

THE BLUE BENCH

Financial Statements

December 31, 2016

(Together with Independent Auditors' Report)



the blue bench

Putting an end to sexual assault
through prevention and care.

THE BLUE BENCH
Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



CERTIFIED PUBLIC ACCOUNTANTS

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, 2016, 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 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.

To the Board of Directors
The Blue Bench

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, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Blue Bench's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bauerle and Company, P.C.
Denver, Colorado

May 16, 2017

THE BLUE BENCH

Statement of Financial Position December 31, 2016 (With Summarized Totals for December 31, 2015)

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 207,057	\$ 22,118
Beneficial interest in assets held by the Rose Community Foundation	570,538	695,821
Contributions and grants receivable	60,093	72,627
Government contracts receivable	80,150	68,781
Prepaid expenses	15,946	17,286
Rent deposits	9,928	9,928
Net property and equipment	46,907	20,797
Total Assets	<u>\$ 990,619</u>	<u>\$ 907,358</u>
	<u>LIABILITIES AND NET ASSETS</u>	
<u>Liabilities</u>		
Accounts payable	\$ 25,353	\$ 17,907
Accrued payroll costs	38,099	20,100
Rent payable	25,617	23,295
Total Liabilities	<u>89,069</u>	<u>61,302</u>
<u>Net Assets</u>		
Unrestricted		
Undesignated	425,289	383,429
Board designated - Operating reserve	390,000	390,000
Board designated - Endowment	16,168	-
Total Unrestricted Net Assets	<u>831,457</u>	<u>773,429</u>
Temporarily restricted	60,093	72,627
Permanently restricted	10,000	-
Total Net Assets	<u>901,550</u>	<u>846,056</u>
Total Liabilities and Net Assets	<u>\$ 990,619</u>	<u>\$ 907,358</u>

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

THE BLUE BENCH

Statement of Activities Year Ended December 31, 2016 (With Summarized Totals for the Year Ended December 31, 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and Revenue					
Contributions	\$ 1,103,371	\$ 60,093	\$ 10,000	\$ 1,173,464	\$ 976,869
Government contracts	373,037	-	-	373,037	328,291
Foundation grants	69,010	-	-	69,010	67,095
Program related revenues	144,526	-	-	144,526	73,212
Special events, net of \$37,075 and \$21,914 of direct expenses	56,429	-	-	56,429	62,487
Net investment income (loss)	30,784	-	-	30,784	(32,960)
Other income	63	-	-	63	840
In-Kind contributions	132,715	-	-	132,715	93,488
Net assets released from restrictions	72,627	(72,627)	-	-	-
Total Support and Revenue	<u>1,982,562</u>	<u>(12,534)</u>	<u>10,000</u>	<u>1,980,028</u>	<u>1,569,322</u>
Expenses					
Program Services:					
Counseling/Advocacy	855,154	-	-	855,154	751,183
Canvass/Community outreach	470,188	-	-	470,188	379,245
Abuse prevention training	173,460	-	-	173,460	146,245
Total Program Services	<u>1,498,802</u>	<u>-</u>	<u>-</u>	<u>1,498,802</u>	<u>1,276,673</u>
Supporting Services:					
Management and general	129,373	-	-	129,373	113,582
Fundraising	296,359	-	-	296,359	240,527
Total Supporting Services	<u>425,732</u>	<u>-</u>	<u>-</u>	<u>425,732</u>	<u>354,109</u>
Total Expenses	<u>1,924,534</u>	<u>-</u>	<u>-</u>	<u>1,924,534</u>	<u>1,630,782</u>
Change in Net Assets	58,028	(12,534)	10,000	55,494	(61,460)
NET ASSETS, Beginning of Year	<u>773,429</u>	<u>72,627</u>	<u>-</u>	<u>846,056</u>	<u>907,516</u>
NET ASSETS, End of Year	<u>\$ 831,457</u>	<u>\$ 60,093</u>	<u>\$ 10,000</u>	<u>\$ 901,550</u>	<u>\$ 846,056</u>

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

THE BLUE BENCH

Statement of Functional Expenses Year Ended December 31, 2016 (With Summarized Totals for the Year Ended December 31, 2015)

	Program Services			Supporting Services		Total	Total	
	Counseling/ Advocacy	Canvass/ Community Outreach	Abuse Prevention Training	Total Program Services	Management and General	Fund- Raising	Year Ended December 31, 2016	Year Ended December 31, 2015
Salaries	\$ 419,820	\$ 82,793	\$ 133,714	\$ 636,327	\$ 90,078	\$ 79,912	\$ 806,317	\$ 681,761
Commissions - field canvass	-	261,337	-	261,337	-	112,002	373,339	329,624
Payroll taxes and benefits	51,677	42,360	16,459	110,496	11,088	23,623	145,207	125,954
Total Employee Costs	<u>471,497</u>	<u>386,490</u>	<u>150,173</u>	<u>1,008,160</u>	<u>101,166</u>	<u>215,537</u>	<u>1,324,863</u>	<u>1,137,339</u>
Office and equipment rent	106,219	16,173	8,087	130,479	9,352	14,147	153,978	147,477
Counseling interns (in-kind)	128,182	-	-	128,182	-	-	128,182	93,488
All other	22,391	15,702	1,614	39,707	5,233	7,535	52,475	49,249
Professional services	19,154	3,824	1,945	24,923	1,764	16,852	43,539	41,721
Technology	27,471	3,152	1,374	31,997	1,216	2,068	35,281	26,071
Field canvass expenses	-	23,178	-	23,178	-	9,933	33,111	27,281
Telephone	17,801	663	372	18,836	912	657	20,405	17,768
Supplies	11,753	908	2,328	14,989	2,091	944	18,024	14,209
Mileage and vehicles	3,017	7,825	2,778	13,620	736	2,870	17,226	16,767
Education	13,240	-	1,526	14,766	1,974	-	16,740	14,712
Annual campaign	-	-	-	-	-	16,644	16,644	-
Insurance	10,246	1,921	961	13,128	1,281	1,601	16,010	15,372
Postage	8,896	3,683	826	13,405	1,102	1,377	15,884	9,600
Printing	3,132	5,598	388	9,118	391	3,218	12,727	6,394
Depreciation	4,778	1,061	1,061	6,900	745	2,972	10,617	6,922
In-kind	4,533	-	-	4,533	-	-	4,533	-
Staff development	2,844	10	27	2,881	1,410	4	4,295	6,412
	<u>\$ 855,154</u>	<u>\$ 470,188</u>	<u>\$ 173,460</u>	<u>\$ 1,498,802</u>	<u>\$ 129,373</u>	<u>\$ 296,359</u>	<u>\$ 1,924,534</u>	<u>\$ 1,630,782</u>

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

THE BLUE BENCH

Statement of Cash Flows Year Ended December 31, 2016

(With Summarized Totals for the Year Ended December 31, 2015)

	2016	2015
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 55,494	\$ (61,460)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	10,617	6,922
Contribution restricted for permanent endowment	(10,000)	-
Net (increase) decrease in value of beneficial interest in assets held by the Rose Community Foundation	(29,717)	34,179
(Increase) decrease in:		
Receivables	1,165	(40,747)
Prepaid expenses	1,340	471
Increase (decrease) in:		
Accounts payable	7,446	(9,216)
Accrued payroll costs	17,999	6,402
Rent payable	2,322	5,069
	56,666	(58,380)
Net Cash Provided by (Used in) Operating Activities	56,666	(58,380)
<u>Cash Flows From Investing Activities</u>		
Purchase of property and equipment	(36,727)	-
Distributions from the Rose Community Foundation	180,000	-
Purchase of assets held by the Rose Community Foundation	(25,000)	(730,000)
Net Cash Provided by (Used in) Investing Activities	118,273	(730,000)
<u>Cash Flows From Financing Activities</u>		
Contribution restricted for permanent endowment	10,000	-
Net Cash Provided by (Used in) Financing Activities	10,000	-
<u>Net Change in Cash and Cash Equivalents</u>	184,939	(788,380)
<u>CASH AND CASH EQUIVALENTS, beginning of year</u>	22,118	810,498
<u>CASH AND CASH EQUIVALENTS, end of year</u>	\$ 207,057	\$ 22,118

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 34-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 4 women and 1 in 17 men will be the victim of an attempted or completed sexual assault; meanwhile less than 40% of assaults are reported. Feelings of shame, guilt, fear of retaliation and not being believed factor heavily into this frustrating reality. To increase reporting rates, perpetrator accountability and community support, education and access to resources are key.

In 2016, the staff and volunteers of The Blue Bench responded to 2,475 hotline calls, accompanied 190 victims to the hospital, provided crisis response and/or ongoing case management services to 288 victims and 303 victims participated in individual and group therapy sessions for an average of nine months. The Pathway to Prevention program talked with or presented to nearly 10,900 youth and community members in 2016. The Organization's canvass outreach staff spoke in-person to more than 127,000 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:

- **Counseling/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 response, case managers to help clients navigate the often-overwhelming criminal justice system, 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.
- **Canvass/Community Outreach** – Door-to-door contact to distribute hotline cards and information, and request donations.
- **Abuse Prevention Training and Education** – Fostering a healthy community is not just about providing support in the aftermath of an assault, it's about supporting the healthy emotional development of the community at large to prevent assault from happening at all. The Blue Bench provides scientifically-supported prevention programming beginning in middle school, with a goal of developing skills necessary to help young people reject rape culture and become active bystanders. Programs are done 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 13+.

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

Basis of Accounting

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.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205, which provides guidance for nonprofit organizations. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets - Accounts for all unrestricted resources over which the Board of Directors has discretionary control to use in carrying on the operations of the Organization in accordance with the limitations of its bylaws. The principal sources of unrestricted resources are grants, contributions, and program related revenues. Decreases in unrestricted resources generally result from expenses incurred for program and supporting services conducted by the Organization.

Temporarily Restricted Net Assets - Accounts for those resources currently available for use, but expendable only for operating purposes specified by the donor or grantor. Such resources may originate from gifts, grants, bequests, or other similar sources where the donor has specified the operating purpose for which the funds are to be used.

Permanently Restricted Net Assets - Accounts for endowment contributions and investments that are permanently restricted by the donor.

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 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.

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 year ended December 31, 2016, 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.

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

Concentration of Credit Risk

The Organization maintains bank accounts with creditworthy, high quality financial institutions as determined by management, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization from time to time may have amounts on deposit in excess of the insured limits. At December 31, 2016, the Organization's cash deposits were below the FDIC insurance limit.

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 statement 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.

Contributions and Grants Receivable

Contributions and grants are recognized when the donor makes a promise to give, that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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 receivable balances. At December 31, 2016, management deems all contributions and grants receivable collectible, accordingly, there is no allowance for uncollectible receivables.

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

Recognition of Support and Revenue

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Unrestricted gift and grant support is reflected as revenue in the year of receipt.

Operating funds restricted by the donor, grantor, or other outside party for particular operating purposes are reported as temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Pledges for support of future operations and fundraising activities are recorded as temporarily restricted support in the year the pledge is made.

The Organization's policy is to record contributions whose restrictions are met in the same reporting period as unrestricted contributions. Contributions whose restrictions are not met in the same reporting period are reported as temporarily restricted net assets.

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

Expenses relating to investment revenues, including investment management and administrative fees, amounted to \$6,129 for 2016, and are included as a reduction in net investment income in the accompanying Statement of Activities.

Functional Allocation of Expenses

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

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 of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

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

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 May 16, 2017, and this is the date through which subsequent events were evaluated.

Recently Issued Accounting Pronouncements

In August 2016, the FASB issue ASU 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. This ASU is meant to eliminate diversity in practice and increase comparability among not-for-profit entities. The FASB believes that certain requirements of the ASU will increase transparency around a not-for-profit's available financial resources and flexibility. This ASU is effective for fiscal years beginning after December 15, 2017; however, early adoption of this ASU is permitted. Management is currently evaluating the potential impact of this ASU on the Organization's financial statements.

2. 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, 2016, the fair value of the assets held by the Foundation totaled \$544,370.

In August 2015, the Organization entered into an agreement with the Foundation to establish The Blue Bench Endowment Fund (Note 7). 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, 2016, the fair value of the assets held by the Foundation for the endowment totaled \$26,168.

3. Property and Equipment

At December 31, 2016, property and equipment consisted of the following:

<u>Description</u>	<u>Amount</u>
Office Equipment	\$ 55,248
Leasehold Improvements	13,910
Vehicles	<u>23,790</u>
Total	92,948
Less: Accumulated depreciation	<u>46,041</u>
Total	<u>\$ 46,907</u>

4. Operating Leases

The Organization has entered into an agreement 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 \$25,617, at December 31, 2016.

The Organization also leases auxiliary office space and office equipment under operating leases expiring at various times through May 2021. Approximate minimum rent payments due under all operating leases are as follows:

Year Ending December 31:	
2017	\$ 139,000
2018	124,000
2019	122,300
2020	122,300
2021	<u>114,600</u>
	<u>\$ 622,200</u>

Rent expense under all operating leases totaled \$153,978 for 2016.

5. 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 year ended December 31, 2016:

<u>Description</u>	<u>Amount</u>
Counseling services	\$ 128,182
Sound masking unit	<u>4,533</u>
	<u>\$ 132,715</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 20,400 hours of service to the Organization in 2016.

6. Restrictions on Net Assets

As of December 31, 2016, temporarily restricted net assets consisted of the following:

Contributions and grants receivable	<u>\$ 60,093</u>
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7. 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.

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

7. Endowment (continued)

The following are the changes in the endowment net assets for the year ended December 31, 2016:

	<u>Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2015	\$ -	\$ -	\$ -
Investment earnings	1,168	-	1,168
Contributions	<u>15,000</u>	<u>10,000</u>	<u>25,000</u>
Balance, December 31, 2016	<u>\$ 16,168</u>	<u>\$ 10,000</u>	<u>\$ 26,168</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.

8. Fair Value Measurements

The Organization follows the provisions of the Fair Value Measurements and Disclosure Topic of FASB ASC. This standard requires the use of fair value hierarchy that prioritizes the valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy defined in the FASB ASC are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

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 upon information determined and reported by the Foundation. The fair value of investments held by the Foundation includes Level 1, 2, and 3; however, the Organization's pro rata share of the pooled investments is not quoted in active markets and is, therefore, classified under Level 3 in the fair value hierarchy.

The carrying amount reported in the Statement of Financial Position for cash and cash equivalents, accounts receivable, 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 statement of financial position.

THE BLUE BENCH
Notes to Financial Statements
December 31, 2016

8. 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, 2016:

	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>\$ 570,538</u>	<u>\$ 570,538</u>

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 investment assets for the year ended December 31, 2016:

	<u>Rose Community Foundation</u>
Balance as of December 31, 2015	\$ 695,821
Deposits into the funds	25,000
Realized/unrealized gains (losses), net	35,846
Investment management fees	(6,129)
Disbursements	<u>(180,000)</u>
Balance as of December 31, 2016	<u>\$ 570,538</u>