



FLORENCE CRITTENTON SERVICES OF COLORADO

**Financial Statements
and
Independent Auditors' Report
June 30, 2014 and 2013**

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FLORENCE CRITTENTON SERVICES OF COLORADO

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INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florence Crittenton Services of Colorado, which are comprised of the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florence Crittenton Services of Colorado as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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October 28, 2014
Denver, Colorado

FLORENCE CRITTENTON SERVICES OF COLORADO

Statements of Financial Position

	June 30,	
	2014	2013
Assets		
Cash and cash equivalents	\$ 1,042,176	\$ 158,554
Accounts receivable	102,979	94,453
Investments	1,112,153	1,003,386
Beneficial interest in perpetual trusts	164,782	155,652
Parent Pathways, Inc. Florence Crittenton Legacy Fund	34,989	31,052
Pledges receivable	469,267	143,000
Prepaid expenses and other assets	389,713	70,250
Property and equipment, net	2,520,537	2,643,539
Total assets	\$ 5,836,596	\$ 4,299,886
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 124,394	\$ 86,829
Accrued payroll expenses	148,247	138,906
Deferred revenue	23,500	4,500
Note payable	433,848	479,763
Total liabilities	729,989	709,998
Commitments and contingencies		
Net assets		
Unrestricted		
Board-designated - Friedman Fund	-	63,407
Board-designated - capital campaign	363,407	-
Unrestricted	3,161,455	3,106,356
	3,524,862	3,169,763
Temporarily restricted	1,393,794	242,673
Permanently restricted	187,951	177,452
Total net assets	5,106,607	3,589,888
Total liabilities and net assets	\$ 5,836,596	\$ 4,299,886

See notes to financial statements.

FLORENCE CRITTENTON SERVICES OF COLORADO

Statements of Activities

	For the Years Ended							
	June 30, 2014				June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support								
Gifts and grants								
Government grants	\$ 362,010	\$ -	\$ -	\$ 362,010	\$ 60,532	\$ -	\$ -	\$ 60,532
Individuals	492,443	149,348	-	641,791	167,667	142,361	-	310,028
Capital campaign	-	1,156,284	-	1,156,284	-	143,000	-	143,000
Foundations	235,462	471,477	-	706,939	176,427	509,068	-	685,495
Corporations	34,578	45,200	-	79,778	8,898	80,259	-	89,157
Mile High United Way	13,774	200,000	-	213,774	12,668	250,000	-	262,668
Other	-	3,937	-	3,937	50,000	2,407	-	52,407
Government contracts	1,447,867	-	-	1,447,867	1,651,918	-	-	1,651,918
Program service fees	138,565	-	-	138,565	126,832	-	-	126,832
Miscellaneous income	2,516	-	-	2,516	2,623	-	-	2,623
Special events, net of direct costs of \$42,244 (2014) and \$33,573 (2013)	91,692	-	-	91,692	104,796	-	-	104,796
In-kind services	359,879	-	-	359,879	287,517	-	-	287,517
Net assets released from restrictions due to satisfaction of expenditure requirements	<u>875,125</u>	<u>(875,125)</u>	<u>-</u>	<u>-</u>	<u>1,184,165</u>	<u>(1,184,165)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>4,053,911</u>	<u>1,151,121</u>	<u>-</u>	<u>5,205,032</u>	<u>3,834,043</u>	<u>(57,070)</u>	<u>-</u>	<u>3,776,973</u>
Expenses								
Program services	<u>2,875,567</u>	<u>-</u>	<u>-</u>	<u>2,875,567</u>	<u>3,103,562</u>	<u>-</u>	<u>-</u>	<u>3,103,562</u>
Support services								
Administration and general	269,225	-	-	269,225	385,534	-	-	385,534
Fundraising	364,922	-	-	364,922	371,873	-	-	371,873
Fundraising - capital campaign	<u>165,395</u>	<u>-</u>	<u>-</u>	<u>165,395</u>	<u>73,000</u>	<u>-</u>	<u>-</u>	<u>73,000</u>
Total support services	<u>799,542</u>	<u>-</u>	<u>-</u>	<u>799,542</u>	<u>830,407</u>	<u>-</u>	<u>-</u>	<u>830,407</u>
Total expenses	<u>3,675,109</u>	<u>-</u>	<u>-</u>	<u>3,675,109</u>	<u>3,933,969</u>	<u>-</u>	<u>-</u>	<u>3,933,969</u>
Change in net assets before net investment income, change in value of perpetual trusts, and depreciation	378,802	1,151,121	-	1,529,923	(99,926)	(57,070)	-	(156,996)
Net investment income	99,299	-	-	99,299	92,350	-	-	92,350
Change in value of perpetual trusts	-	-	10,499	10,499	-	-	6,748	6,748
Depreciation expense	<u>(123,002)</u>	<u>-</u>	<u>-</u>	<u>(123,002)</u>	<u>(154,682)</u>	<u>-</u>	<u>-</u>	<u>(154,682)</u>
Change in net assets	355,099	1,151,121	10,499	1,516,719	(162,258)	(57,070)	6,748	(212,580)
Net assets at beginning of year	<u>3,169,763</u>	<u>242,673</u>	<u>177,452</u>	<u>3,589,888</u>	<u>3,332,021</u>	<u>299,743</u>	<u>170,704</u>	<u>3,802,468</u>
Net assets at end of year	<u>\$ 3,524,862</u>	<u>\$ 1,393,794</u>	<u>\$ 187,951</u>	<u>\$ 5,106,607</u>	<u>\$ 3,169,763</u>	<u>\$ 242,673</u>	<u>\$ 177,452</u>	<u>\$ 3,589,888</u>

See notes to financial statements.

FLORENCE CRITTENTON SERVICES OF COLORADO

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

	Program Services				Support Services		
	Florence Crittenton School	Early Learning Center	Student and Family Support Services Program	Total Program Services	Administration and General	Fundraising	Total
Salaries	\$ 805,258	\$ 518,000	\$ 376,011	\$ 1,699,269	\$ 136,001	\$ 220,911	\$ 2,056,181
Payroll taxes	76,417	37,540	31,102	145,059	10,527	16,141	171,727
Employee benefits	<u>127,915</u>	<u>132,061</u>	<u>72,740</u>	<u>332,716</u>	<u>13,796</u>	<u>33,500</u>	<u>380,012</u>
Total salaries and related expenses	1,009,590	687,601	479,853	2,177,044	160,324	270,552	2,607,920
Occupancy	108,508	65,663	15,216	189,387	35,663	31,958	257,008
Client support	98,240	33,805	15,721	147,766	-	227	147,993
Organizational costs	9,373	10,819	2,470	22,662	31,343	9,711	63,716
Interest expense	11,670	5,934	2,176	19,780	-	-	19,780
Consultants	7,090	7,640	655	15,385	21,798	177,371	214,554
Office costs	2,164	10,018	202	12,384	6,652	10,812	29,848
Staff development	397	2,603	1,947	4,947	7,538	2,148	14,633
Marketing/public relations	8,212	-	-	8,212	5,682	27,538	41,432
Other in-kind	<u>-</u>	<u>-</u>	<u>278,000</u>	<u>278,000</u>	<u>225</u>	<u>-</u>	<u>278,225</u>
	1,255,244	824,083	796,240	2,875,567	269,225	530,317	3,675,109
Depreciation	<u>61,931</u>	<u>40,879</u>	<u>11,546</u>	<u>114,356</u>	<u>8,646</u>	<u>-</u>	<u>123,002</u>
Total functional expenses	<u>\$ 1,317,175</u>	<u>\$ 864,962</u>	<u>\$ 807,786</u>	<u>\$ 2,989,923</u>	<u>\$ 277,871</u>	<u>\$ 530,317</u>	<u>\$ 3,798,111</u>

See notes to financial statements.

FLORENCE CRITTENTON SERVICES OF COLORADO

**Statement of Functional Expenses
For the Year Ended June 30, 2013**

	Program Services				Support Services		
	Florence Crittenton School	Early Learning Center	Family Engagement Center	Total Program Services	Administration and General	Fundraising	Total
Salaries	\$ 887,247	\$ 539,887	\$ 379,639	\$ 1,806,773	\$ 207,047	\$ 251,460	\$ 2,265,280
Payroll taxes	81,215	40,014	29,127	150,356	15,332	17,894	183,582
Employee benefits	<u>156,941</u>	<u>104,935</u>	<u>69,548</u>	<u>331,424</u>	<u>23,986</u>	<u>29,228</u>	<u>384,638</u>
Total salaries and related expenses	1,125,403	684,836	478,314	2,288,553	246,365	298,582	2,833,500
Occupancy	98,766	62,356	14,023	175,145	41,658	29,183	245,986
Client support	171,337	40,062	38,004	249,403	-	-	249,403
Organizational costs	10,486	15,712	2,624	28,822	37,402	9,496	75,720
Interest expense	13,911	7,073	2,594	23,578	-	-	23,578
Consultants	9,204	4,040	6,659	19,903	18,335	72,959	111,197
Office costs	1,176	1,366	110	2,652	5,887	8,983	17,522
Staff development	3,240	976	4,776	8,992	10,140	1,709	20,841
Marketing/public relations	43,200	282	32	43,514	1,230	23,961	68,705
Other in-kind	-	-	263,000	263,000	24,517	-	287,517
	<u>1,476,723</u>	<u>816,703</u>	<u>810,136</u>	<u>3,103,562</u>	<u>385,534</u>	<u>444,873</u>	<u>3,933,969</u>
Depreciation	<u>62,743</u>	<u>63,500</u>	<u>11,620</u>	<u>137,863</u>	<u>16,819</u>	<u>-</u>	<u>154,682</u>
Total functional expenses	<u>\$ 1,539,466</u>	<u>\$ 880,203</u>	<u>\$ 821,756</u>	<u>\$ 3,241,425</u>	<u>\$ 402,353</u>	<u>\$ 444,873</u>	<u>\$ 4,088,651</u>

See notes to financial statements.

FLORENCE CRITTENTON SERVICES OF COLORADO

Statements of Cash Flows

	For the Years Ended	
	June 30,	
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 1,516,719	\$ (212,580)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	123,002	154,682
Net unrealized (gain) loss on investments	(68,159)	13,497
Net realized gain on investments	(22,065)	(90,390)
Change in value of beneficial interest in perpetual trusts	(10,499)	(6,748)
Changes in assets and liabilities		
Increase in accounts receivable	(8,526)	(64,723)
Increase in capital campaign pledges receivable	(326,267)	(143,000)
Increase in prepaid expenses and other assets	(319,463)	(11,833)
Increase in accounts payable and accrued liabilities	37,565	23,023
Increase (decrease) in accrued payroll expenses	9,341	(5,760)
Increase (decrease) in deferred revenue	<u>19,000</u>	<u>(9,033)</u>
	<u>(566,071)</u>	<u>(140,285)</u>
Net cash provided by (used in) operating activities	<u>950,648</u>	<u>(352,865)</u>
Cash flows from investing activities		
Net purchases of investments	(18,543)	(14,691)
Cash received on the sale of investments	-	100,000
Purchases of property and equipment	-	(8,772)
Increase in endowment fund	(3,937)	(2,407)
Decrease in beneficial interest in perpetual trusts	<u>1,369</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>(21,111)</u>	<u>74,130</u>
Cash flows from financing activities		
Repayment of note payable	<u>(45,915)</u>	<u>(43,804)</u>
Net cash used in financing activities	<u>(45,915)</u>	<u>(43,804)</u>
Net increase (decrease) in cash and cash equivalents	883,622	(322,539)
Cash and cash equivalents at beginning of year	<u>158,554</u>	<u>481,093</u>
Cash and cash equivalents at end of year	<u>\$ 1,042,176</u>	<u>\$ 158,554</u>

Supplemental disclosure of non-cash activity:

Interest paid was \$21,638 and \$23,748 for the years ended June 30, 2014 and 2013, respectively.

Florence Crittenton Services of Colorado received services and education materials from Denver Public Schools of \$1,092,642 and \$1,030,424 for the years ended June 30, 2014 and 2013, respectively.

See notes to financial statements.

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

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

The Organization's service components include:

The Florence Crittenton School 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 school also operates an on-site **Early Learning Center** for the children of the teen mothers. Through the **Student and Family Support Services Program**, which includes the **Family Engagement Center**, the Organization offers a comprehensive array of integrated services to help family members, including young fathers, learn how to best support the young mothers.

Basis of Presentation

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

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of 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, 2014 and 2013, 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 three to forty years. Donated property and equipment is classified as a temporarily restricted asset at the time of the donation. The asset is released over the estimated useful life with the recognition of depreciation. The Organization capitalizes all fixed asset purchases over \$5,000 with an estimated useful life of three years or more.

Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Organization looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. Through June 30, 2014, 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 \$359,879 and \$287,517 for the years ended June 30, 2014 and 2013, respectively. In-kind services consist primarily of medical, dental, immunization, rent, and counseling services.

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

Functional Allocation of Expenses

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

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and qualifies for the charitable contribution deduction. Accordingly, no provision for income taxes is made in these financial statements. Income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization did not have any significant unrelated business income during the years ended June 30, 2014 and 2013.

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

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

Income Taxes (continued)

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2014 and 2013. 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, 2014 and 2013. Tax years that remain subject to examination include 2011 through 2014.

Use of Estimates

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

Subsequent Events

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

Note 2 - Capital Campaign and Redevelopment Project

During the year ended June 30, 2013, the Organization commenced a three-year capital campaign, "Building for Teen Family Success," in order to raise funds for construction and remodeling of the buildings currently used by the Organization. As of June 30, 2014 and 2013, the Organization has raised approximately \$1,156,000 and \$143,000, respectively, for the capital campaign. Total cumulative amounts received through June 30, 2014 and 2013 were approximately \$1,300,000 and \$143,000, respectively.

The school and the administrative and executive offices are currently located at 96 S. Zuni. The redevelopment project consists of construction and remodeling by DPS of the building at 55 S. Zuni to become the new high school building and school based health center. The redevelopment project is projected to be completed in the fall of 2015. DPS expects to incur \$6,000,000 in costs for the redevelopment of the school and purchase of the existing building and land. The Organization's capital campaign goal is to raise \$2,800,000. This will provide for the expansion of the early childhood learning center, remodel the family services center and administrative and executive offices all located at 96 S. Zuni, and provide dollars for capacity building and fundraising costs of the campaign.

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

Note 2 - Capital Campaign and Redevelopment Project (continued)

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

Note 3 - Investments

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

	June 30,	
	2014	2013
Equity holdings	\$ 588,528	\$ 530,668
Corporate bonds	162,490	164,625
Money market funds	361,135	308,093
Total investments	<u>\$ 1,112,153</u>	<u>\$ 1,003,386</u>

Investments are recorded in unrestricted net assets.

Investment return is summarized as follows:

	For the Years Ended June 30,	
	2014	2013
Dividends, interest, and investment income	\$ 15,840	\$ 22,870
Net realized gains	22,065	90,390
Net unrealized (losses)/gains	68,159	(13,497)
Less investment management fees	<u>(7,516)</u>	<u>(8,177)</u>
Total investment income	<u>\$ 98,548</u>	<u>\$ 91,586</u>

Additionally, during the years ended June 30, 2014 and 2013, the Organization earned interest income of \$751 and \$764, respectively, on its cash and cash equivalents.

Note 4 - Beneficial Interest in Perpetual Trusts

The Organization receives net income from certain perpetual trusts, but will never receive the assets of these trusts. Distributions from these trusts are restricted for the Florence Crittenton School. The beneficial interest in these perpetual trusts, recorded as permanently restricted net assets, was \$164,782 and \$155,652 at June 30, 2014 and 2013, respectively.

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

Note 5 - Endowment Funds

The Parent Pathways, Inc. Florence Crittenton Legacy Fund

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

The Helen McLoraine Parent Pathways, Inc. Endowment Fund

During 2006, the Organization was named the beneficiary of The Helen McLoraine Parent Pathways, Inc. Endowment Fund with a \$1,000,000 endowment held and administered by the Foundation. This endowment fund was contributed directly to the Foundation and is not shown as an asset of the Organization. The endowment was created initially to fund the program improvements and operations of the Early Learning Center, 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, 2014 and 2013, the Organization received \$50,445 and \$47,071 in endowment distributions, respectively, that are included in gifts and grants from foundations. The value of the fund was \$1,032,248 and \$957,261 at June 30, 2014 and 2013, respectively.

Note 6 - Pledges Receivable

Pledges receivable for the capital campaign consist of the following at June 30, 2014:

Due in less than one year	\$ 231,598
Due in one to three years	<u>237,669</u>
	<u>\$ 469,267</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, 2014, 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,	
	2014	2013
Buildings and improvements	\$ 3,627,007	\$ 3,627,007
Furniture and equipment	770,773	770,773
Land	200,400	200,400
	4,598,180	4,598,180
Less accumulated depreciation	2,077,643	1,954,641
	\$ 2,520,537	\$ 2,643,539

Note 8 - Note Payable and Line-of-Credit

Note payable consists of the following:

	June 30,	
	2014	2013
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.	\$ 433,848	\$ 479,763

Future payments consist of the following:

For the Year Ending June 30,

2015	\$ 48,126
2016	50,399
2017	52,873
2018	55,420
2019	58,090
Thereafter	168,940
	\$ 433,848

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, 2014 and 2013, the Organization was in compliance with the loan covenants.

Operating Line-of-Credit

The Organization has an unsecured \$200,000 operating line-of-credit agreement with a bank, which expires December 2014. The line-of-credit agreement requires monthly interest payments at the greater of the prime rate plus 1.00% or 5.00% (5.00% at June 30, 2014). Additionally, the Organization must maintain a minimum of \$500,000 in non-restricted liquid investments during the term of the line-of-credit. There were no amounts outstanding under this line-of-credit agreement at June 30, 2014 or 2013.

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,	
	2014	2013
Capital Campaign	\$ 1,300,284	\$ 143,000
Florence Crittenton School	14,452	16,739
Early Learning Center	29,877	34,669
Student and Family Support Services Program	35,368	38,388
Unexpended earnings on endowment fund	13,813	9,877
	\$ 1,393,794	\$ 242,673

Net assets released from restriction consisted of the following:

	June 30,	
	2014	2013
Florence Crittenton School	\$ 112,513	\$ 199,047
Early Learning Center	330,472	342,634
Student and Family Support Services Program	228,979	254,643
United Way	200,000	200,000
Capacity building	3,161	187,841
	\$ 875,125	\$ 1,184,165

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>2014</u>	<u>2013</u>
Beneficial interest in perpetual trusts	\$ 164,782	\$ 155,652
Parent Pathways, Inc. Florence Crittenton Legacy Fund	<u>23,169</u>	<u>21,800</u>
	<u>\$ 187,951</u>	<u>\$ 177,452</u>

Note 10 - Retirement Plan

The Organization sponsors a tax-deferred employee retirement plan (the "Plan") under the provisions of IRC Section 401(k). All permanent full-time employees and part-time employees, who work at least half-time, are eligible to participate in the Plan on the first day of the calendar month after they have 30 days of employment. Participants are eligible to contribute up to 15% of their earnings. Under the Plan, the Organization makes a contribution for all employees who have completed 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 \$17,655 and \$18,091 during the years ended June 30, 2014 and 2013, 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, 2014.

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

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

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, 2013:

Description	Level 1	Level 2	Level 3	Total
Equity holdings	\$ 530,668	\$ -	\$ -	\$ 530,668
Corporate bonds	-	164,625	-	164,625
Money market funds	308,093	-	-	308,093
Endowment fund held at The Denver Foundation	-	-	31,052	31,052
Total	\$ 838,761	\$ 164,625	\$ 31,052	\$ 1,034,438

	June 30,	
	2014	2013
Beginning balance	\$ 31,052	\$ 28,645
Total gains (realized/unrealized) included in earnings	3,937	2,407
Ending balance	\$ 34,989	\$ 31,052

FLORENCE CRITTENTON SERVICES OF COLORADO

Notes to Financial Statements

Note 12 - Commitments

Operating Leases

The Organization leases equipment under non-cancelable operating leases through 2018. Rent expense for the years ended June 30, 2014 and 2013 was approximately \$81,000 and \$91,000, respectively.

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

For the Year Ending June 30,

2015	\$	2,600
2016		2,600
2017		2,600
2018		<u>2,200</u>
	\$	<u>10,000</u>