

THE BLUE BENCH

Financial Statements

December 31, 2018

(Together with Independent Auditors' Report)



the blue bench

Putting an end to sexual assault
through prevention and care.

THE BLUE BENCH
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Blue Bench
Denver, Colorado

We have audited the accompanying financial statements of The Blue Bench (a Colorado nonprofit corporation), 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; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 The Blue Bench 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.

Report on Summarized Comparative Information

We have previously audited The Blue Bench's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP
Denver, Colorado

June 5, 2019

THE BLUE BENCH

Statements of Financial Position

December 31, 2018

(With Summarized Totals for December 31, 2017)

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 387,423	\$ 286,231
Beneficial interest in assets held by the Rose Community Foundation	692,046	747,342
Contributions and grants receivable	71,751	61,671
Government contracts receivable	97,622	94,648
Prepaid expenses and other assets	39,964	5,321
Rent deposits	9,928	9,928
Net property and equipment	49,498	50,832
Total Assets	<u>\$ 1,348,232</u>	<u>\$ 1,255,973</u>
	<u>LIABILITIES AND NET ASSETS</u>	
<u>Liabilities</u>		
Accounts payable	\$ 24,094	\$ 22,068
Accrued payroll costs	36,678	37,232
Rent payable	28,562	25,282
Total Liabilities	<u>89,334</u>	<u>84,582</u>
<u>Net Assets</u>		
Net assets without donor restrictions:		
Undesignated	769,677	690,055
Board designated - Operating Reserve	390,000	390,000
Board designated - Endowment	17,470	19,665
Total Net Assets Without Donor Restrictions	<u>1,177,147</u>	<u>1,099,720</u>
Net assets with donor restrictions	<u>81,751</u>	<u>71,671</u>
Total Net Assets	<u>1,258,898</u>	<u>1,171,391</u>
Total Liabilities and Net Assets	<u>\$ 1,348,232</u>	<u>\$ 1,255,973</u>

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

THE BLUE BENCH

Statements of Activities Year Ended December 31, 2018 (With Summarized Totals for the Year Ended December 31, 2017)

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Support and Revenue</u>				
Contributions	\$ 1,457,652	\$ 71,751	\$ 1,529,403	\$ 1,576,700
Government contracts	537,065	-	537,065	512,226
Foundation grants	166,485	-	166,485	119,200
Program related revenues	87,847	-	87,847	95,792
Special events, net	53,429	-	53,429	39,017
Change in value of beneficial interest in assets held by the Rose Community Foundation	(55,296)	-	(55,296)	76,804
Interest and other income	-	-	-	1,833
In-Kind contributions	109,939	-	109,939	113,114
Net assets released from restrictions	61,671	(61,671)	-	-
Total Support and Revenue	2,418,792	10,080	2,428,872	2,534,686
<u>Expenses</u>				
Program Services:				
Therapy/Advocacy	978,114	-	978,114	981,684
Canvass/Community Outreach	579,484	-	579,484	607,379
Sexual Violence Prevention Education	290,197	-	290,197	201,484
Total Program Services	1,847,795	-	1,847,795	1,790,547
Supporting Services:				
Management and general	144,826	-	144,826	139,858
Fundraising	348,744	-	348,744	334,440
Total Supporting Services	493,570	-	493,570	474,298
Total Expenses	2,341,365	-	2,341,365	2,264,845
Change in Net Assets	77,427	10,080	87,507	269,841
NET ASSETS, Beginning of Year	1,099,720	71,671	1,171,391	901,550
NET ASSETS, End of Year	\$ 1,177,147	\$ 81,751	\$ 1,258,898	\$ 1,171,391

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

THE BLUE BENCH

Statements of Functional Expenses Year Ended December 31, 2018 (With Summarized Totals for the Year Ended December 31, 2017)

	Program Services			Supporting Services		Total	Total	
	Therapy/ Advocacy	Canvass/ Community Outreach	Sexual Violence Prevention Education	Total Program Services	Management and General	Fund- Raising	Year Ended December 31, 2018	Year Ended December 31, 2017
Salaries	\$ 529,548	\$ 92,293	\$ 226,925	\$ 848,766	\$ 102,137	\$ 93,269	\$ 1,044,172	\$ 895,139
Commissions - field canvass	-	341,100	-	341,100	-	146,186	487,286	520,086
Payroll taxes and benefits	64,519	55,651	29,139	149,309	13,115	30,748	193,172	182,434
Total Employee Costs	594,067	489,044	256,064	1,339,175	115,252	270,203	1,724,630	1,597,659
Office and equipment rent	122,769	20,589	10,295	153,653	12,991	17,158	183,802	159,040
Counseling interns (in-kind)	109,939	-	-	109,939	-	-	109,939	113,114
Cost of direct benefit to donors	-	-	-	-	-	72,259	72,259	27,707
All other	23,812	18,649	2,384	44,845	2,411	5,224	52,480	53,495
Professional services	25,487	2,582	1,594	29,663	1,868	20,296	51,827	102,869
Technology	29,401	3,213	1,421	34,035	2,565	2,447	39,047	39,343
Field canvass expenses	-	26,838	-	26,838	-	11,802	38,640	42,158
Mileage and vehicles	4,172	9,586	5,751	19,509	464	4,386	24,359	20,778
Telephone	20,299	744	372	21,415	-	620	22,035	22,533
Depreciation	8,321	1,848	1,848	12,017	1,298	5,176	18,491	16,756
Insurance	11,687	2,191	1,096	14,974	1,461	1,826	18,261	18,228
Supplies	10,005	1,724	2,916	14,645	313	2,117	17,075	23,108
Education	3,832	36	5,608	9,476	4,820	-	14,296	11,961
Postage	3,820	1,455	385	5,660	477	4,010	10,147	11,239
Printing	5,644	969	430	7,043	573	2,262	9,878	14,109
Contract counselors	3,601	-	-	3,601	-	-	3,601	7,849
Staff development	1,258	16	33	1,307	133	33	1,473	1,167
Annual campaign	-	-	-	-	200	1,184	1,384	9,439
Total expenses by function	978,114	579,484	290,197	1,847,795	144,826	421,003	2,413,624	2,292,552
Less: expenses included with revenues on the statements of activities cost of direct benefit to donors	-	-	-	-	-	(72,259)	(72,259)	(27,707)
Total expenses included in the expense section on the statements of activities	<u>\$ 978,114</u>	<u>\$ 579,484</u>	<u>\$ 290,197</u>	<u>\$ 1,847,795</u>	<u>\$ 144,826</u>	<u>\$ 348,744</u>	<u>\$ 2,341,365</u>	<u>\$ 2,264,845</u>

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

THE BLUE BENCH

Statements of Cash Flows Year Ended December 31, 2018

(With Summarized Totals for the Year Ended December 31, 2017)

	2018	2017
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 87,507	\$ 269,841
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	18,491	16,756
Change in value of beneficial interest in assets held by the Rose Community Foundation	55,296	(76,804)
Changes in assets and liabilities:		
Receivables	(13,054)	(16,076)
Prepaid expenses and other assets	(34,643)	10,625
Accounts payable	2,026	(3,285)
Accrued payroll costs	(554)	(867)
Rent payable	3,280	(335)
Net Cash Provided by Operating Activities	118,349	199,855
<u>Cash Flows From Investing Activities</u>		
Purchase of property and equipment	(17,157)	(20,681)
Purchase of assets held by the Rose Community Foundation	-	(100,000)
Net Cash (Used in) Investing Activities	(17,157)	(120,681)
<u>Net Change in Cash and Cash Equivalents</u>	101,192	79,174
<u>CASH AND CASH EQUIVALENTS, beginning of year</u>	286,231	207,057
<u>CASH AND CASH EQUIVALENTS, end of year</u>	\$ 387,423	\$ 286,231

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

1. Organization and Summary of Significant Accounting Policies

Organization

The Blue Bench (the Organization) was established in 1983 with the mission to eliminate sexual assault and diminish the impact it has on individuals, their loved ones and the community. In its 35-year history, the Organization has supported more than 450,000 people of all gender identities as they transition from victim to survivor. Serving 9 counties in metro Denver, the Organization offers high quality, culturally competent comprehensive support, therapy and case management services as well as scientifically supported, community-wide prevention programming with age-specific curricula.

In Colorado, 1 in 3 women and 1 in 6 men will be the victim of an attempted or completed sexual assault; meanwhile 77% of assaults go unreported. Feelings of shame, guilt, fear of retaliation and not being believed factor into this frustrating reality. To increase reporting rates, perpetrator accountability and community support, education and access to resources are key.

In 2018, The Blue Bench staff and volunteers of The Blue Bench responded to 2,677 hotline calls, accompanied 251 survivors to the hospital and provided crisis response and/or ongoing case management services to 526 survivors. A total of 465 survivors participated in individual and/or group therapy sessions.

The Pathway to Prevention program talked with or presented to more than 23,422 youth and community members in 2018. The Organization's canvass outreach staff spoke in-person to approximately 141,590 people in metro-Denver to educate them about sexual violence and provide them with resources.

The Organization is supported primarily through individual contributions, foundation funds and government contracts. It operates the following major programs:

- **Therapy/Advocacy** – The Organization's support services are offered in English and Spanish at low or no cost to clients including a 24/7 hotline and hospital accompaniment, case managers to help clients navigate the often-overwhelming criminal justice system, a Post-Conviction Victim Advocate to provide guidance and information to survivors following offender sentencing and therapists who provide counseling in both one-on-one and group settings including art and trauma-informed yoga options. The Organization also offers group support for the loved ones of sexual assault survivors.
- **Sexual Violence Prevention Education** – Ending sexual violence in our community is not just about providing support in the aftermath of an assault, it's about empowering community members to shift the way they think and talk about the issue. The Blue Bench provides scientifically-supported prevention education programming beginning in middle school, with a goal of developing skills necessary to help young people challenge rape culture and become active bystanders. Programs are offered at schools, prisons, detention centers, bars, music venues, community organizations and more. The Organization also provides prevention programming for parents and Safety & Empowerment Skills training for female-identified participants age 13+.

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

- Canvass/Community Outreach – Door-to-door contact to distribute hotline cards and information, engage the community in conversation and request donations.

Basis of Presentation

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

Classification of Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, funds to be held for an operating reserve and endowment.

Net assets with donor restrictions - Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringes are allocated based upon estimations of time and effort. Indirect costs such as occupancy and office related expenses are allocated based upon time spent, utilization, and square footage.

1. Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation under Section 509(a) of the Code. Accordingly, donors are entitled to a charitable deduction for their contributions to The Blue Bench. The financial statements do not include a provision for income taxes.

The Organization evaluates whether there are any uncertain tax positions taken or expected to be taken in a tax return. During the years ended December 31, 2018 and 2017, the Organization's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an effect on its tax-exempt status.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and contributions and grants receivable. The Organization places its cash and cash equivalents with high credit quality financial institutions. At various times during the fiscal year, the Organization's cash balances exceeded the federally insured limits. The Organization has never experienced any losses related to these balances.

Credit risk with respect to contributions and grants receivable is limited due to the number and creditworthiness of the entities from which the amounts are due.

The Organization receives virtually all its revenues from public support and government contracts. A significant reduction in the level of such support, if this were to occur, may have an adverse effect on the Organization's programs and activities.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost or at the estimated fair value at the date of donation. Assets are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold Improvements	7 years
Office Equipment	3 to 5 years
Vehicles	3 to 5 years

All assets with a useful life of more than one year and a cost of more than \$3,000 are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

1. Organization and Summary of Significant Accounting Policies (continued)

Contributions and Grants Receivable

Contributions and grants receivable are unconditional promises to give in future periods. The Organization uses the allowance method to determine uncollectible contributions and grants receivable. The allowance is based on prior years' experience and management's analysis of specific receivables. Management has determined that all amounts are collectible as of December 31, 2018 and 2017.

Government Contracts Receivables

Government contracts receivable consist of amounts due under agreements with Federal and State agencies reduced by the estimated portion that is expected to be uncollectible. The Organization uses the allowance method to record uncollectible government contracts receivable. The allowance is based on prior years' experience and management's analysis of specific amounts. Management has determined that all receivables are collectible as of December 31, 2018 and 2017.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional. Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Organization's policy is to record contributions whose restrictions are met in the same reporting period as contributions received without donor restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

Government grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Government Grant Awards that are Contributions

Government grants that qualify as contributions are recorded as invoiced to the funding source. Revenue is recognized in the accounting period when the related allowable expenses are incurred.

B. Government Grant Awards that are Exchange Transactions

Revenue on exchange transactions is recognized as income based on performance of a service. Amounts received on exchange transactions that has not been earned is reported as unearned income.

1. Organization and Summary of Significant Accounting Policies (continued)

Contributed Goods and Services

Donated goods are reflected as contributions in the financial statements at their estimated fair values at the date of donation. Contributions of services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Many individuals volunteer their time and perform a variety of tasks for the Organization. No amounts have been reflected in the financial statements for these donated services because they do not meet the criteria for recognition.

Investment Expenses

Investment management and administrative fees, amounted to \$7,432 and \$6,141 for 2018 and 2017, respectively, and are included as a reduction in the change in value of beneficial interest in assets held by the Rose Community Foundation in the accompanying statements of activities.

Summarized Financial Information

The financial statements include certain prior period summarized comparative information in total. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958). This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance in this ASU is effective for the year ended December 31, 2018, and was applied retrospectively to these financial statements with the exception of certain omissions permitted by the ASU.

Reclassifications

Certain amounts as previously reported in the 2017 financial statements have been reclassified to conform to the 2018 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Subsequent Events

In accordance with the *Subsequent Events* Topic of FASB ASC, management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Blue Bench's financial statements were available to be issued on June 5, 2019, and this is the date through which subsequent events were evaluated.

1. Organization and Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605 Revenue Recognition, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using either a full or modified retrospective method. ASU No. 2014-09 is effective for nonpublic companies for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of the provisions of ASC 606 on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018. Management is currently evaluating the potential impact of this ASU on the Organization's financial statements.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of December 31, 2018:

Cash and cash equivalents	\$ 387,423
Contributions and grants receivable	71,751
Government contracts receivables	97,622
Beneficial interest in assets held by the Rose Community Foundation	<u>692,046</u>
Total financial assets	<u>1,248,842</u>
Less:	
Board designations – Operating Reserve	(390,000)
Board designations – Endowment	(17,470)
Restricted endowment investments	<u>(10,000)</u>
	<u>(417,470)</u>
Total financial assets available for general expenditure	<u>\$ 831,372</u>

The Organization had board-designated funds totaling \$390,000 for operating reserves and \$17,470 for a Board designated endowment as of December 31, 2018. Although the Organization does not intend to spend from these board-designated funds other than for the designated purpose, these amounts could be made available if necessary.

2. Liquidity and Availability (continued)

The Organization does not have a formal liquidity policy. The Organization invests its financial assets in a manner consistent with the concept of prudent money management, seeking maximum returns within reasonable levels of risk.

3. Beneficial Interest in Assets held by the Rose Community Foundation

In July 2015, the Organization transferred \$730,000 to the Rose Community Foundation (the "Foundation"). The Foundation commingles these funds with the funds of other entities for investment in order to achieve beneficial economies of scale and provide cost-effective access to professional investment management. The Organization may withdraw all or any portion of the funds in such amounts and manner as deemed appropriate by the Organization. As of December 31, 2018 and 2017, the fair value of the assets held by the Foundation totaled \$664,576 and \$717,677, respectively. Subsequent to December 31, 2018, the Organization transferred \$100,000 to Rose Community Foundation.

In August 2015, the Organization entered into an agreement with the Foundation to establish The Blue Bench Endowment Fund (Note 8). Under the terms of the agreement, the Foundation agreed to match up to \$10,000 of Organization deposits into the fund. As of December 31, 2018 and 2017, the fair value of the assets held by the Foundation for the endowment totaled \$27,470 and \$29,665, respectively.

4. Property and Equipment

At December 31, 2018 and 2017, property and equipment consisted of the following:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Office Equipment	\$ 85,967	\$ 75,930
Leasehold Improvements	21,029	13,910
Vehicles	<u>23,790</u>	<u>23,790</u>
Total	130,786	113,630
Less: Accumulated depreciation	<u>81,288</u>	<u>62,798</u>
Total	<u>\$ 49,498</u>	<u>\$ 50,832</u>

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Notes to Financial Statements
December 31, 2018 and 2017

5. Operating Leases

The Organization has entered into an agreement, as amended, to lease office space under a non-cancelable operating lease scheduled to expire on December 31, 2021. The agreement includes two months of “free” rent and annual rent increases. In accordance with generally accepted accounting principles, the Organization is recognizing rent expense on a straight-line basis over the term of the lease. As a result of the difference between the calculated straight-line lease expense and cash payments made under the agreement, the Organization has recorded rent payable of \$28,562 and \$25,282, at December 31, 2018 and 2017, respectively.

The Organization also leases auxiliary office space and office equipment under operating leases expiring at various times through September 2023. Approximate minimum rent payments due under all operating leases are as follows:

Year Ending December 31:	
2019	\$ 198,700
2020	205,100
2021	196,300
2022	27,700
2023	<u>12,600</u>
	<u>\$ 640,400</u>

Rent expense under all operating leases totaled \$185,472 and \$159,040, for 2018 and 2017, respectively.

6. In-Kind Contributions

Donated goods and services are reflected in the accompanying financial statements at their estimated values at the date of receipt. Donated goods and services consisted of the following for the years ended December 31, 2018 and 2017:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Counseling services	<u>\$ 109,939</u>	<u>\$ 113,114</u>

No amounts have been reflected in the financial statements for donated services not requiring specific expertise. The Organization generally pays for services requiring specific expertise. However, volunteers donated approximately 21,945 and 21,740 hours of service to the Organization in 2018 and 2017, respectively.

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Notes to Financial Statements
December 31, 2018 and 2017

7. Net Assets

As of December 31, 2018 and 2017, the Organization had board designated net assets of \$390,000, for both years, designated for operating reserves.

As of December 31, 2018 and 2017, the Organization had net assets of \$17,470 and \$19,665, respectively, designated for endowment.

Net assets with donor restrictions consisted of the following:

<u>As of December 31,</u>	<u>2018</u>	<u>2017</u>
<u>Subject to the passage of time:</u>		
Grants and contribution receivable	\$ 71,751	\$ 61,671
<u>Endowment:</u>		
Beneficial interest in assets held by the Rose Community Foundation	<u>10,000</u>	<u>10,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 81,751</u>	<u>\$ 71,671</u>

8. Endowment

The Organization's endowment consists of funds held by The Rose Community Foundation (the Foundation). As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Fund is held by the Foundation under the terms of an Endowment Fund Agreement. While accounting for the Organization's funds as a separate entity, the Foundation commingles these monies with the deposits of other entities for investment in order to achieve beneficial economies of scale and provide cost-effective access to professional investment management.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Colorado's Uniform Prudent Management of Institutional Funds Act (UPMIFA) to allow, subject to the specific intent of a donor expressed in the gift instrument, for the appropriation or accumulation of so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Such appropriation may take place even though an endowment is "under water" (i.e., the market value of the fund is less than the historical dollar value (HDV) of the fund), and the Organization is not required to utilize other Organization resources to bring the value of the endowment fund up to HDV.

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Notes to Financial Statements
December 31, 2018 and 2017

8. Endowment (continued)

The Board acknowledges that donors to an endowment fund intend that the principal of the endowment fund shall be preserved in perpetuity. In making a determination to appropriate or accumulate, the Organization shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- (1) The duration and preservation of the fund
- (2) The purpose of the Organization and the donor-restricted endowment fund
- (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 Organization resources
- (7) The investment policies of the Organization

The following are the changes in the endowment net assets for the years ended December 31, 2018 and 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, December 31, 2016	\$ 16,168	\$ 10,000	\$ 26,168
Investment earnings	<u>3,497</u>	<u>-</u>	<u>3,497</u>
Balance, December 31, 2017	19,665	10,000	29,665
Investment (losses)	<u>(2,195)</u>	<u>-</u>	<u>(2,195)</u>
Balance, December 31, 2018	<u>\$ 17,470</u>	<u>\$ 10,000</u>	<u>\$ 27,470</u>

Spending Policy

Disbursements from the endowment are determined by a spending policy established by the Endowment Fund Agreement. The spending policy allows for annual disbursements of up to 5% of the market value of the fund.

Investment Return Objectives

The Organization follows the investment policies adopted by the Foundation for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, the Organization relies on the Foundation's investment policies and strategies.

9. Fair Value Measurements

The Organization utilizes three levels of inputs to measure fair value (the fair value hierarchy) in accordance with financial accounting standards. The level of an asset or liability within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement of that asset or liability. In general, the Organization determines fair values as follows:

Level 1 – Inputs utilizing quoted market prices in active markets.

Level 2 – Inputs utilizing market information that is observable, such as quoted market prices for similar items, broker/dealer quotes, or models using market interest rates or yield curves.

Level 3 – Valued using unobservable inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. There were no changes in the valuation techniques used during the year.

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

Beneficial interest in assets held by the Rose Community Foundation: Represents funds held by the Foundation, the fair value of which is based on the market value of the underlying assets, consisting mainly of equity and fixed income securities which are valued based on quoted market prices.

The carrying amount reported in the statements of financial position for cash and cash equivalents, receivables, accounts payable, and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is at least 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.

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9. Fair Value Measurements (continued)

The following table presents the valuation of the Organization's investments by the above fair value hierarchy levels as of December 31, 2018 and 2017:

<u>December 31, 2018</u>	Fair Value Measurements Using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by the Rose Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 692,046</u>	<u>\$ 692,046</u>
<u>December 31, 2017</u>	Fair Value Measurements Using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by the Rose Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 747,342</u>	<u>\$ 747,342</u>

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 investment assets for the years ended December 31, 2018 and 2017:

	Rose Community Foundation
Balance as of December 31, 2016	\$ 570,538
Deposits into the funds	100,000
Realized/unrealized gains, net	82,945
Investment management fees	<u>(6,141)</u>
Balance as of December 31, 2017	747,342
Realized/unrealized (losses), net	(47,864)
Investment management fees	<u>(7,432)</u>
Balance as of December 31, 2018	<u>\$ 692,046</u>