



Financial Statements and Report of  
Independent Certified Public Accountants

**A Precious Child, Inc.**

December 31, 2015 and 2014

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# Report of Independent Certified Public Accountants

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Governing Board  
A Precious Child, Inc.

We have audited the accompanying financial statements of A Precious Child, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expense and cash flows for the years then ended, and the related notes to the financial statements.

## Management's responsibility for the financial statements

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

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Precious Child, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Denver, Colorado  
September 19, 2016

## Statements of financial position

	Years ended December 31,	
	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 757,836	\$ 484,319
Inventories	704,514	374,080
Pledges receivable	20,820	6,200
Fixed assets, net	27,930	6,875
Prepaid expenses	32,781	41,919
Investments	13,165	12,942
Total assets	<u>\$ 1,557,046</u>	<u>\$ 926,335</u>
<b>Liabilities and net assets</b>		
Unearned revenue	\$ -	\$ 27,250
Accrued expenses	42,661	15,370
Total liabilities	<u>42,661</u>	<u>42,620</u>
Net assets		
Unrestricted	1,336,621	866,640
Temporarily restricted	165,689	5,000
Permanently restricted	12,075	12,075
Total net assets	<u>1,514,385</u>	<u>883,715</u>
Total liabilities and net assets	<u>\$ 1,557,046</u>	<u>\$ 926,335</u>

The accompanying notes are an integral part of these financial statements.

## Statements of activities

	Year ended December 31, 2015			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
<b>Revenue</b>				
Contributions				
Contributed support	\$ 514,010	\$ 160,689	\$ -	\$ 674,699
Gifts-in-kind				
Donated materials/goods	4,917,434	-	-	4,917,434
Donated facilities	57,673	-	-	57,673
Donated volunteer services	522,546	-	-	522,546
Donated professional services	52,173	-	-	52,173
Donated other	500	-	-	500
Total gifts-in-kind	5,550,326	-	-	5,550,326
Grants	181,821	-	-	181,821
Interest income and other	740	-	-	740
Special events	753,789	-	-	753,789
Net assets released from restrictions	-	-	-	-
Total revenue	7,000,686	160,689	-	7,161,375
<b>Expenses</b>				
Program services				
In-kind expenditures	5,219,893	-	-	5,219,893
Program goods and services	913,519	-	-	913,519
Direct benefits to donors	143,937	-	-	143,937
Fundraising, management and general	253,356	-	-	253,356
Total expenses	6,530,705	-	-	6,530,705
Change in net assets	469,981	160,689	-	630,670
Net assets, beginning of year	866,640	5,000	12,075	883,715
Net assets, end of year	\$ 1,336,621	\$ 165,689	\$ 12,075	\$ 1,514,385

The accompanying notes are an integral part of these financial statements.

## Statements of activities

	Year ended December 31, 2014			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
<b>Revenue</b>				
Contributions				
Contributed support	\$ 324,278	\$ 5,000	\$ -	\$ 329,278
Gifts-in-kind				
Donated materials/goods	3,495,344	-	-	3,495,344
Donated facilities	47,760	-	-	47,760
Donated volunteer services	419,826	-	-	419,826
Donated professional services	115,556	-	-	115,556
Donated other	22,898	-	-	22,898
Total gifts-in-kind	4,101,384	-	-	4,101,384
Grants	239,491	-	-	239,491
Interest income and other	1,594	-	-	1,594
Special events	607,368	-	-	607,368
Net assets released from restrictions	36,667	(36,667)	-	-
Total revenue	5,310,782	(31,667)	-	5,279,115
<b>Expenses</b>				
Program services				
In-kind expenditures	3,864,391	-	-	3,864,391
Program goods and services	718,181	-	-	718,181
Direct benefits to donors	91,082	-	-	91,082
Fundraising, management and general	244,707	-	-	244,707
Total expenses	4,918,361	-	-	4,918,361
Change in net assets	392,421	(31,667)	-	360,754
Net assets, beginning of year	474,219	36,667	12,075	522,961
Net assets, end of year	\$ 866,640	\$ 5,000	\$ 12,075	\$ 883,715

The accompanying notes are an integral part of these financial statements.

Statement of functional expense

	Year ended December 31, 2015											Total
	Precious Essentials	Precious Boutiques	Basics 4 Babies	giveSPORTS	The Learning Center	Truancy Intervention	Fill A Backpack	Precious Gift	Fundraising	Management and general		
Salaries and wages	\$ 319,628	\$ 38,138	\$ 45,206	\$ 34,011	\$ 28,712	\$ 1,661	\$ 19,537	\$ 15,188	\$ 90,499	\$ 62,499	\$ 655,079	
Payroll taxes	26,055	3,098	3,683	2,756	2,351	136	1,566	1,250	7,089	4,930	52,914	
Workers' compensation	9,339	1,109	1,308	966	823	25	559	396	2,659	1,929	19,113	
Payroll fees	1,534	116	232	232	150	58	145	145	-	290	2,902	
Health Insurance	3,652	581	653	487	357	30	180	310	2,387	400	9,037	
Office supplies	2,551	191	382	382	217	95	239	250	35	996	5,338	
Telephone, telecommunications	14,052	1,071	2,143	2,143	1,484	536	1,339	1,339	-	2,724	26,831	
Postage, mailing service	405	31	62	62	45	16	100	39	2,056	80	2,896	
Credit card fees	8,794	671	1,342	1,342	939	336	1,088	847	2,708	1,891	19,958	
Bank fees	58	4	9	9	7	2	-	-	-	11	100	
Books, subscriptions, reference	109	5	11	11	6	3	7	7	-	14	173	
Printing and copying	4,713	354	702	702	461	174	459	459	2,316	870	11,210	
Software	8,327	645	1,253	1,253	857	304	824	806	400	1,594	16,263	
Supplies	1,741	114	229	274	149	57	143	143	26	352	3,228	
Facilities maintenance and insurance	1,400	104	208	208	126	52	130	130	-	265	2,623	
Rent	53,872	4,044	8,082	8,082	13,455	2,019	5,090	5,048	-	10,096	109,788	
Office furniture/fixtures	6,475	489	945	1,057	486	228	700	700	2,490	1,141	14,711	
Utilities	7,433	559	1,119	1,119	2,205	280	699	699	-	1,399	15,512	
Parking	66	5	10	10	8	3	6	6	189	17	320	
Depreciation expense	1,546	172	172	172	-	-	687	687	-	-	3,436	
Insurance - van	667	68	82	82	21	7	233	233	-	35	1,428	
Fuel - van	993	107	114	114	10	3	412	404	-	16	2,173	
Maintenance - van	491	52	58	58	9	3	191	191	-	40	1,093	
Fundraising fees	258	20	40	40	30	10	211	25	1,744	50	2,428	
Government fees	111	12	12	12	-	-	49	49	140	41	426	
Professional fees - other	5,200	400	800	800	600	200	500	500	-	1,000	10,000	
Program goods purchased	-	707	3,459	102	-	1,100	81,647	7,479	-	-	94,494	
Program expense 'other than goods'	5,555	761	1,782	2,218	433	-	3,160	3,404	-	-	17,313	
Program scholarships	-	-	-	11,491	500	-	-	-	-	-	11,991	
giveSPORTS and other events	223	17	34	34	26	9	62	21	1,237	43	1,706	
Insurance	2,574	194	383	383	217	94	246	243	176	483	4,993	
Marketing expenses	5,495	421	851	972	604	210	690	526	17,782	1,052	28,603	
Staff and board development	3,988	304	608	608	419	152	380	380	1,157	1,685	9,681	
Membership dues - organization	1,047	79	158	158	101	40	99	99	2,214	764	4,759	
Misc. expenses	-	-	-	-	-	-	-	-	-	121	121	
Program goods membership	-	-	-	-	-	-	-	-	-	121	121	
Awards	203	15	31	133	20	8	61	19	2,561	45	3,096	
Volunteer expense	211	15	31	31	12	8	76	19	543	71	1,017	
In-kind program materials/goods	3,516,505	-	237,552	127,148	-	-	343,178	363,121	-	-	4,587,504	
In-kind facilities	53,633	-	-	-	-	-	-	-	1,153	2,884	57,670	
In-kind volunteer services	415,144	6,554	7,811	7,961	21,614	9,600	16,968	26,877	6,000	4,017	522,546	
In-kind professional services	50,344	-	-	-	-	-	-	-	-	1,829	52,173	
Total	<u>\$ 4,534,392</u>	<u>\$ 61,227</u>	<u>\$ 321,557</u>	<u>\$ 207,623</u>	<u>\$ 77,454</u>	<u>\$ 17,459</u>	<u>\$ 481,661</u>	<u>\$ 432,039</u>	<u>\$ 147,561</u>	<u>\$ 105,795</u>	<u>\$ 6,386,768</u>	

The accompanying notes are an integral part of this financial statement.



Statement of functional expense

	Year ended December 31, 2014											
	Precious Essentials	Precious Boutiques	Basics 4 Babies	giveSPORTS	The Learning Center	Truancy Intervention	Fill A Backpack	Precious Gift	Fundraising	Management and general	Total	
Salaries and wages	\$ 191,931	\$ 29,271	\$ 33,809	\$ 25,495	\$ 33,737	\$ 1,324	\$ 16,857	\$ 15,605	\$ 59,858	\$ 47,352	\$ 455,239	
Payroll taxes	16,354	2,433	2,842	2,148	3,410	108	1,344	1,150	4,979	3,896	38,664	
Workers' compensation	4,947	777	899	696	910	35	418	415	1,629	1,398	12,124	
Payroll fees	1,410	95	224	202	160	39	117	116	-	283	2,646	
Health Insurance	1,558	407	407	294	288	26	254	324	1,254	55	4,867	
Office supplies	2,857	165	559	522	636	67	429	171	-	697	6,103	
Telephone, telecommunications	9,872	678	1,496	1,286	985	271	520	877	-	1,776	17,761	
Postage, mailing service	184	14	29	35	25	4	59	-	1,476	235	2,061	
Credit card fees	1,412	132	888	684	795	230	237	2	971	3,228	8,579	
Bank fees	151	10	20	17	13	5	-	33	-	145	394	
Books, subscriptions, reference	80	(2)	(4)	(3)	(2)	(1)	-	-	-	(4)	64	
Printing and copying	2,417	164	378	445	282	69	301	209	2,832	564	7,661	
Software	5,772	399	849	898	729	170	855	1,384	-	11,958	23,014	
Internet/website	-	-	-	-	-	-	-	-	49	209	258	
Supplies	42	-	-	-	-	-	-	-	-	-	42	
Emergency Operation Expense	35	-	-	-	-	-	-	-	-	-	35	
Facilities maintenance and insurance	904	317	138	129	604	15	-	80	-	324	2,511	
Rent	48,227	3,041	7,931	7,317	6,362	1,400	5,691	5,242	-	9,468	94,679	
Office furniture/fixtures	7,202	384	801	688	1,456	130	1,253	1,876	3,559	7,338	24,667	
Utilities	7,927	544	1,125	1,061	819	212	692	1,219	-	1,511	15,110	
Parking	9	-	-	-	-	-	1	-	37	15	62	
Depreciation expense	-	-	-	-	-	-	-	-	-	1,875	1,875	
Insurance - van	279	20	20	20	-	-	79	79	-	-	497	
Fuel - van	960	101	104	104	-	-	505	413	-	6	2,193	
Maintenance - Van	544	60	60	60	-	-	242	242	-	-	1,208	
Vehicle registration	89	10	10	10	-	-	5	5	-	69	198	
Fundraising Fees	72	5	10	47	9	2	18	3	432	39	637	
Accounting fees	-	-	-	-	-	-	-	-	-	10,250	10,250	
Government fees	2	-	-	-	1	-	2	-	10	11	26	
Program and emergency materials	-	3,113	3,529	444	312	1,180	97,385	9,081	-	-	115,044	
Program scholarships	118	-	-	3,519	-	-	-	-	-	-	3,637	
Program supplies	5,821	447	1,125	1,404	15,774	4,475	4,046	3,197	-	188	36,477	
Golf tournament expense	35	-	1	1	34	-	-	-	2,223	1	2,295	
Heroes luncheon expense	-	-	-	-	-	-	-	-	1,661	-	1,661	
Soiree expense	391	26	26	26	-	-	-	-	9,107	52	9,628	
giveSPORTS and other events	-	-	-	15	-	-	-	-	341	-	356	
Interest expense	19	-	2	3	5	-	14	-	-	5	48	
Insurance	778	60	121	102	78	28	27	134	-	590	1,918	
Marketing expenses	1,666	139	207	206	71	4	29	65	4,790	401	7,578	
Staff and board development	510	11	80	99	91	3	114	38	544	3,004	4,494	
Membership dues - organization	1,222	49	204	184	155	20	-	-	-	859	2,693	
Program goods membership	350	-	-	-	-	-	-	-	-	-	350	
Awards	139	9	19	17	12	4	8	-	462	48	718	
Conference, convention, meeting	261	24	27	27	3	-	80	80	793	34	1,329	
Volunteer expense	957	65	70	69	16	3	149	90	-	25	1,444	
In-kind program materials	2,361,679	-	114,600	220,371	-	-	270,791	330,703	-	-	3,298,144	
In-kind facilities	40,477	871	1,385	1,385	514	-	-	-	871	2,257	47,760	
In-kind equipment	17,203	-	-	-	-	-	-	-	-	-	17,203	
In-kind volunteer labor	295,593	6,000	12,494	15,431	13,848	600	20,478	35,161	6,000	14,221	419,826	
In-kind professional services	72,731	238	333	333	95	31,075	-	-	-	10,751	115,556	
In-kind supplies	-	-	-	-	-	-	-	-	5,695	-	5,695	
Total	\$ 3,105,187	\$ 50,077	\$ 186,818	\$ 285,771	\$ 82,227	\$ 41,498	\$ 423,000	\$ 407,994	\$ 109,573	\$ 135,134	\$ 4,827,279	

The accompanying notes are an integral part of this financial statement.

## Statements of cash flows

	Years ended	
	December 31,	
	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 630,670	\$ 360,754
Depreciation expense	3,436	1,875
Unrealized investment gain	(223)	(1,052)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in assets and liabilities		
Inventories	(330,434)	(197,199)
Pledges receivable	(14,620)	(3,885)
Prepaid expenses	9,138	(25,237)
Unearned revenue	(27,250)	27,250
Accrued expenses	27,291	(7,310)
Net cash provided by operating activities	298,008	155,196
Cash flows from investing activities		
Purchase of fixed assets	(24,491)	-
Net cash used in investing activities	(24,491)	-
Net increase in cash and cash equivalents	273,517	155,196
Cash and cash equivalents, beginning of year	484,319	329,123
Cash and cash equivalents, end of year	\$ 757,836	\$ 484,319

The accompanying notes are an integral part of these financial statements.

## Notes to financial statements

### Note A – Description of business and summary of significant accounting policies

A Precious Child, Inc. (the “Organization”) is a 501(c)(3) nonprofit organization established in 2008 with the mission to make a positive impact in the lives of disadvantaged and displaced children and families by improving their quality of life. The Organization focuses on meeting a child’s most basic needs such as clothing, shoes, coats, sports equipment, backpacks and school supplies. The Organization serves clients from Adams, Arapahoe, Broomfield, Boulder, Douglas, Jefferson, Denver and Weld counties.

#### **Description of services provided**

The major program services and functional activities directly provided by the Organization are:

##### *Program services*

Precious Essentials: Provides clothing and other basic essentials to children and adults in a dignified manner to increase self-esteem for impoverished children and their families.

Precious Boutiques: Satellite resource centers that are located in schools and shelters and dedicated to improving accessibility to basic essentials on-site for children in need.

Basics 4 Babies: Provides direct aid to mothers and families who might otherwise ration or go without basic necessities for their babies.

giveSPORTS: Provides new and gently-used sports equipment as well as participation fee scholarships so all children have the opportunity to participate in sports.

The Learning Center: Ensures that every child who comes to the Resource Center is provided with a safe space that encourages STEM-based learning and compliments their academic studies.

Truancy Intervention: Provides incentive awards to students who have improved attendance in school as an early intervention initiative and a way to combat truancy.

Fill A Backpack: Provides backpacks filled with age-appropriate school supplies to maximize academic potential for disadvantaged and displaced children.

Precious Gift: Provides gifts to children who otherwise would not receive any during monumental times in their life such as birthdays and the holiday seasons.

##### *Supporting services*

Fundraising, management and general – includes those activities necessary for planning, coordination and overall direction of the Organization, financial administration, general board activities and other related activities indispensable to the Organization’s corporate existence.

December 31, 2015 and 2014

Note A – Description of business and summary of significant accounting policies  
(continued)

**Basis of presentation**

The accompanying financial statements include all the accounts of the Organization. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), using the accrual basis of accounting.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

**Cash and cash equivalents**

The Organization maintains its deposits in multiple financial institutions, which, at times may exceed the federally insured limits.

**Investments**

Investments are carried at fair value. Investments in mutual funds are reported at quoted market prices. Realized and unrealized gains and losses, interest and dividends are reflected as investment income in the statements of activity.

**Inventories**

Inventories are stated at the lower of cost or market value, with market value derived from published independent sector rates in accordance with the Internal Revenue Service’s Publication 561, *Determining the Value of Donated Property*. Inventories include items such as clothes, shoes, coats, sports equipment, backpacks and school supplies.

**Pledges receivable**

Unconditional promises to give the Organization cash in the future are recorded when the pledges are made by the donor. An allowance for uncollectible pledges is provided based on specific circumstances. As of December 31, 2015 there were outstanding pledges totaling \$20,820, all of which were deemed to be collectible. As of December 31, 2014 there were outstanding pledges totaling \$6,200.

**Fixed assets**

Fixed assets are recorded at cost for purchased assets and estimated value, at date of receipt, for donated property. Any asset purchased for more than \$1,000 that has a life expectancy of more than one year is capitalized and depreciated using the straight-line method over the estimated useful life of the asset.

December 31, 2015 and 2014

Note A – Description of business and summary of significant accounting policies  
(continued)

**Revenue recognition**

The Organization recognizes revenues at fair value from contributed support when services are performed or donations are received. The Organization recognizes in-kind contribution revenue for donated services that create or enhance a non-financial asset or require and are provided by volunteers with specialized skills that would typically be purchased. Fair value is derived from published independent sector research which calculates the average value for Colorado volunteer hours, limited to the fair value of the enhanced asset, if applicable.

**Grants**

The Organization recognizes revenue from grants when the grant is received. During the years ended December 31, 2015 and 2014, grants were received from local governmental agencies and private foundations to fund the program services offered by the Organization.

**Special events**

The Organization holds special events such as a golf tournament, a bowling tournament and a luncheon throughout the year as fundraising events for the Organization. The gross revenues and expenses, including direct benefits to donors, from these events are presented in the statement of activities, and revenues are recognized when the donations are received.

**Unrestricted net assets including Board designated funds**

The unrestricted net assets are comprised of an operating fund of \$1,300,754 and \$835,821 and a Board-designated reserve fund of \$35,867 and \$30,819 at December 31, 2015 and 2014, respectively. The reserve fund was designated by the Governing Board during 2014 to provide for emergency funds to cover the Organization's operating expenses.

**Temporarily and permanently restricted contributions**

Donor restricted contributions, whose restrictions are satisfied in the same year, are reported as unrestricted contributions rather than temporarily restricted. Donor restricted contributions, whose restrictions are not currently met, are reflected as an increase in temporarily restricted net assets. Donor contributions with permanent restrictions which require the principal to be maintained as a permanent endowment are reflected as an increase in permanently restricted net assets. The Organization received \$160,689 and \$5,000 in temporarily restricted contributions for the years ended December 31, 2015 and 2014, respectively, of which restrictions had not been met during the year which are available primarily for future events and giveSPORTS Scholarships. The use of investment income on permanently restricted net assets is not restricted.

**In-kind donations**

Contributions of property, materials and personal services are known as gifts-in-kind and are recorded at estimated fair value as of the date of receipt. These donations (other than contributions of fixed assets or inventories) are included as program expenses to properly reflect the cost of the particular program.

**December 31, 2015 and 2014**

Note A – Description of business and summary of significant accounting policies (continued)

**Related party donations**

Related party contributions for the years ended December 31, 2015 and 2014 amounted to \$231,924 and \$97,295, respectively, which was received in the form of cash and executive director services. These contributions were received from members of the Board of Directors and employees of the Organization.

**Functional allocation of expenses**

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

**Income taxes**

The Organization is operated as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization had no unrelated business income tax for the years ended December 31, 2015 and 2014. The Organization recognizes tax liabilities when, despite the Organization's belief that its tax return positions are supportable, the Organization believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The Organization has concluded there is no tax liability or benefit required to be recorded as of December 31, 2015 or 2014. The Organization is no longer subject to Federal and State income tax examinations by taxing authorities for years prior to 2012.

**Note B – Investments and fair value measurements**

Generally accepted accounting principles require the Organization to use a framework for measuring fair value. That 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 investments (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**

Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

**Level 2**

Prices determined using significant other observable inputs. 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;

Note B – Investments and fair value measurements (continued)

**Level 2 (continued)**

- 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**

Prices determined using significant unobservable inputs.

The investment’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 measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization’s investments at fair value as of December 31, 2015 and 2014:

	As of December 31, 2015			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Domestic equity mutual funds	\$ 13,165	\$ 13,165	\$ -	\$ -

	As of December 31, 2014			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Domestic equity mutual funds	\$ 12,942	\$ 12,942	\$ -	\$ -

Note C – Endowment funds

The Organization’s endowment consists of an individual fund established to help build for the future of the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note C – Endowment funds (continued)

The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net asset composition by type of fund is as follows:

	<b>As of December 31, 2015</b>			
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Contribution	\$ -	\$ -	\$ 12,075	\$ 12,075
Reclassification of unrealized gain	1,090	-	-	1,090
	<u>\$ 1,090</u>	<u>\$ -</u>	<u>\$ 12,075</u>	<u>\$ 13,165</u>

	<b>As of December 31, 2014</b>			
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Contribution	\$ -	\$ -	\$ 12,075	\$ 12,075
Reclassification of unrealized gain	867	-	-	867
	<u>\$ 867</u>	<u>\$ -</u>	<u>\$ 12,075</u>	<u>\$ 12,942</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.



December 31, 2015 and 2014

## Note C – Endowment funds (continued)

Endowment assets are comprised of assets of donor-restricted funds that the Organization must hold in perpetuity. The Organization has adopted an investment policy where endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk.

## Note D – Commitments and contingencies

**Operating lease**

The Organization leases office space under various operating leases. Future minimum payments under these noncancelable leases are as follows:

	<u>As of</u> <u>December 31, 2015</u>
Year ending December 31, 2016	\$ 106,667
	<u>\$ 106,667</u>

Rent expense for the years ended December 31, 2015 and 2014 was \$109,788 and \$94,679, respectively. In-kind contributions and related in-kind facility expense of \$57,673 and \$47,760 have been recorded for the years ended December 31, 2015 and 2014, respectively, to recognize a discount given to the Organization for this office space.

## Note E – Subsequent events

Management performed an evaluation of the Organization's activity through September 19, 2016, the date the financial statements were available to be issued. Management was not aware of any subsequent events which would require recognition or disclosure in the financial statements.



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