

F.R.I.E.N.D.S. of Broomfield, Inc.
(a nonprofit Colorado corporation)
Broomfield, Colorado

Financial Statements

December 31, 2017 and 2016

F.R.I.E.N.D.S. of Broomfield, Inc.

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Independent Auditors' Report

To the Board of Directors
F.R.I.E.N.D.S. of Broomfield, Inc.
Broomfield, Colorado

We have audited the accompanying financial statements of F.R.I.E.N.D.S. of Broomfield, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 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.

Independent Auditors' Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of F.R.I.E.N.D.S. of Broomfield, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Altruic Advisors, PLLC

Certified Public Accountants

Boulder, Colorado
June 21, 2018

F.R.I.E.N.D.S. of Broomfield, Inc.

Statements of Financial Position

December 31	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 99,452	\$ 85,864
Accounts receivable	177,623	150,805
Contributions receivable, current portion	98,719	26,400
Prepaid expenses	5,949	-
Total current assets	<u>381,743</u>	<u>263,069</u>
Property and Equipment, net	<u>2,885,626</u>	<u>3,000,960</u>
Other Assets		
Cash restricted for capital campaign	123,258	95,303
Investments restricted for capital campaign	10,145	10,022
Contributions receivable, noncurrent	86,594	107,614
Beneficial interest in assets held at foundation	86,320	79,771
Total other assets	<u>306,317</u>	<u>292,710</u>
Total assets	<u>\$ 3,573,686</u>	<u>\$ 3,556,739</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 7,068	\$ 14,374
Accrued compensation and benefits	20,111	21,624
Capital lease obligations, current portion	2,834	9,656
Notes payable, current portion	200,923	156,835
Total current liabilities	<u>230,936</u>	<u>202,489</u>
Long-Term Liabilities		
Capital lease obligations, net of current portion	2,976	5,810
Notes payable, net of current portion	942,840	936,461
Total long-term liabilities	<u>945,816</u>	<u>942,271</u>
Total liabilities	<u>1,176,752</u>	<u>1,144,760</u>
Net Assets		
Unrestricted net assets		
Undesignated	101,665	(3,976)
Board-designated endowment	86,320	79,771
Equity in property and equipment	1,736,053	1,892,198
Total unrestricted net assets	<u>1,924,038</u>	<u>1,967,993</u>
Temporarily restricted net assets	472,896	443,986
Total net assets	<u>2,396,934</u>	<u>2,411,979</u>
Total liabilities and net assets	<u>\$ 3,573,686</u>	<u>\$ 3,556,739</u>

The accompanying Notes are an integral part of these financial statements

F.R.I.E.N.D.S. of Broomfield, Inc.

Statement of Activities

Year ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Revenue			
Program services	\$ 787,685	\$ -	\$ 787,685
Change in value of beneficial interest in assets held at foundation	6,549	-	6,549
Investment income, net	2,178	-	2,178
Total revenue	<u>796,412</u>	<u>-</u>	<u>796,412</u>
Support			
Contributions and grants	227,010	145,870	372,880
Special events income, net	46,253	-	46,253
Net assets released from restrictions	116,960	(116,960)	-
Total support	<u>390,223</u>	<u>28,910</u>	<u>419,133</u>
Total revenue and support	<u>1,186,635</u>	<u>28,910</u>	<u>1,215,545</u>
Functional Expenses			
Program services	986,170	-	986,170
Supporting services			
General and administrative	141,984	-	141,984
Fundraising	102,436	-	102,436
Total functional expenses	<u>1,230,590</u>	<u>-</u>	<u>1,230,590</u>
Change in Net Assets	(43,955)	28,910	(15,045)
Net Assets, Beginning of Year	<u>1,967,993</u>	<u>443,986</u>	<u>2,411,979</u>
Net Assets, End of Year	<u>\$ 1,924,038</u>	<u>\$ 472,896</u>	<u>\$ 2,396,934</u>

The accompanying Notes are an integral
part of these financial statements

F.R.I.E.N.D.S. of Broomfield, Inc.

Statement of Activities

Year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Revenue			
Program services	\$ 870,916	\$ -	\$ 870,916
Change in value of beneficial interest in assets held at foundation	2,642	-	2,642
Investment income, net	1,743	-	1,743
Total revenue	<u>875,301</u>	<u>-</u>	<u>875,301</u>
Support			
Contributions and grants	126,915	331,767	458,682
Special events income, net	54,561	-	54,561
Net assets released from restrictions	385,734	(385,734)	-
Total support	<u>567,210</u>	<u>(53,967)</u>	<u>513,243</u>
Total revenue and support	<u>1,442,511</u>	<u>(53,967)</u>	<u>1,388,544</u>
Functional Expenses			
Program services	1,033,942	-	1,033,942
Supporting services			
General and administrative	180,082	-	180,082
Fundraising	55,639	-	55,639
Total functional expenses	<u>1,269,663</u>	<u>-</u>	<u>1,269,663</u>
Change in Net Assets	172,848	(53,967)	118,881
Net Assets, Beginning of Year	<u>1,795,145</u>	<u>497,953</u>	<u>2,293,098</u>
Net Assets, End of Year	<u>\$ 1,967,993</u>	<u>\$ 443,986</u>	<u>\$ 2,411,979</u>

The accompanying Notes are an integral
part of these financial statements

F.R.I.E.N.D.S. of Broomfield, Inc.

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ (15,045)	\$ 118,881
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	116,265	122,957
Amortization of discount on notes payable	50,467	72,397
Amortization of discount on land lease	(5,381)	(6,382)
In-kind land lease expenses	26,400	26,400
Realized (gain) loss on investments	363	(530)
Unrealized loss on investments	65	28
Change in value of beneficial interest in assets held at foundation	(6,549)	(2,642)
Donated investments	(10,210)	(10,049)
Donated equipment	-	(4,500)
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(26,818)	3,286
Contributions receivable, net	(72,318)	-
Prepaid expenses	(5,949)	-
Accounts payable	(7,306)	1,074
Accrued compensation and benefits	(1,513)	4,688
Net cash provided by operating activities	42,471	325,608
Cash Flows From Investing Activities		
Proceeds from sale of investments	9,659	25,385
Purchases of property and equipment	(931)	-
Transfers of restricted cash	(27,955)	(33,637)
Net cash used by investing activities	(19,227)	(8,252)
Cash Flows From Financing Activities		
Principal payments on capital leases	(9,656)	(10,826)
Principal payments on notes payable	-	(309,428)
Net cash used by financing activities	(9,656)	(320,254)
Net Increase (Decrease) in Cash and Cash Equivalents	13,588	(2,898)
Cash and Cash Equivalents, Beginning of Year	85,864	88,762
Cash and Cash Equivalents, End of Year	\$ 99,452	\$ 85,864
Supplemental Information		
Cash paid for interest	\$ 1,270	\$ 876

The accompanying Notes are an integral
part of these financial statements

F.R.I.E.N.D.S. of Broomfield, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization. F.R.I.E.N.D.S. of Broomfield, Inc. (the "Organization") is a Colorado nonprofit corporation that is dedicated to providing support services to individuals with developmental disabilities through a day program, supported employment, residential program, and a social activity program. Funding for the Organization is primarily obtained through service fees and charitable contributions from interested parties.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Net Asset Restriction Classification. The Organization has adopted accounting standards which require that the organization distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. These standards require that resources be classified for reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The three net asset categories are as follows:

Unrestricted net assets. Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets. Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Once the stipulation is met, the assets are released from restriction and the expenditure is recorded in the activities of unrestricted net assets.

Permanently restricted net assets. Permanently restricted net assets are subject to donor-imposed stipulations that require the donated assets to be maintained in perpetuity. The Organization does not currently have any permanently restricted net assets.

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments. The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians.

Unrealized gains and losses are included in net investment income in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

F.R.I.E.N.D.S. of Broomfield, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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

Fair Value Measurements. The Organization reports using fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Equity Securities. The Organization values equity securities with readily determinable market values at fair value as determined by quoted market prices on national securities exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

Beneficial Interest in Assets Held at Foundation. The Organization values the beneficial interest in assets held at foundation at the net asset value ("NAV") of units held by the Organization at year end. The NAV, as provided by The Broomfield Community Foundation (the Foundation), is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the Foundation less its liabilities. This practical expedient is not used when it is determined to be probable that the Foundation will sell the investment for an amount different than the reported NAV.

F.R.I.E.N.D.S. of Broomfield, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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

Fair Value Measurements (continued). The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Accounts Receivable. Accounts receivable are stated net of allowances for uncollectible accounts. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the program participant. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. As of December 31, 2017 and 2016, management believes all accounts receivable are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded.

Contributions Receivable. Unconditional promises to give are recognized as revenue in the period received. Contributions receivable are recorded at the amount the Organization expects to receive, allowing for estimated uncollectible contributions. The allowance for uncollectible contributions is estimated based on management's review of specific contributions outstanding. As of December 31, 2017 and 2016, management believes all contributions receivable are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$400, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using straight-line methods over the estimated useful lives of the assets, which is generally forty years for buildings, five to seven years for equipment, furniture, and fixtures, five years for vehicles, and three years for software. Depreciation expense totaled \$116,265 and \$122,957 for the years ended December 31, 2017 and 2016, respectively. Amortization of leased assets and software are included in depreciation expense.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2017 and 2016.

F.R.I.E.N.D.S. of Broomfield, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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

Revenue Recognition. Revenues are recorded as the services are rendered. Prepaid amounts are recorded as a deferred revenue liability when payments are received. As the services are rendered, revenue is then recorded.

Contributions. Contributions are recognized when the donation is received. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions and grants that are restricted by the donor or grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services. Contributed services are recognized if the services received satisfy the criteria for recognition. The contributions of services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Certain other volunteer services are not recorded in these financial statements as they do not meet the criteria for recognition. There were no contributed services for the years ended December 31, 2017 and 2016.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expense was incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through June 21, 2018, the date at which the financial statements were available for release.

Note 2 - Fair Value Measurements

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities				
Domestic common stock	\$ 10,145	\$ -	\$ -	\$ 10,145
Beneficial interest in assets held at foundation	-	86,320	-	86,320
	<u>\$ 10,145</u>	<u>\$ 86,320</u>	<u>\$ -</u>	<u>\$ 96,465</u>

F.R.I.E.N.D.S. of Broomfield, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 2 - Fair Value Measurements (continued)

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities				
Domestic common stock	\$ 10,022	\$ -	\$ -	\$ 10,022
Beneficial interest in assets held at foundation	-	79,771	-	79,771
	<u>\$ 10,022</u>	<u>\$ 79,771</u>	<u>\$ -</u>	<u>\$ 89,793</u>

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2017 and 2016, there were no significant transfers in or out of fair value levels.

The following sets forth a summary of the Organization's beneficial interest in assets held at foundation reported at NAV at December 31:

<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period</u>
<u>2017</u>				
\$ 86,320	N/A	Immediate	Redemptions will only be made upon written request of the Organization	None
<u>2016</u>				
\$ 79,771	N/A	Immediate	Redemptions will only be made upon written request of the Organization	None

Net investment income consisted of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 2,606	\$ 1,241
Net realized and unrealized gain (loss) on investments	(428)	502
Change in value of beneficial interest in assets held at foundation	6,549	2,642
	<u>\$ 8,727</u>	<u>\$ 4,385</u>

F.R.I.E.N.D.S. of Broomfield, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 3 - Contributions Receivable

Contributions receivable consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Amounts due in:		
One year or less	\$ 98,719	\$ 26,400
Two to five years	96,775	105,600
More than five years	-	17,576
	<u>195,494</u>	<u>149,576</u>
Less net present value discount	<u>(10,181)</u>	<u>(15,562)</u>
	185,313	134,014
Less current portion	<u>(98,719)</u>	<u>(26,400)</u>
Net contributions receivable, noncurrent	<u>\$ 86,594</u>	<u>\$ 107,614</u>

Contributions receivable are measured in the aggregate using present value techniques that consider historical trends of collection similar to the fund raising activities, the type of donor, general economic conditions, and market interest rate assumptions. The interest element resulting from amortization of the discount for the time value of money is reported as contribution revenue. Management has applied a discount rate of 5% for each of the years ended December 31, 2017 and 2016.

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Building	\$ 3,175,405	\$ 3,175,405
Equipment, furniture and fixtures	191,101	190,171
Vehicles	100,541	100,541
Software	2,755	2,755
	<u>3,469,802</u>	<u>3,468,872</u>
Less accumulated depreciation	<u>(584,176)</u>	<u>(467,912)</u>
Net property and equipment	<u>\$ 2,885,626</u>	<u>\$ 3,000,960</u>

The Organization leases the land underlying the building, as further described in Note 8, and will retain ownership of the building during the term of the land lease. When the land lease terminates, ownership of the building will revert to the property owner. The Organization cannot sublet or borrow against the building without property owner's permission.

F.R.I.E.N.D.S. of Broomfield, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 5 - Notes Payable

Long-term debt obligations consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Mortgage note payable to affiliate of a major donor, noninterest bearing (discounted using an effective interest rate of 5%), annual principal payments of \$259,589 through December 2022, collateralized by a first deed of trust on the building.	\$ 1,297,943	\$ 1,297,943
Less unamortized discount	(154,180)	(204,647)
	1,143,763	1,093,296
Less current portion	(200,923)	(156,835)
	<u>\$ 942,840</u>	<u>\$ 936,461</u>

Scheduled maturities of the long-term notes payable are as follows at December 31, 2017:

Year ended December 31	Notes Payable	Amortization of Discount	Total
2018	\$ 259,589	\$ 58,666	\$ 200,923
2019	259,589	45,298	214,291
2020	259,589	31,247	228,342
2021	259,588	16,477	243,111
2022	259,588	2,492	257,096
	<u>\$ 1,297,943</u>	<u>\$ 154,180</u>	<u>\$ 1,143,763</u>

Note 6 - Board-designated Endowment

The Board of Directors established an agency endowment fund with The Broomfield Community Foundation (the Foundation). The funds held by the Foundation were contributed by the Organization for the benefit of the Organization. The Foundation invests the assets in marketable debt and equity securities, primarily in assets yielding a combination of income and long-term growth.

The following summarizes the changes in net assets designated by the board of directors as an endowment fund for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 79,771	\$ 96,774
Interest and dividends	1,265	1,645
Net appreciation (depreciation)	5,782	1,605
Investment fees	(498)	(608)
Appropriated for expenditure	-	(19,645)
Ending balance	<u>\$ 86,320</u>	<u>\$ 79,771</u>

F.R.I.E.N.D.S. of Broomfield, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 6 - Board-designated Endowment (continued)

Interpretation of Relevant Law. The Board of Directors has determined that a portion of the Organization's net assets meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), adopted by the State of Colorado in 2008. The Organization is governed subject to the Articles of Incorporation and Bylaws for the Organization and contributions are received subject to the terms of the governing documents.

Note 7 - Temporarily Restricted Net Assets

The following summarizes the changes in net assets temporarily restricted for the year ended December 31, 2017 and 2016:

	Capital Campaign	Time Restrictions	Total
Balance, January 1, 2016	\$ 66,877	\$ 431,076	\$ 497,953
Additions	325,385	6,382	331,767
Releases	(286,937)	(98,797)	(385,734)
Balance, December 31, 2016	\$ 105,325	\$ 338,661	\$ 443,986
Additions	68,171	77,699	145,870
Releases	(40,093)	(76,867)	(116,960)
Balance, December 31, 2017	\$ 133,403	\$ 339,493	\$ 472,896

Note 8 - Lease Commitments

Capital Lease. The Organization leases equipment under a noncancelable capital lease. The lease expires November 2019. The leased equipment has a cost of \$12,247 and accumulated depreciation of \$7,756 at December 31, 2017.

Future minimum lease payments required under the noncancelable capital lease are as follows at December 31, 2017:

Year ended December 31	Amount
2018	\$ 3,442
2019	3,155
Total minimum lease payments	6,597
Less amount representing interest	(787)
	\$ 5,810

Operating Leases. The Organization leases land that the building currently occupies from an affiliate of a major donor under a noncancelable operating lease. The land lease requires a minimum annual payment of \$1 and expires in August 2022. The agreement has an option to renew for up to nine additional 10-year periods. Rent expense, including in-kind expenses, under the lease totaled \$26,400 for each of the years ended December 31, 2017 and 2016.

F.R.I.E.N.D.S. of Broomfield, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 8 - Lease Commitments (continued)

The Organization leases vehicles under multiple noncancelable operating leases, which expire from November 2019 through December 2020. Rent expense under the leases totaled \$23,185 and \$24,026 for the years ended December 31, 2017 and 2016, respectively.

Future annual minimum lease payments, including in-kind rent expense, required under the noncancelable operating leases are as follows at December 31, 2017:

Year ended December 31	Land Use	Vehicles	Total
2018	\$ 26,400	\$ 23,185	\$ 49,585
2019	26,400	22,344	48,744
2020	26,400	13,093	39,493
2021	26,400	-	26,400
2022	17,576	-	17,576
	<u>\$ 123,176</u>	<u>\$ 58,622</u>	<u>\$ 181,798</u>

Note 9 - Related Party Transactions

The Organization provides services to relatives of a member of management and two members of the Board of Directors. Such services are provided under the same terms as those for other program participants. The Organization recognized revenue from the related parties of \$32,584 and \$51,996 in 2017 and 2016, respectively.

Note 10 - Special Events

The Organization derived net revenue from the following special fundraising events during the year ended December 31, 2017:

	Annual Event	Video Premiere	Variety Show	Total
Gross Proceeds	\$ 36,934	\$ 15,111	\$ 8,060	\$ 60,105
Direct Costs	(2,212)	(7,022)	(4,618)	(13,852)
Net Revenue	<u>\$ 34,722</u>	<u>\$ 8,089</u>	<u>\$ 3,442</u>	<u>\$ 46,253</u>

The Organization derived net revenue from the following special fundraising events during the year ended December 31, 2016:

	Annual Event	Variety Show	Total
Gross Proceeds	\$ 92,578	\$ 5,166	\$ 97,744
Direct Costs	(40,850)	(2,333)	(43,183)
Net Revenue	<u>\$ 51,728</u>	<u>\$ 2,833</u>	<u>\$ 54,561</u>

F.R.I.E.N.D.S. of Broomfield, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 11 - Contingency

The Organization is the beneficiary of a Designated Endowment Fund held by The Broomfield Community Foundation (the Foundation). The donors have granted the Foundation variance power and, accordingly, these funds are not recorded on the Organization's financial statements. As of December 31, 2017 and 2016, the fair market value of these funds was \$78,878 and \$72,894, respectively.

Note 12 - Concentrations

Concentrations of Credit Risk. The Organization's primary customers are individuals who are insured under third-party payor agreements. The Organization performs ongoing credit evaluations of its customers and generally does not require collateral. The Organization provides reserves for credit losses, as necessary, based on a thorough review of all outstanding accounts. Such losses and yearly provisions have been within management's expectations.

Major Third-Party Payors. The Organization had a single third-party payor who comprised 62% and 55% of total revenues for the years ended December 31, 2017 and 2016, respectively.

Major Donor. The Organization had a single donor who comprised 11% and 21% of total revenues for the years ended December 31, 2017 and 2016, respectively. The major donor comprised 100% of the contributions receivable at each of the years ended December 31, 2017 and 2016.

Geographical Concentration. The Organization receives a substantial amount of their support from Broomfield, Colorado and the surrounding areas.

F.R.I.E.N.D.S. of Broomfield, Inc.

Schedule of Functional Expenses

December 31, 2017

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
Salaries and wages	\$ 482,867	\$ 69,812	\$ 29,088	\$ 581,767
Payroll taxes	41,033	5,933	2,472	49,438
Contract labor	54,447	-	572	55,019
Total personnel costs	<u>578,347</u>	<u>75,745</u>	<u>32,132</u>	<u>686,224</u>
Professional fees	3,927	18,063	56,545	78,535
Occupancy	47,867	8,447	-	56,314
Interest expense	51,737	-	-	51,737
Transportation	51,564	-	-	51,564
Insurance	41,832	2,202	-	44,034
Information technology	35,371	5,410	832	41,613
Repairs and maintenance	31,067	2,762	690	34,519
Program expenses	33,886	-	-	33,886
Supplies	4,746	4,746	-	9,492
Marketing and outreach	-	-	7,941	7,941
Training and education	5,641	680	476	6,797
Miscellaneous	680	733	3,820	5,233
Volunteer and staff expenses	680	2,720	-	3,400
Bank fees	-	3,036	-	3,036
Total expenses before depreciation	<u>887,345</u>	<u>124,544</u>	<u>102,436</u>	<u>1,114,325</u>
Depreciation	<u>98,825</u>	<u>17,440</u>	<u>-</u>	<u>116,265</u>
Total expenses	<u>\$ 986,170</u>	<u>\$ 141,984</u>	<u>\$ 102,436</u>	<u>\$ 1,230,590</u>

F.R.I.E.N.D.S. of Broomfield, Inc.

Schedule of Functional Expenses

December 31, 2016

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
Salaries and wages	\$ 501,358	\$ 94,004	\$ 31,335	\$ 626,697
Payroll taxes	40,138	7,526	2,508	50,172
Contract labor	70,092	-	8,688	78,780
Total personnel costs	611,588	101,530	42,531	755,649
Interest expense	73,273	-	-	73,273
Transportation	55,321	-	-	55,321
Occupancy	43,437	7,665	-	51,102
Insurance	42,192	2,221	-	44,413
Program expenses	41,067	-	-	41,067
Information technology	33,043	5,054	777	38,874
Repairs and maintenance	22,649	9,707	-	32,356
Professional fees	-	22,840	-	22,840
Marketing and outreach	-	-	7,387	7,387
Supplies	3,590	3,589	-	7,179
Volunteer and staff expenses	1,172	4,687	-	5,859
Miscellaneous	341	-	4,796	5,137
Bank fees	-	4,133	-	4,133
Training and education	1,756	212	148	2,116
Total expenses before depreciation	929,429	161,638	55,639	1,146,706
Depreciation	104,513	18,444	-	122,957
Total expenses	\$ 1,033,942	\$ 180,082	\$ 55,639	\$ 1,269,663