

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

Financial Statements

December 31, 2016 and 2015

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 statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2016 schedule of functional expenses is presented for purposes of additional analysis and is 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 audit 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.

Prior Year Financial Statements and Supplementary Information

The financial statements and supplementary information of F.R.I.E.N.D.S. of Broomfield, Inc. as of December 31, 2015, were audited by other auditors whose report dated February 13, 2017, expressed an unmodified opinion on those statements

Altruic Advisors, PLLC

Certified Public Accountants

Boulder, Colorado
November 1, 2017

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

Statements of Financial Position

December 31	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 85,864	\$ 88,762
Accounts receivable	150,805	154,091
Contributions receivable, current portion	26,400	26,400
Total current assets	<u>263,069</u>	<u>269,253</u>
Property and Equipment, net	<u>3,000,960</u>	<u>3,119,417</u>
Other Assets		
Cash restricted for capital campaign	95,303	61,666
Investments restricted for capital campaign	10,022	5,211
Contributions receivable, noncurrent	107,614	127,632
Beneficial interest in assets held at foundation	79,771	96,774
Total other assets	<u>292,710</u>	<u>291,283</u>
Total assets	<u>\$ 3,556,739</u>	<u>\$ 3,679,953</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 14,374	\$ 13,300
Accrued compensation and benefits	21,624	16,936
Capital lease obligations, current portion	9,656	13,423
Notes payable, current portion	156,835	171,660
Total current liabilities	<u>202,489</u>	<u>215,319</u>
Long-Term Liabilities		
Capital lease obligations, net of current portion	5,810	12,869
Notes payable, net of current portion	936,461	1,158,667
Total current liabilities	<u>942,271</u>	<u>1,171,536</u>
Total liabilities	<u>1,144,760</u>	<u>1,386,855</u>
Net Assets		
Unrestricted net assets		
Undesignated	(3,976)	(64,427)
Board-designated endowment	79,771	96,774
Equity in property and equipment	1,892,198	1,762,798
Total unrestricted net assets	<u>1,967,993</u>	<u>1,795,145</u>
Temporarily restricted net assets	<u>443,986</u>	<u>497,953</u>
Total net assets	<u>2,411,979</u>	<u>2,293,098</u>
Total liabilities and net assets	<u>\$ 3,556,739</u>	<u>\$ 3,679,953</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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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.

Statement of Activities

Year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Revenue			
Program services	\$ 898,992	\$ -	\$ 898,992
Investment income, net	64	-	64
Total revenue	<u>899,056</u>	<u>-</u>	<u>899,056</u>
Support			
Contributions and grants	423,665	42,457	466,122
Special events income, net	58,424	-	58,424
Net assets released from restrictions	113,948	(113,948)	-
Total support	<u>596,037</u>	<u>(71,491)</u>	<u>524,546</u>
Total revenue and support	<u>1,495,093</u>	<u>(71,491)</u>	<u>1,423,602</u>
Functional Expenses and Loss			
Functional Expenses			
Program services	1,030,167	-	1,030,167
Supporting services			
General and administrative	178,429	-	178,429
Fundraising	49,129	-	49,129
Total functional expenses	<u>1,257,725</u>	<u>-</u>	<u>1,257,725</u>
Loss			
Change in value of beneficial interest in assets held at foundation	5,489	-	5,489
Total functional expenses and loss	<u>1,263,214</u>	<u>-</u>	<u>1,263,214</u>
Change in Net Assets	231,879	(71,491)	160,388
Net Assets, Beginning of Year	<u>1,563,266</u>	<u>569,444</u>	<u>2,132,710</u>
Net Assets, End of Year	<u>\$ 1,795,145</u>	<u>\$ 497,953</u>	<u>\$ 2,293,098</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	2016	2015
Cash Flows From Operating Activities		
Change in net assets	\$ 118,881	\$ 160,388
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	122,957	127,367
Amortization of discount on notes payable	72,397	87,548
Amortization of discount on land lease	(6,382)	(7,335)
In-kind land lease expenses	26,400	26,400
Realized gain on investments	(530)	-
Unrealized (gain) loss on investments	28	(58)
Change in value of beneficial interest in assets held at foundation	(2,642)	5,489
Donated investments	(10,049)	-
Donated equipment	(4,500)	-
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	3,286	(65,787)
Prepaid expenses and other current assets	-	6,327
Accounts payable	1,074	7,129
Accrued compensation and benefits	4,688	(3,676)
Net cash provided by operating activities	325,608	343,792
Cash Flows From Investing Activities		
Proceeds from sale of investments	25,385	-
Purchases of property and equipment	-	(9,256)
Transfers of restricted cash	(33,637)	(4,178)
Net cash used by investing activities	(8,252)	(13,434)
Cash Flows From Financing Activities		
Principal payments on capital leases	(10,826)	(20,671)
Principal payments on notes payable	(309,428)	(302,061)
Net cash used by financing activities	(320,254)	(322,732)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,898)	7,626
Cash and Cash Equivalents, Beginning of Year	88,762	81,136
Cash and Cash Equivalents, End of Year	\$ 85,864	\$ 88,762
Supplemental Information		
Cash paid for interest	\$ 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, 2016 and 2015

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.

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

Notes to Financial Statements

December 31, 2016 and 2015

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

Investments (continued). 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.

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.

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

Notes to Financial Statements

December 31, 2016 and 2015

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

Beneficial Interest in Assets Held at Foundation (continued). 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.

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, 2016 and 2015.

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, 2016 and 2015, 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, 2016 and 2015, 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 \$122,957 and \$127,367 for the years ended December 31, 2016 and 2015, 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.

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

Notes to Financial Statements

December 31, 2016 and 2015

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

Impairment of Long-Lived Assets (continued). 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, 2016 and 2015.

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, 2016 and 2015.

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.

Reclassifications. Certain amounts from the financial statements for the year ended December 31, 2015 have been reclassified to conform with current year presentation, without affecting the change in net assets.

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 November 1, 2017, the date at which the financial statements were available for release.

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

Notes to Financial Statements

December 31, 2016 and 2015

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, 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>

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities				
Domestic common stock	\$ 5,211	\$ -	\$ -	\$ 5,211
Beneficial interest in assets held at foundation	-	96,774	-	96,774
	<u>\$ 5,211</u>	<u>\$ 96,774</u>	<u>\$ -</u>	<u>\$ 101,985</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. As of January 1, 2015, beneficial interest in assets held at foundation totaling \$102,262 were transferred to level 2 from level 1 of the fair value hierarchy.

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>
2016				
\$ 79,771	N/A	Immediate	Redemptions will only be made upon written request of the Organization	None
2015				
\$ 96,774	N/A	Immediate	Redemptions will only be made upon written request of the Organization	None

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

Notes to Financial Statements

December 31, 2016 and 2015

Note 2 - Fair Value Measurements (continued)

Net investment earnings (loss) consisted of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 1,241	\$ 17
Net realized and unrealized gain on investments	502	47
Change in value of beneficial interest in assets held at foundation	2,642	(5,489)
	<u>\$ 4,385</u>	<u>\$ (5,425)</u>

Note 3 - Contributions Receivable

Contributions receivable consist of the fair value of a below-market land lease. The expected use of the contributed land is as follows at December 31, 2016:

Amounts due in:	
One year or less	\$ 26,400
Two to five years	105,600
More than five years	17,576
	<u>149,576</u>
Less net present value discount	<u>(15,562)</u>
	134,014
Less current portion	<u>(26,400)</u>
Net contributions receivable, noncurrent	<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, 2016 and 2015.

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Building	\$ 3,175,405	\$ 3,175,405
Equipment, furniture and fixtures	190,171	190,171
Vehicles	100,541	96,041
Software	2,755	2,755
	<u>3,468,872</u>	<u>3,464,372</u>
Less accumulated depreciation	<u>(467,912)</u>	<u>(344,955)</u>
Net property and equipment	<u>\$ 3,000,960</u>	<u>\$ 3,119,417</u>

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

Notes to Financial Statements

December 31, 2016 and 2015

Note 4 - Property and Equipment (continued)

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.

Note 5 - Notes Payable

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

	<u>2016</u>	<u>2015</u>
Mortgage note payable to affiliate of a major donor, noninterest bearing (discounted using an effective interest rate of 5%), annual principal payments of \$216,324 through December 2022, collateralized by a first deed of trust on the building.	\$ 1,297,943	\$ 1,597,943
Vehicle note paid in full during 2016	-	9,428
Less unamortized discount	(204,647)	(277,044)
	1,093,296	1,330,327
Less current portion	(156,835)	(171,660)
	<u>\$ 936,461</u>	<u>\$ 1,158,667</u>

Scheduled maturities of the long-term notes payable are as follows at December 31, 2016:

Year ended December 31	Notes Payable	Amortization of Discount	Total
2017	\$ 216,324	\$ 59,489	\$ 156,835
2018	216,324	48,673	167,651
2019	216,324	37,857	178,467
2020	216,324	27,040	189,284
2021	216,324	16,224	200,100
Thereafter	216,323	15,364	200,959
	<u>\$ 1,297,943</u>	<u>\$ 204,647</u>	<u>\$ 1,093,296</u>

The Organization was in compliance with, or received waivers for, all financial and reporting covenants as of December 31, 2016 and 2015.

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.

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

Notes to Financial Statements

December 31, 2016 and 2015

Note 6 - Board-designated Endowment (continued)

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>2016</u>	<u>2015</u>
Beginning balance	\$ 96,774	\$ 102,262
Interest and dividends	1,645	1,721
Net appreciation (depreciation)	1,605	(1,479)
Investment fees	(608)	(598)
Appropriated for expenditure	(19,645)	(5,132)
Ending balance	<u>\$ 79,771</u>	<u>\$ 96,774</u>

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, 2016 :

	<u>Capital Campaign</u>	<u>Time Restrictions</u>	<u>Total</u>
Balance, January 1, 2015	\$ 31,755	\$ 537,689	\$ 569,444
Additions	35,122	7,335	42,457
Releases	-	(113,948)	(113,948)
Balance, December 31, 2015	<u>\$ 66,877</u>	<u>\$ 431,076</u>	<u>\$ 497,953</u>
Additions	325,385	6,382	331,767
Releases	(286,937)	(98,797)	(385,734)
Balance, December 31, 2016	<u>\$ 105,325</u>	<u>\$ 338,661</u>	<u>\$ 443,986</u>

Note 8 - Lease Commitments

Capital Lease. The Organization leases equipment under multiple noncancelable capital leases. The leases expire August 2017 and October 2019. The leased equipment has a cost of \$45,758 and accumulated depreciation of \$26,530 at December 31, 2016.

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

Notes to Financial Statements

December 31, 2016 and 2015

Note 8 - Lease Commitments (continued)

Future minimum lease payments required under the noncancelable capital lease are as follows at December 31, 2016:

Year ended December 31	Amount
2017	\$ 10,926
2018	3,442
2019	3,155
Total minimum lease payments	17,523
Less amount representing interest	(2,057)
	<u>\$ 15,466</u>

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, 2016 and 2015.

The Organization leases vehicles under multiple noncancelable operating leases, which expire from November 2019 through December 2020. Rent expense under the leases totaled \$24,026 and \$11,194 for the years ended December 31, 2016 and 2015, respectively.

Future annual minimum lease payments, including in-kind rent expense, required under the noncancelable operating leases are as follows at December 31, 2016:

Year ended December 31	Land Use	Vehicles	Total
2017	\$ 26,400	\$ 23,185	\$ 49,585
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
Thereafter	17,576	-	17,576
	<u>\$ 149,576</u>	<u>\$ 81,807</u>	<u>\$ 231,383</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 \$51,996 and \$26,400 in 2016 and 2015, respectively.

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

Notes to Financial Statements

December 31, 2016 and 2015

Note 10 - Special Events

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

	<u>Annual Event</u>	<u>Variety Show</u>	<u>Total</u>
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>

The Organization derived net revenue from the following special fundraising events during the year ended December 31, 2015:

	<u>Annual Event</u>	<u>Variety Show</u>	<u>Other</u>	<u>Total</u>
Gross Proceeds	\$ 76,567	\$ 6,497	\$ 1,755	\$ 84,819
Direct Costs	(20,966)	(2,409)	(3,020)	(26,395)
Net Revenue	<u>\$ 55,601</u>	<u>\$ 4,088</u>	<u>\$ (1,265)</u>	<u>\$ 58,424</u>

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, 2016 and 2015, the fair market value of these funds was \$72,894 and \$70,954, 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 55% and 58% of total revenues for the years ended December 31, 2016 and 2015, respectively.

Major Donor. The Organization had a single donor who comprised 21% of total revenues for each of the years ended December 31, 2016 and 2015. The major donor comprised 100% of the contributions receivable for each of the years ended December 31, 2016 and 2015.

Bank Deposits. At a certain point during each year, the Organization maintained cash balances in excess of federally insured limits.

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

Notes to Financial Statements

December 31, 2016 and 2015

Note 12 - Concentrations (continued)

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, 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

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

Schedule of Functional Expenses

December 31, 2015

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
Salaries and wages	\$ 442,984	\$ 83,059	\$ 27,686	\$ 553,729
Payroll taxes	37,006	6,939	2,313	46,258
Contract labor	81,377	44,500	-	125,877
Total personnel costs	<u>561,367</u>	<u>134,498</u>	<u>29,999</u>	<u>725,864</u>
Interest expense	87,548	-	-	87,548
Occupancy	69,878	2,481	-	72,359
Transportation	47,133	-	-	47,133
Program expenses	38,262	-	-	38,262
Insurance	33,993	1,789	-	35,782
Information technology	34,896	-	-	34,896
Volunteer and staff expenses	23,446	-	-	23,446
Training and education	8,476	715	6,142	15,333
Professional fees	-	14,005	-	14,005
Repairs and maintenance	13,142	-	-	13,142
Marketing and outreach	-	-	8,194	8,194
Supplies	3,478	3,120	-	6,598
Miscellaneous	286	-	4,794	5,080
Bank fees	-	2,716	-	2,716
Total expenses before depreciation	<u>921,905</u>	<u>159,324</u>	<u>49,129</u>	<u>1,130,358</u>
Depreciation	<u>108,262</u>	<u>19,105</u>	<u>-</u>	<u>127,367</u>
Total expenses	<u>\$ 1,030,167</u>	<u>\$ 178,429</u>	<u>\$ 49,129</u>	<u>\$ 1,257,725</u>