$ 336,148	\$ 473,547
ECEC	27,199	76,745
Student and Family Support Program	517,613	106,210
Unexpended earnings on endowment fund	12,810	12,810
Other	46,473	-
Net assets with donor restrictions required to be maintained in perpetuity:		
Beneficial interest in perpetual trusts	141,002	144,823
Parent Pathways, Inc. Florence Crittenton Legacy Fund	24,514	23,169
Total	\$ 1,105,759	\$ 837,304

Net assets released from restriction consisted of the following:

	2019	2018
Future building costs	\$ 137,399	\$ -
ECEC	537,884	1,265,677
Student and Family Support Program	463,674	452,558
Other	93,558	-
Total	\$ 1,232,515	\$ 1,718,235

Note 11 - 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 percent 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 percent of the employee's contributions, up to 3 percent of the employee's annual salary. The Organization may also make a discretionary contribution of up to 2 percent of the employee's annual salary, to be determined annually, without regard to employee contributions. The Organization made matching contributions of \$29,471 and \$27,632 during the years ended June 30, 2019 and 2018, respectively.

Note 12 - Commitments

Operating Leases

The Organization leases equipment under noncancelable operating leases through November 2020. Rent expense for the years ended June 30, 2019 and 2018 was approximately \$12,000 and \$11,000, respectively.

Future minimum lease payments under these leases for the years ending June 30 are approximately as follows:

<u>Years Ending</u>	<u>Amount</u>
2020	\$ 13,500
2021	6,000
Total	<u>\$ 19,500</u>