

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

Financial Statements

December 31, 2018

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, 2018, 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.

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, 2018, 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.

Altruic Advisors, PLLC

Certified Public Accountants

Boulder, Colorado
October 1, 2019

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

Statement of Financial Position

December 31, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$	401,802
Investments		10,344
Accounts receivable		130,992
Contributions receivable, current portion		26,400
Prepaid expenses		15,219
Total current assets		<u>584,757</u>

Property and Equipment, net

2,807,396

Other Assets

Cash restricted for capital campaign		6,377
Contributions receivable, noncurrent		64,524
Beneficial interest in assets held at foundation		88,997
Total other assets		<u>159,898</u>

Total assets

\$ 3,552,051

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	40,302
Accrued compensation and benefits		30,243
Deferred revenue		70,880
Capital lease obligations		2,976
Notes payable, current portion		246,684
Total current liabilities		<u>391,085</u>

Long-Term Liabilities

Notes payable, net of current portion		825,729
Total liabilities		<u>1,216,814</u>

Net Assets

Without donor restrictions		
Undesignated		321,418
Board-designated endowment		88,997
Equity in property and equipment		1,732,007
Total unrestricted net assets		<u>2,142,422</u>

With donor restrictions		192,815
Total net assets		<u>2,335,237</u>

Total liabilities and net assets

\$ 3,552,051

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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Operating Revenue			
Program services	\$ 781,258	\$ -	\$ 781,258
Travel program fees	235,375	-	235,375
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			
Change in value of beneficial interest in assets held at foundation	2,676	-	2,676
Investment income, net	6,312	-	6,312
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, As Previously Stated			
	1,924,038	472,896	2,396,934
Prior Period Adjustment	(71,008)	-	(71,008)
Net Assets, Beginning of Year, As Restated	<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>

The accompanying Notes are an integral part of these financial statements

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
Employee benefits	3,663	530	221	4,414
Payroll taxes	48,659	7,035	2,931	58,625
Contract labor	43,501	-	457	43,958
Total personnel costs	<u>691,353</u>	<u>93,666</u>	<u>39,484</u>	<u>824,503</u>
Travel program expenses	126,966	-	-	126,966
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
Program expenses	38,619	-	-	38,619
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	<u>1,173,277</u>	<u>145,561</u>	<u>97,967</u>	<u>1,416,805</u>
Depreciation	<u>97,641</u>	<u>17,231</u>	<u>-</u>	<u>114,872</u>
Total operating expenses	<u>\$ 1,270,918</u>	<u>\$ 162,792</u>	<u>\$ 97,967</u>	<u>\$ 1,531,677</u>

The accompanying Notes are an integral part of these financial statements

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

Statement of Cash Flows

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

Year ended December 31, 2018

Cash Flows From Operating Activities

Change in net assets	\$	9,311
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		114,872
Amortization of discount on notes payable		58,665
Amortization of discount on land lease		(4,330)
In-kind land lease expenses		26,400
Realized gain on investments		(190)
Unrealized loss on investments		125
Change in value of beneficial interest in assets held at foundation		(2,676)
Donated investments		(10,089)
Donated equipment		(9,333)
Increase (decrease) from changes in assets and liabilities		
Accounts receivable		(24,377)
Contributions receivable, net		72,319
Prepaid expenses		(9,270)
Accounts payable		33,234
Accrued compensation and benefits		10,132
Deferred revenue		70,880
Net cash provided by operating activities		<u>335,673</u>

Cash Flows From Investing Activities

Proceeds from sale of investments		9,954
Purchases of investments		-
Purchases of property and equipment		(27,309)
Net cash used by investing activities		<u>(17,355)</u>

Cash Flows From Financing Activities

Principal payments on capital leases		(2,834)
Principal payments on notes payable		(130,015)
Net cash used by financing activities		<u>(132,849)</u>

Net Increase in Cash, Cash Equivalents and Restricted Cash 185,469

**Cash, Cash Equivalents and
Restricted Cash, Beginning of Year** 222,710

Cash, Cash Equivalents and Restricted Cash, End of Year \$ 408,179

Supplemental Information

Cash paid for interest	\$	<u>608</u>
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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, 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, 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.

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.

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.

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

Notes to Financial Statements

December 31, 2018

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, 2018

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, 2018.

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, 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, 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 \$114,872 for the year ended December 31, 2018. 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 year ended December 31, 2018.

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.

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

Notes to Financial Statements

December 31, 2018

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

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 year ended December 31, 2018.

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.

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 October 1, 2019, the date at which the financial statements were available for release.

Note 2 - New Accounting Pronouncements and Prior Period Adjustments

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the stated purpose of improving financial reporting by not-for-profit entities. During the year ended December 31, 2018, the Organization adopted the requirements of ASU 2016-14 and, as a result, adjusted the presentation of its financial statements accordingly. The new standard changes the following aspects of the Organization's financial statements.

The temporarily restricted net asset class has been renamed "net assets with donor restrictions".

The unrestricted net asset class has been renamed "net assets without donor restrictions".

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

Notes to Financial Statements

December 31, 2018

Note 2 - New Accounting Pronouncements and Prior Period Adjustments (continued)

The financial statements include a new disclosure about liquidity and availability of resources (Note 14).

During the year ended December 31, 2018, the Organization chose to early adopt the provisions of ASU 2016-18, *Statement of Cash Flows - Restricted Cash*. The ASU changes the classification of restricted cash in the statement of cash flows.

The Organization has recorded a prior period adjustment to correct financial reporting errors discovered by management after the release of the December 31, 2017 financial statements. The prior period adjustment corrects for the recognition of revenue. The financial statements have been restated to decrease accounts receivable and net assets without donor restrictions by \$71,008 at December 31, 2017.

The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption of ASU 2016-14 and Prior Period Adjustment
Unrestricted net assets	\$ 1,924,038	\$ -
Temporarily restricted net assets	472,896	-
Net assets without donor restrictions	-	1,853,030
Net assets with donor restrictions	-	472,896
	<u>\$ 2,396,934</u>	<u>\$ 2,325,926</u>

Note 3 - 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, 2018:

	Level 1	Level 2	Level 3	Total
Equity securities				
Domestic common stock	\$ 10,344	\$ -	\$ -	\$ 10,344
Beneficial interest in assets held at foundation	-	88,997	-	88,997
	<u>\$ 10,344</u>	<u>\$ 88,997</u>	<u>\$ -</u>	<u>\$ 99,341</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.

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

Notes to Financial Statements

December 31, 2018

Note 3 - Fair Value Measurements (continued)

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 year ended December 31, 2018, 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, 2018:

<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period</u>
\$ 88,997	N/A	Immediate	Redemptions will only be made upon written request of the Organization	None

Net investment income consisted of the following for the year ended December 31, 2018:

Interest and dividends	\$ 6,246
Net realized and unrealized gain on investments	66
Change in value of beneficial interest in assets held at foundation	2,676
	<u>\$ 8,988</u>

Note 4 - Contributions Receivable

Contributions receivable consisted of the following at December 31, 2018:

Amounts due in:	
One year or less	\$ 26,400
Two to five years	70,376
	<u>96,776</u>
Less net present value discount	<u>(5,852)</u>
	90,924
Less current portion	<u>(26,400)</u>
Net contributions receivable, noncurrent	<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 the year ended December 31, 2018.

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

Notes to Financial Statements

December 31, 2018

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31, 2018:

Building	\$ 3,175,405
Equipment, furniture and fixtures	211,135
Vehicles	109,874
Software	2,755
	<u>3,499,169</u>
Less accumulated depreciation	(691,773)
Net property and equipment	<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 6 - Notes Payable

Long-term debt obligations consisted of the following at December 31, 2018:

Mortgage note payable to affiliate of a major donor, noninterest bearing (discounted using an effective interest rate of 5%), annual principal payments of \$291,982 through December 2022, collateralized by a first deed of trust on the building.	\$ 1,167,927
Less unamortized discount	(95,514)
	<u>1,072,413</u>
Less current portion	(246,684)
	<u>\$ 825,729</u>

Scheduled maturities of the long-term notes payable are as follows at December 31, 2018:

Year	Notes Payable	Amortization of Discount	Total
2019	\$ 291,982	\$ 45,298	\$ 246,684
2020	291,982	31,247	260,735
2021	291,982	16,477	275,505
2022	291,981	2,492	289,489
	<u>\$ 1,167,927</u>	<u>\$ 95,514</u>	<u>\$ 1,072,413</u>

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

Notes to Financial Statements

December 31, 2018

Note 7 - 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 year ended December 31, 2018:

Beginning balance	\$ 86,320
Net appreciation (depreciation)	2,676
Ending balance	<u>\$ 88,996</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 8 - Net Assets with Donor Restrictions

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

	<u>Capital Campaign</u>	<u>Time Restrictions</u>	<u>Total</u>
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	<u>\$ 6,377</u>	<u>\$ 186,438</u>	<u>\$ 192,815</u>

Note 9 - 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 \$10,205 at December 31, 2018.

Future minimum lease payments required under the noncancelable capital lease are as follows at December 31, 2018:

<u>Year</u>	<u>Amount</u>
2019	\$ 3,155
Less amount representing interest	(179)
	<u>\$ 2,976</u>

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

Notes to Financial Statements

December 31, 2018

Note 9 - Lease Commitments (continued)

Operating Leases. 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 the year ended December 31, 2018.

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 for the year ended December 31, 2018.

Future annual minimum lease payments, including in-kind rent expense, required under the noncancelable operating leases are as follows at December 31, 2018:

<u>Year</u>	<u>Land Use</u>	<u>Vehicles</u>	<u>Total</u>
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>\$ 96,776</u>	<u>\$ 35,437</u>	<u>\$ 132,213</u>

Note 10 - 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 \$35,003 in 2018.

Note 11 - Special Events

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

	<u>Annual Event</u>	<u>Girlfriends Event</u>	<u>Variety Show</u>	<u>Total</u>
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 12 - 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.

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

Notes to Financial Statements

December 31, 2018

Note 12 - Retirement Plan (continued)

The Organization's matching contributions to the plan are vested over a two-year period. The Organization contributed \$2,083 to the plan for the year ended December 31, 2018.

Note 13 - 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, 2018, the fair market value of these funds was \$67,860.

Note 14 - 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 year ended December 31, 2018, the level of liquidity and reserves was managed within these guiding principles.

The Organization's financial assets available for general expenditures within one year are as follows at December 31, 2018:

Financial assets at year end:

Cash and cash equivalents	\$ 408,179
Investments	10,344
Accounts receivable	130,992
Contributions receivable, net	90,924
Beneficial interest in assets held at foundation	88,997
	<u>729,436</u>

Less amounts not available to be used within one year:

Assets designated by the board as an endowment	(88,997)
Cash restricted for capital campaign	(6,377)
	<u>(95,374)</u>

Financial assets available for general expenditures within one year	<u>\$ 634,062</u>
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Notes to Financial Statements

December 31, 2018

Note 15 - 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 the year ended December 31, 2018.

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