

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

(a nonprofit Colorado corporation)

Financial Statements

December 31, 2019 and 2018

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

Table of Contents

Independent Auditor's Report	Pages 1-2
Statements of Financial Position December 31, 2019 and 2018	Page 3
Statement of Activities Year ended December 31, 2019	Page 4
Statement of Activities Year ended December 31, 2018	Page 5
Statement of Functional Expenses Year ended December 31, 2019	Page 6
Statement of Functional Expenses Year ended December 31, 2018	Page 7
Statements of Cash Flows Years ended December 31, 2019 and 2018	Page 8
Notes to Financial Statements	Pages 9-22

Independent Auditor's 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, 2019, and the related statements of activities, functional expenses, 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.

Auditor's 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 Auditor's 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, 2019, 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.

Prior Period Financial Statements

The financial statements of F.R.I.E.N.D.S. of Broomfield, Inc. as of December 31, 2018, were audited by other auditors whose report dated October 1, 2019, expressed an unmodified opinion on those statements.

Brock and Company, CPAs, P.C.
Certified Public Accountants

Longmont, Colorado
September 30, 2020

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

Statements of Financial Position

December 31	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 434,444	\$ 401,802
Investments	48,684	10,344
Accounts receivable	99,627	130,992
Contributions receivable, current portion	98,697	26,400
Prepaid expenses	22,687	15,219
Total current assets	<u>704,139</u>	<u>584,757</u>
Property and Equipment, net	<u>2,830,476</u>	<u>2,807,396</u>
Other Assets		
Restricted cash	-	6,377
Contributions receivable, noncurrent	41,350	64,524
Beneficial interest in assets held by foundations	154,473	88,997
Total other assets	<u>195,823</u>	<u>159,898</u>
Total assets	<u>\$ 3,730,438</u>	<u>\$ 3,552,051</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 59,709	\$ 40,302
Accrued compensation and benefits	44,376	30,243
Deferred revenue	72,200	70,880
Capital lease obligations	-	2,976
Notes payable, current portion	336,393	246,684
Total current liabilities	<u>512,678</u>	<u>391,085</u>
Long-Term Liabilities		
Notes payable, net of current portion	<u>716,310</u>	<u>825,729</u>
Total liabilities	<u>1,228,988</u>	<u>1,216,814</u>
Net Assets		
Without donor restrictions		
Undesignated	451,238	321,418
Board-designated endowment	134,473	88,997
Equity in property and equipment	1,777,773	1,732,007
Total unrestricted net assets	<u>2,363,484</u>	<u>2,142,422</u>
With donor restrictions	<u>137,966</u>	<u>192,815</u>
Total net assets	<u>2,501,450</u>	<u>2,335,237</u>
Total liabilities and net assets	<u>\$ 3,730,438</u>	<u>\$ 3,552,051</u>

The accompanying Notes are an integral part of these financial statements

Page 3

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

Statement of Activities

Year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenue and Support			
Operating Revenue			
Day program fees	\$ 550,720	\$ -	\$ 550,720
Social program fees	496,859	-	496,859
Residential program fees	433,506	-	433,506
Supportive employment program fees	125,678	-	125,678
Total operating revenue	<u>1,606,763</u>	<u>-</u>	<u>1,606,763</u>
Operating Support			
Contributions and grants	562,011	23,901	585,912
Special events income, net	13,283	-	13,283
Net assets released from restrictions			
Satisfaction of program restrictions	7,052	(7,052)	-
Expiration of time restrictions	71,698	(71,698)	-
Total operating support	<u>654,044</u>	<u>(54,849)</u>	<u>599,195</u>
Total operating revenue and support	<u>2,260,807</u>	<u>(54,849)</u>	<u>2,205,958</u>
Operating Expenses			
Program services	1,762,601	-	1,762,601
Supporting services			
General and administrative	194,857	-	194,857
Fundraising	100,819	-	100,819
Total operating expenses	<u>2,058,277</u>	<u>-</u>	<u>2,058,277</u>
Total operating revenue and support in excess (deficit) of operating expenses	<u>202,530</u>	<u>(54,849)</u>	<u>147,681</u>
Other Changes			
Investment income, net	8,527	-	8,527
Change in value of beneficial interest in assets held by foundations	4,505	-	4,505
Gain on sale of equipment	5,500	-	5,500
Total revenue	<u>18,532</u>	<u>-</u>	<u>18,532</u>
Change in Net Assets	<u>221,062</u>	<u>(54,849)</u>	<u>166,213</u>
Net Assets, Beginning of Year	<u>2,142,422</u>	<u>192,815</u>	<u>2,335,237</u>
Net Assets, End of Year	<u>\$ 2,363,484</u>	<u>\$ 137,966</u>	<u>\$ 2,501,450</u>

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part of these financial statements

Page 4

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

Statement of Activities

Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Operating Revenue			
Day program fees	\$ 477,541	\$ -	\$ 477,541
Social program fees	248,204	-	248,204
Residential program fees	180,190	-	180,190
Supportive employment program fees	110,698	-	110,698
Total operating revenue	<u>1,016,633</u>	<u>-</u>	<u>1,016,633</u>
Operating Support			
Contributions and grants	448,237	7,319	455,556
Special events income, net	59,811	-	59,811
Net assets released from restrictions			
Satisfaction of program restrictions	130,016	(130,016)	-
Expiration of time restrictions	157,384	(157,384)	-
Total operating support	<u>795,448</u>	<u>(280,081)</u>	<u>515,367</u>
Total operating revenue and support	<u>1,812,081</u>	<u>(280,081)</u>	<u>1,532,000</u>
Operating Expenses			
Program services	1,270,918	-	1,270,918
Supporting services			
General and administrative	162,792	-	162,792
Fundraising	97,967	-	97,967
Total operating expenses	<u>1,531,677</u>	<u>-</u>	<u>1,531,677</u>
Total operating revenue and support in excess (deficit) of operating expenses	280,404	(280,081)	323
Other Changes			
Investment income, net	6,312	-	6,312
Change in value of beneficial interest in assets held by foundations	2,676	-	2,676
Total revenue	<u>8,988</u>	<u>-</u>	<u>8,988</u>
Change in Net Assets	289,392	(280,081)	9,311
Net Assets, Beginning of Year	<u>1,853,030</u>	<u>472,896</u>	<u>2,325,926</u>
Net Assets, End of Year	<u>\$ 2,142,422</u>	<u>\$ 192,815</u>	<u>\$ 2,335,237</u>

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Page 5

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

Statement of Functional Expenses

December 31, 2019

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 807,277	\$ 116,715	\$ 48,631	\$ 972,623
Payroll taxes	66,948	9,679	4,033	80,660
Employee benefits	34,095	4,929	2,054	41,078
Contract labor	152,762	-	1,605	154,367
Total personnel costs	<u>1,061,082</u>	<u>131,323</u>	<u>56,323</u>	<u>1,248,728</u>
Program expenses	327,222	-	-	327,222
Transportation	64,323	-	-	64,323
Occupancy	50,891	8,981	-	59,872
Interest expense	45,306	-	-	45,306
Information technology	36,351	5,560	855	42,766
Repairs and maintenance	36,218	3,219	805	40,242
Professional fees	1,726	7,941	24,859	34,526
Insurance	30,514	1,606	-	32,120
Supplies	11,711	11,711	-	23,422
Training and education	9,244	1,114	780	11,138
Miscellaneous	1,374	1,480	7,717	10,571
Marketing and outreach	-	-	9,480	9,480
Bank fees	-	4,537	-	4,537
Volunteer and staff expenses	548	2,192	-	2,740
Total operating expenses before depreciation	<u>1,676,510</u>	<u>179,664</u>	<u>100,819</u>	<u>1,956,993</u>
Depreciation	<u>86,091</u>	<u>15,193</u>	-	<u>101,284</u>
Total operating expenses	<u>\$ 1,762,601</u>	<u>\$ 194,857</u>	<u>\$ 100,819</u>	<u>\$ 2,058,277</u>

The accompanying Notes are an integral
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Page 6

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

Statement of Functional Expenses

December 31, 2018

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 595,530	\$ 86,101	\$ 35,875	\$ 717,506
Payroll taxes	48,659	7,035	2,931	58,625
Employee benefits	3,663	530	221	4,414
Contract labor	43,501	-	457	43,958
Total personnel costs	691,353	93,666	39,484	824,503
Program expenses	165,585	-	-	165,585
Interest expense	59,273	-	-	59,273
Occupancy	50,092	8,840	-	58,932
Transportation	55,561	-	-	55,561
Information technology	46,146	7,058	1,086	54,290
Repairs and maintenance	41,414	3,681	920	46,015
Insurance	41,182	2,167	-	43,349
Professional fees	1,867	8,589	26,888	37,344
Miscellaneous	2,319	2,497	13,021	17,837
Supplies	8,372	8,372	-	16,744
Marketing and outreach	-	-	15,815	15,815
Training and education	8,929	1,076	753	10,758
Volunteer and staff expenses	1,184	4,737	-	5,921
Bank fees	-	4,878	-	4,878
Total operating expenses before depreciation	1,173,277	145,561	97,967	1,416,805
Depreciation	97,641	17,231	-	114,872
Total operating expenses	\$ 1,270,918	\$ 162,792	\$ 97,967	\$ 1,531,677

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Page 7

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

Statements of Cash Flows

Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash

Years ended December 31	2019	2018
Cash Flows From Operating Activities		
Change in net assets	\$ 166,213	\$ 9,311
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	101,284	114,872
Amortization of discount on notes payable	45,298	58,665
Amortization of discount on land lease	(3,226)	(4,330)
In-kind land lease expenses	26,400	26,400
Realized gain on investments	(649)	(190)
Unrealized loss on investments	431	125
Change in value of beneficial interest in assets held by foundations	(4,505)	(2,676)
Donated investments	(60,971)	(10,089)
Donated equipment	-	(9,333)
Gain on sale of equipment	(5,500)	-
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	31,365	(24,377)
Contributions receivable, net	(72,297)	72,319
Prepaid expenses	(7,468)	(9,270)
Accounts payable	19,407	33,234
Accrued compensation and benefits	14,133	10,132
Deferred revenue	1,320	70,880
Net cash provided by operating activities	251,235	335,673
Cash Flows From Investing Activities		
Proceeds from sale of investments	21,333	9,954
Purchases of investments	(59,455)	-
Purchases of property and equipment	(124,364)	(27,309)
Proceeds from sale of property and equipment	5,500	-
Net cash used by investing activities	(156,986)	(17,355)
Cash Flows From Financing Activities		
Principal payments on capital leases	(2,976)	(2,834)
Principal payments on notes payable	(65,008)	(130,015)
Net cash used by financing activities	(67,984)	(132,849)
Net Increase in Cash, Cash Equivalents and Restricted Cash	26,265	185,469
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	408,179	222,710
Cash, Cash Equivalents and Restricted Cash, End of Year	\$ 434,444	\$ 408,179
Supplemental Information		
Cash paid for interest	\$ 179	\$ 608

The accompanying Notes are an integral
part of these financial statements

Page 8

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

Notes to Financial Statements

December 31, 2019 and 2018

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, a social activity program, residential program, and supported employment. Funding for the Organization is primarily obtained through service fees and charitable contributions from interested parties.

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.

Basis of Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated by receiving contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished.

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.

Changes in Accounting Principles. On January 1, 2019, the Organization adopted FASB ASU No. 2014-09 (Topic 606) - *Revenue from Contracts With Customers*, which provides guidance for revenue recognition that superseded previous guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods and services. The Organization adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results from reporting periods beginning after January 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance. The adoption would not have had any material effect on the change in net assets for the year ended December 31, 2018, or on net assets as of December 31, 2018.

On January 1, 2019, the Organization adopted FASB ASU No. 2018-08 - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope of accounting guidance for contributions received and contributions made.

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

Notes to Financial Statements

December 31, 2019 and 2018

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

Changes in Accounting Principles (continued). The Organization adopted ASU 2018-08 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results from reporting periods beginning after January 1, 2019, are presented under the clarified standard, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance. The adoption would not have had any material effect on the change in net assets for the year ended December 31, 2018, or on net assets as of December 31, 2018.

On January 1, 2019, the Organization adopted FASB ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments that are marked to fair value and reported as available-for-sale. The Organization adopted ASU 2016-01 under the modified retrospective approach, applying the amendments to prospective reporting periods. The adoption would not have had any material effect on the change in net assets for the year ended December 31, 2018, or on net assets as of December 31, 2018.

Cash and Cash Equivalents. Cash consists of checking and savings accounts held at financial institutions. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

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 statement of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions 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.

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

Notes to Financial Statements

December 31, 2019 and 2018

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

- 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:

Mutual Funds and Equity Securities. The Organization values mutual funds and 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 by Foundations. The Organization values the beneficial interest in assets held by foundations at the net asset value ("NAV") of units held by the Organization at year end. The NAV, as provided by The Broomfield Community Foundation and Community First Foundation (the Foundations), 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, 2019 and 2018.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk.

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

Notes to Financial Statements

December 31, 2019 and 2018

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

Fair Value Measurements (continued). Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Accounts Receivable. Accounts receivable are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive, and 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, 2019 and 2018, 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, 2019 and 2018, 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 contributions without donor restrictions 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 \$101,284 and \$114,872 for the years ended December 31, 2019 and 2018, respectively. Amortization of leased assets and software is 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, 2019 and 2018.

Restricted Cash. Restricted cash consists of funds held in a savings account at a financial institution. Donors have restricted the use of the funds to capital projects and improvements.

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

Notes to Financial Statements

December 31, 2019 and 2018

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

Revenue Recognition. The Organization's revenues from contracts with customers is comprised of day program fees, social program fees, residential program fees, and supportive employment program fees.

Day program fees consist of services for all-day care at the Organization's facility and includes transportation services. Revenue is recognized over time, as the services are performed, which satisfies the Organization's performance obligation.

Social program fees consist of services for hosting social events and providing care and transportation for day-trips, as well as, overnight destination trips. Any amounts received prior to the performance of the service is recorded as a contract liability. Revenue is recognized over time, as the services are performed, which satisfies the Organization's performance obligation.

Residential program fees consist of supportive living services where individuals receive personalized support from nurturing providers who ensure their safety and well being. Revenue is recognized over time, as the services are performed, which satisfies the Organization's performance obligation.

Supportive employment program fees consist of vocational rehabilitation services that emphasize helping participants obtain competitive work in the community and providing the support necessary to ensure their success in the workplace. Revenue is recognized over time, as the services are performed, which satisfies the Organization's performance obligation.

Revenues are reported at the amount of consideration which the Organization expects to be entitled in exchange for providing the goods and services. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by discounts and other price concessions.

Contributions. Contributions are recognized when the donation is received. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions 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, 2019 and 2018.

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

Notes to Financial Statements

December 31, 2019 and 2018

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

Functional Allocation of Expenses. The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, direct expenses have been allocated to the applicable program for which the expenses were 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, 2018 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 September 30, 2020, the date at which the financial statements were available for release.

Note 2 - Fair Value Measurements

Investments measured at fair value on a recurring basis consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Mutual funds		
Exchange traded funds (level 1)	\$ 48,684	\$ -
Equity securities		
Domestic common stock (level 1)	-	10,344
Beneficial interest in assets held by foundations (valued at NAV)	<u>154,473</u>	<u>88,997</u>
	<u>\$ 203,157</u>	<u>\$ 99,341</u>

The Organization had no Level 2 or 3 investments at December 31, 2019 and 2018.

The following sets forth a summary of the Organization's beneficial interest in assets held by foundations 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>2019</u>				
\$ 154,473	N/A	Immediate	Redemptions will only be made upon written request of the Organization	None
<u>2018</u>				
\$ 88,997	N/A	Immediate		None

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

Notes to Financial Statements

December 31, 2019 and 2018

Note 2 - Fair Value Measurements (continued)

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. The Organization removed beneficial interest in assets held by foundations from fair value levels effective January 1, 2018.

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 8,309	\$ 6,247
Net realized gain on investments	649	190
Net unrealized loss on investments	(431)	(125)
Change in value of beneficial interest in assets held at foundations	4,505	2,676
	<u>\$ 13,032</u>	<u>\$ 8,988</u>

Note 3 - Contributions Receivable

Contributions receivable consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
One year or less	\$ 98,697	\$ 26,400
Two to five years	43,975	70,376
	<u>142,672</u>	<u>96,776</u>
Less net present value discount	(2,625)	(5,852)
	<u>140,047</u>	<u>90,924</u>
Less current portion	(98,697)	(26,400)
Net contributions receivable, noncurrent	<u>\$ 41,350</u>	<u>\$ 64,524</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, 2019 and 2018.

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

Notes to Financial Statements

December 31, 2019 and 2018

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Building	\$ 3,175,405	\$ 3,175,405
Equipment, furniture and fixtures	212,991	211,135
Vehicles	195,750	109,874
Software	2,755	2,755
	<u>3,586,901</u>	<u>3,499,169</u>
Less accumulated depreciation	<u>(756,425)</u>	<u>(691,773)</u>
Net property and equipment	<u>\$ 2,830,476</u>	<u>\$ 2,807,396</u>

The Organization leases the land underlying the building, as further described in Note 9, 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 - Contract Liabilities

The Organization has contracts that are unsatisfied or partially unsatisfied as of December 31, 2019 and 2018, in the amounts of \$72,200 and \$70,880, respectively. The contract liabilities outstanding as of December 31, 2018 were recognized as revenue during 2019. As of December 31, 2019, the Organization expects to recognize the December 31, 2019 amounts as revenue during 2021.

Note 6 - Note Payable

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

	<u>2019</u>	<u>2018</u>
Mortgage note payable to affiliate of a donor, noninterest bearing (discounted using an effective interest rate of 5%), annual principal payments of \$367,640 through December 2022, collateralized by a first deed of trust on the building.	\$ 1,102,919	\$ 1,167,927
Less unamortized discount	<u>(50,216)</u>	<u>(95,514)</u>
	<u>1,052,703</u>	<u>1,072,413</u>
Less current portion	<u>(336,393)</u>	<u>(246,684)</u>
	<u>\$ 716,310</u>	<u>\$ 825,729</u>

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

Notes to Financial Statements

December 31, 2019 and 2018

Note 6 - Note Payable (continued)

Scheduled maturities of the long-term note payable are as follows at December 31, 2019:

Year	Notes Payable	Amortization of Discount	Total
2020	\$ 367,640	\$ 31,247	\$ 336,393
2021	367,640	16,477	351,163
2022	367,639	2,492	365,147
	<u>\$ 1,102,919</u>	<u>\$ 50,216</u>	<u>\$ 1,052,703</u>

Note 7 - Endowment

The Board of Directors of the Organization has interpreted the State of Colorado enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization generally classifies as net assets with donor restrictions to be maintained in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions to be maintained in perpetuity is classified as net assets without donor restriction as appropriations for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA occur. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The following summarizes the changes in endowment net assets for the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning balance	\$ 88,997	\$ -	\$ 88,997
Contributions	40,971	20,000	60,971
Net appreciation (depreciation)	4,505	-	4,505
Ending balance	<u>\$ 134,473</u>	<u>\$ 20,000</u>	<u>\$ 154,473</u>

The following summarizes the changes in endowment net assets for the year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning balance	\$ 86,321	\$ -	\$ 86,321
Net appreciation (depreciation)	2,676	-	2,676
Ending balance	<u>\$ 88,997</u>	<u>\$ -</u>	<u>\$ 88,997</u>

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

Notes to Financial Statements

December 31, 2019 and 2018

Note 7 - Endowment (continued)

Endowment Investment Policies. The Organization has adopted investment policies that include a very conservative risk tolerance to ensure the long-term stability of its endowment fund. To achieve the objective of the endowment, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the fund if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment Spending Policies. Provided that there are annual earnings from the investments of the endowment fund, the Organization expends the earnings in accordance with the direction of the applicable donor gift instrument.

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 8 - Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended December 31, 2019 and 2018:

	Capital Campaign	Time Restrictions		Total
		Receivables	Endowment	
Balance, January 1, 2018	\$ 133,403	\$ 339,493	\$ -	\$ 472,896
Additions	2,990	4,329	-	7,319
Releases	(130,016)	(157,384)	-	(287,400)
Balance, December 31, 2018	\$ 6,377	\$ 186,438	\$ -	\$ 192,815
Additions	675	3,226	20,000	23,901
Releases	(7,052)	(71,698)	-	(78,750)
Balance, December 31, 2019	\$ -	\$ 117,966	\$ 20,000	\$ 137,966

Note 9 - Operating Lease Commitments

The Organization leases land that the building currently occupies from an affiliate of a key 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, 2019 and 2018.

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

Notes to Financial Statements

December 31, 2019 and 2018

Note 9 - Operating Lease Commitments (continued)

The Organization leases a vehicle under a noncancelable operating lease, which expires in December 2020. Rent expense under the lease, including a lease that expired in 2019, totaled \$23,323 and \$23,185 for the years ended December 31, 2019 and 2018, respectively

Future annual minimum lease payments, including in-kind rent expense, required under the noncancelable operating leases are as follows at December 31, 2019:

Year	Land Use	Vehicles	Total
2020	\$ 26,400	\$ 13,093	\$ 39,493
2021	26,400	-	26,400
2022	17,576	-	17,576
	<u>\$ 70,376</u>	<u>\$ 13,093</u>	<u>\$ 83,469</u>

Note 10 - Revenue from Contracts with Customers

The composition of revenue by segment based on the timing of the transfer of goods or services is as follows for the years ended December 31:

	2019	2018
Recognized over time		
Day program fees	\$ 550,720	\$ 477,541
Social program fees	496,859	248,204
Residential program fees	433,506	180,190
Supportive employment program fees	125,678	110,698
	<u>\$ 1,606,763</u>	<u>\$ 1,016,633</u>

Note 11 - Related Party Transactions

The Organization provides services to relatives of a member of management. Such services are provided under the same terms as those for other program participants. The Organization recognized revenue from the related party of \$29,071 and \$27,663 in 2019 and 2018, respectively.

Note 12 - Special Events

The Organization derived net revenue from the following special fundraising events during the year ended December 31, 2019:

	Girlfriends Event	Variety Show	Other	Total
Gross Proceeds	\$ 11,199	\$ 6,600	\$ 6,787	\$ 24,586
Direct Costs	(4,505)	(3,064)	(3,734)	(11,303)
Net Revenue	<u>\$ 6,694</u>	<u>\$ 3,536</u>	<u>\$ 3,053</u>	<u>\$ 13,283</u>

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

Notes to Financial Statements

December 31, 2019 and 2018

Note 12 - Special Events (continued)

The Organization derived net revenue from the following special fundraising events during the year ended December 31, 2018:

	Annual Event	Girlfriends Event	Variety Show	Total
Gross Proceeds	\$ 75,583	\$ 11,426	\$ 6,863	\$ 93,872
Direct Costs	(28,199)	(3,256)	(2,606)	(34,061)
Net Revenue	<u>\$ 47,384</u>	<u>\$ 8,170</u>	<u>\$ 4,257</u>	<u>\$ 59,811</u>

Note 13 - Retirement Plan

In 2018, the Organization began providing for a deferred compensation plan under Internal Revenue Code Section 401(k). The Organization provides a discretionary matching contribution to the plan for all employees over the age of 21 with three months of service. The Organization's matching contributions to the plan are vested over a two-year period. The Organization contributed \$5,442 and \$2,083 to the plan for the years ended December 31, 2019 and 2018, respectively.

Note 14 - 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, 2019 and 2018, the fair market value of these funds was \$86,588 and \$67,860, respectively.

Note 15 - Liquidity and Availability

The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these principles, the Organization forecasts its future cash flows and monitors its liquidity at least quarterly, and monitors its reserves annually. During the years ended December 31, 2019 and 2018, the level of liquidity and reserves was managed within these guiding principles.

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

Notes to Financial Statements

December 31, 2019 and 2018

Note 15 - Liquidity and Availability (continued)

The Organization's financial assets available for general expenditures within one year are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 434,444	\$ 408,179
Investments	48,684	10,344
Accounts receivable	99,627	130,992
Contributions receivable, net	140,047	90,924
Beneficial interest in assets held by foundations	154,473	88,997
	<u>877,275</u>	<u>729,436</u>
Less amounts not available to be used within one year:		
Contributions receivable beyond one year	(41,350)	(64,524)
Assets designated by the board as an endowment	(134,473)	(88,997)
Permanent donor-imposed restrictions making financial assets unavailable for general expenditure	(20,000)	-
Cash restricted for capital campaign	-	(6,377)
	<u>(195,823)</u>	<u>(159,898)</u>
Financial assets available for general expenditures within one year	<u>\$ 681,452</u>	<u>\$ 569,538</u>

Note 16 - 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 Payor. The Organization had a single third-party payor who comprised 46% of total revenues for each of the years ended December 31, 2019 and 2018.

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

Note 17 - Uncertainty and Subsequent Event

During 2020, a health care pandemic has occurred in the United States and internationally. In response to the crisis, the federal, state, and municipal governments have enacted various policies to curtail group gatherings until the risk has diminished.

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

Notes to Financial Statements

December 31, 2019 and 2018

Note 17 - Uncertainty and Subsequent Event (continued)

Certain services of the Organizations are subject to closure or substantially modified operations. Additionally, the global economy has been negatively impacted. No reliable estimate of the potential future financial impacts of this uncertainty on the Organization can be made at this time.

During April 2020, the Organization received the proceeds of a Payroll Protection Program loan of \$228,600. The note is unsecured and bears interest at 1%. Payments are scheduled to begin in November 2020. Proceeds of the loan are forgivable if at least 60% of the proceeds are spent on eligible payroll, with the remaining 40% allowed to be spent for other narrowly specified expenses.