Financial Statements
June 30, 2016

Jeffco Action Center, Inc.

Independent Auditor's Report

The Board of Directors
Jeffco Action Center, Inc.
Lakewood, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Jeffco Action Center, Inc., which comprise the statement of financial position as of June 30, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jeffco Action Center, Inc. as of June 30, 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.

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Emphasis of Matter - Restatement
As discussed in Note 2 to the financial statements, net assets as of June 30, 2015 have been restated to conform to the existence or absence of donor-imposed restrictions. Our opinion is not modified with respect to this matter.

Eide Bailly LLP

Greenwood Village, Colorado
November 8, 2016

Assets		
Cash and cash equivalents	$	205,731
Cash held for Jeffco Prosperity Project		379,527
Accounts receivable		27,943
Promises to give, net		1,203,709
Prepaid expenses and other assets		48,580
Property and equipment, net		5,754,813
Endowment		
Beneficial interest in assets held by Community First Foundation		153,831
Investment portfolio		322,669
Total assets	$	8,096,803
Liabilities and Net Assets		
Accounts payable and accrued expenses	$	126,241
Capital lease obligations		62,075
Notes payable		2,064,911
Total liabilities		2,253,227
Net Assets (Deficit)		
Unrestricted		
Undesignated		(182,039)
Invested in property and equipment, net of related debt		3,627,827
Board-designated		
Endowment		318,669
Facilities reserve		20,000
Technology reserve		9,550
		3,794,007
Temporarily restricted		1,891,738
Permanently restricted		157,831
Total net assets		5,843,576
Total liabilities and net assets	$	8,096,803

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue and Gains				
In-kind donations	$ 10,335,228	$ -	$ -	$ 10,335,228
Contributions	1,616,744	1,351,563	-	2,968,307
Government grants and contracts	153,861	-	-	153,861
Rental revenue	88,460	-	-	88,460
Net investment return	18,974	-	-	18,974
Distribution from and change in value of beneficial interest in assets held by Community First Foundation	-	7,891	(11,560)	(3,669)
Other revenue	60,326	-	-	60,326
Gross special events revenue	125,580	-	-	125,580
Less cost of direct benefit to donors	(18,077)	-	-	(18,077)
Net special events revenue	107,503	-	-	107,503
Net assets released from restrictions	1,414,469	(1,414,469)	-	-
Total support, revenue and gains	13,795,565	(55,015)	(11,560)	13,728,990
Expenses				
Program services expense				
Participant services	4,449,140	-	-	4,449,140
Food programs	7,218,484	-	-	7,218,484
Shelter programs	895,171	-	-	895,171
Jeffco Prosperity Project	472,206	-	-	472,206
Total program expenses	13,035,001	-	-	13,035,001
Supporting services expense				
Management and general	342,990	-	-	342,990
Fundraising and development	570,023	-	-	570,023
Total supporting services expenses	913,013	-	-	913,013
Total expenses	13,948,014	-	-	13,948,014
Change in Net Assets	(152,449)	(55,015)	(11,560)	(219,024)
Net Assets, Beginning of Year (Restated)	3,946,456	1,946,753	169,391	6,062,600
Net Assets, End of Year	$ 3,794,007	$ 1,891,738	$ 157,831	$ 5,843,576

	Program Services					Supporting Services				
	Participant Services	Food Programs	Shelter Programs	Jeffco Prosperity Project	Total Program Services	Management and General	Fundraising and Development	Cost of Goods Sold	Total Supporting Services	Total
Grants and other assistance	$ 3,302,596	$ 6,675,278	$ 526,219	$ 1,443	$ 10,505,536	$ -	$ -	$ -	$ -	$ 10,505,536
Salaries and wages	520,378	303,040	205,566	122,557	1,151,541	163,550	306,132	-	469,682	1,621,223
Employee benefits	67,086	46,593	33,140	12,677	159,496	11,098	24,802	-	35,900	195,396
Payroll taxes	38,264	22,512	15,108	8,774	84,658	12,454	21,828	-	34,282	118,940
Professional services	244,790	7,292	6,581	309,888	568,551	11,127	7,188	-	18,315	586,866
Occupancy	63,588	20,031	38,111	38	121,768	55,261	51,712	-	106,973	228,741
Office expenses	7,470	16,308	1,381	1,993	27,152	861	31,818	-	32,679	59,831
Repairs and maintenance	17,979	38,128	9,054	208	65,369	15,960	9,998	-	25,958	91,327
Insurance	11,052	5,885	11,129	-	28,066	10,427	5,606	-	16,033	44,099
Interest	26,617	17,168	12,487	-	56,272	26,327	36,547	-	62,874	119,146
Depreciation and amortization	105,887	56,350	24,790	-	187,027	9,626	25,343	-	34,969	221,996
Cost of direct benefits to donors	-	-	-	-	-	-	-	18,077	18,077	18,077
Other	43,433	9,899	11,605	14,628	79,565	29,826	49,049	-	78,875	158,440
Total expenses by function	4,449,140	7,218,484	895,171	472,206	13,035,001	346,517	570,023	18,077	934,617	13,969,618
Less expenses included with revenues on the statement of activities										
Cost of direct benefits to donors	-	-	-	-	-	-	-	(18,077)	-	-
Investment management fees	-	-	-	-	-	(3,527)	-	-	(3,527)	(3,527)
Total expenses included in the expense section on the statement of activities	$ 4,449,140	$ 7,218,484	$ 895,171	$ 472,206	$ 13,035,001	$ 342,990	$ 570,023	$ -	$ 913,013	$ 13,948,014

Cash Flows from Operating Activities	
Change in net assets	$ (219,024)
Adjustments to reconcile change in net assets to net cash used for operating activities	
Depreciation and amortization	217,195
Change in beneficial interest in assets held by Community First Foundation	11,560
Endowment net investment loss	(18,974)
Changes in operating assets and liabilities	
Accounts receivable, net	37,999
Promises to give, net	(170,203)
Prepaid expenses and other assets	12,305
Accounts payable	(20,826)
Payroll taxes and related liabilities	16,077
Other liabilities	4,895
Net Cash used for Operating Activities	(128,996)
Cash Flows from Investing Activities	
Purchases of property and equipment	(12,602)
Addition to endowment	(37,111)
Net Cash used for Investing Activities	(49,713)
Cash Flows from Financing Activities	
Net (repayments) under line of credit	(228,882)
Proceeds from issuance of notes	284,076
Principal payments on notes and capital leases	(42,646)
Net Cash from Financing Activities	12,548
Net Change in Cash and Cash Equivalents	(166,161)
Cash and Cash Equivalents, Beginning of Year	751,419
Cash and Cash Equivalents, End of Year	$ 585,258
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest during the year	$ 111,845
Supplemental Disclosure of Non-cash Financing Activity	
Refinance of note payable	$ 1,815,925

Note 1 - Principal Activity and Significant Accounting Policies Organization

Jeffco Action Center, Inc. dba The Action Center (The Action Center, Organization) provides an immediate response to basic human needs and promotes pathways to self-sufficiency for Jefferson County residents and the homeless. The Action Center fulfills their mission by focusing their efforts in the following program areas:

Participant Services - Provides case management and support, including financial assistance, health assistance, tenant-landlord help line, a clothing bank, and other programs to meet immediate, basic needs of individuals seeking help.

Food Programs - Provides five-day food supply to participants, alleviating food insecurity concerns.

Shelter Programs - Provides a shelter for the homeless in Jefferson County that allows residents to work to advance their employment and/or education status while in the program. Upon successful completion of the program, residents transition to the After Care Program that provides case management, bi-weekly support groups, and a peer mentor for six months.

Jeffco Prosperity Project - Coordinates services from participating agencies and other community service providers to ensure that existing services are aligned and that families do not slip between the cracks during major life transitions.

Cash and Cash Equivalents

The Action Center considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Accounts Receivable

Accounts receivable consists of amounts due under grants and contracts for allowable expenditures incurred but not yet reimbursed as of June 30, 2016. Management anticipates full collection of outstanding balances.

Promises to Give

The Action Center records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2016, the allowance was $26,554.

Property and Equipment

The Action Center records property and equipment additions over $2,500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years, or in the case of capitalized leased assets, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2016.

Beneficial Interest in Assets Held by Community Foundation

During 2004, the Organization established a permanent endowment fund (the Fund) under Community First Foundation's (CFF) Non-profit Preservation Endowment Challenge Grant program, naming the The Action Center as beneficiary. Variance power was granted to CFF which allows CFF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of CFF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by CFF for The Action Center's benefit, and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Investments

The Action Center records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

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

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for board-designated endowment, facilities reserve and technology reserve.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or The Action Center's actions and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Board of Directors.

The Action Center reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by The Action Center's actions. The restrictions stipulate that resources be maintained permanently but permit The Action Center to expend the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to The Action Center program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received (Note 12).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Jeffco Action Center, Inc. is organized as a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1).

The Action Center annually files a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization would be subject to income tax on net income that is derived from business activities that are unrelated to the exempt purpose. Management anticipates that The Action Center is not subject to unrelated business income tax for the year ended June 30, 2016 however they do anticipate filing an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes they have appropriate support for any tax positons taken affecting their annual filling requirements and, as such, does not have any uncertain tax positions that are material to the financial statements. The Action Center would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Organization's Forms 990, 990-T and other income tax filings required by state or local tax authorities are no longer subject to tax examination for years before 2012.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and those differences could be material.

Financial Instruments and Credit Risk

The Action Center manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with grants receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, foundations, and individuals supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Finance Committee believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Subsequent Events

Management has evaluated subsequent events through November 8, 2016, the date the financial statements were available to be issued.

Note 2 - Restatement

The Organization has restated net asset balances as of June 30, 2015 to conform to the existence of absence of donor-imposed restrictions. Following is a summary of the effects of the restatement to the June 30, 2015 financial statements:

	As Previously Reported	Restatement	As Restated
Statement of Activities			
As of June 30, 2015			
Unrestricted net assets	$ 4,144,886	$ (198,430)	$ 3,946,456
Temporarily restricted net assets	1,772,839	173,914	1,946,753
Permanently restricted net assets	144,875	24,516	169,391
Total net assets	$ 6,062,600	$ -	$ 6,062,600

Note 3 - Fair Value Measurements and Disclosures

The Action Center reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to The Action Center's assessment of the quality, risk or liquidity profile of the asset.

All of the investment assets are classified within Level 1 because they are comprised of corporate stocks with readily determinable fair values based on daily closing market prices. The fair value of The Action Center's beneficial interest in assets held by Community First Foundation is based on the fair value of fund investments as reported by CFF and is considered to be a Level 3 measurement.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2016:

	Total	Fair Value Measurements at Report Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Endowment Assets				
Beneficial interest in assets held by Community First Foundation	$ 153,831	$ -	$ -	$ 153,831
Investment portfolio				
Cash and money market funds (at cost)	$ 73,362	$ -	$ -	$ -
Corporate stocks	249,307	249,307	-	-
	$ 322,669	$ 249,307	$ -	$ -

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2016:

Beneficial Interest in Assets held by Community First Foundation:	
Balance at June 30, 2015	$ 165,391
Net realized and unrealized loss	(5,510)
Interest and dividends	3,390
Distributions	(7,891)
Investment management fees	(1,549)
Balance at June 30, 2016	$ 153,831
Unrealized loss included in net investment return in the statement of activities relating to assets held at end of year	$ (8,819)

Note 4 - Net Investment Return

Net investment return consists of the following for the year ended June 30, 2016:

Interest and dividends	$ 6,531
Net realized and unrealized gain	15,970
Less investment management and custodial fees	(3,527)
	$ 18,974

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2016:

Within one year	$ 389,975
In one to five years	860,449
Over five years	14,047
	1,264,471
Less discount to net present value at rates averaging 1%	(34,208)
Less allowance for uncollectable promises to give	(26,554)
	$ 1,203,709

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30, 2016:

Land and improvements	$ 494,082
Buildings and improvements	6,487,442
Furniture and equipment	378,266
Vehicles	126,883
	7,486,673
Less accumulated depreciation and amortization	(1,731,860)
	$ 5,754,813

Note 7 - Line of Credit

The Action Center has a line of credit available of $400,000 with a maturity date of August 14, 2018. Interest is calculated on any outstanding principal balance at the Wall Street Journal Prime rate plus 1.00%. The line of credit is secured by balances held at the lender's institution as well as a deed of trust on various parcels of real estate. There was no principal balance outstanding as of June 30, 2016.

Note 8 - Notes Payable

On July 1, 2011, The Action Center entered into a note payable agreement with a lender for $1,975,000 at a fixed interest rate of 5.4%. Payments were due in monthly installments of approximately $12,000 through July 15, 2021. On August 14, 2015, the note was refinanced with the same lender under a new note totaling $2,100,000. Payments under this note are due in monthly installments of approximately $12,000 through August 15, 2025, at which time any unpaid remaining principal and interest will be due. The note bears interest at 5%. The note is secured by a deed of trust on three buildings. The note contains a restrictive covenant that requires the Organization to maintain a minimum debt service coverage ratio. At June 30, 2016, the Organization was not in compliance with that covenant.

Future maturities of the note payable are as follows:

Years Ending June 30,		
2017	$	44,766
2018		47,088
2019		49,977
2020		52,052
2021		55,020
Thereafter		1,816,008
	$	2,064,911

Note 9 - Leases

The Action Center leases a vehicle under a capital lease agreement expiring in March 2019. Future minimum lease payments are as follows:

Years Ending June 30,		
2017	$	23,208
2018		23,208
2019		31,741
Total minimum lease payments		78,157
Less amount representing interest		(16,082)
Capital lease obligation	$	62,075

Leased property under the capital lease at June 30, 2016 includes:

Vehicle	$ 89,298
Accumulated depreciation	(42,991)
	$ 46,307

Note 10 - Endowments

The Action Center's endowment (the Endowment) consists of a single fund established by a donor to provide annual funding for general operations. The Endowment also includes certain unrestricted net assets designated for endowment by the Board of Directors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2016, there were no such donor stipulations. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by 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

As of June 30, 2016, The Action Center had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment	$ 318,669	$ -	$ -	$ 318,669
Donor restricted endowment	-	-	4,000	4,000
	$ 318,669	$ -	$ 4,000	$ 322,669

Investment and Spending Policies

The Action Center has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target rate of return is to perform or outperform a proportionate blend of broad indices (S&P 500 Stock Index, Russell 1000, and Barclay's Capital Treasury Index) over a three-to-five year market cycle. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Action Center uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment each year. The policy of the Board of Directors is to distribute annually an amount equal to 5% of the trailing six-quarter average of the endowment's fair value, with the expectation that, over time, the total real return (return net of inflation) from investments will exceed the endowment's pay-out rate, thus allowing for real growth of endowment assets. The Finance Committee may adjust the spending-rate percentages it deems appropriate to fulfill the objectives of the agency; however, in no case shall the spending rate percentage be higher than 6% unless authorized by the Board of Directors.

Changes in Endowment net assets for the year ended June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 262,584	$ -	$ 4,000	$ 266,584
Investment return				
Investment income, net of fees	3,004	-	-	3,004
Net realized and unrealized gain (loss)	15,970	-	-	15,970
	18,974	-	-	18,974
Addition to board designated endowment funds	40,185	-	-	40,185
Appropriation of endowment assets pursuant to spending-rate policy	(3,074)	-	-	(3,074)
Endowment net assets, end of year	$ 318,669	$ -	$ 4,000	$ 322,669

Note 11 - Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 consist of:

Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	$ 1,104,081
Restricted by donors for	
Jeffco Prosperity Project	365,565
Participant programs	142,782
Betty Proctor Fund	93,766
Shelter operations	45,000
Other	44,937
Shelter After Care	38,117
Mental Health First Aid	24,851
Energy Outreach Colorado	19,727
J-Help	12,912
	$ 1,891,738

Net assets were released from restrictions as follows during the year ended June 30, 2016:

Expiration of time restrictions	$ 415,650
Satisfaction of purpose restrictions	
Jeffco Prosperity Project	472,206
Energy Outreach Colorado	187,313
Participant programs	127,191
Shelter operations	45,000
Shelter After Care	39,351
Mental Health First Aid	35,299
Betty Proctor Fund	34,670
Other	34,119
J-Help	15,779
Homeless Shelter	7,891
	$ 1,414,469

Permanently restricted net assets consist of a beneficial interest in assets held by a community foundation for the Organization’s benefit and an endowment fund restricted by a donor for investment in perpetuity. The permanently restricted net assets balances, classified by restriction on the use of earnings, are as follows at June 30, 2016:

Beneficial interest in assets held by Community First Foundation - Homeless Shelter	$ 153,831
Endowment - General use	4,000
	$ 157,831

Note 12 - Donated Professional Services and Materials

The Action Center received donated materials and professional services during the year ended June 30, 2016:

	Participant Services	Food Programs	Shelter Programs	Management and General	Fundraising and Development	Total
Donated materials						
Food	$ -	$ 6,620,615	$ 494,713	$ -	$ -	$ 7,115,328
Clothing	2,039,733	-	-	-	-	2,039,733
Toys	308,340	-	-	-	-	308,340
School supplies	281,763	-	-	-	-	281,763
Household goods	248,779	-	-	-	-	248,779
Personal items	89,083	-	-	-	-	89,083
Baby care items	6,967	-	-	-	-	6,967
	2,974,665	6,620,615	494,713	-	-	10,089,993
Professional services						
Participant counseling	230,545	-	-	-	-	230,545
Professional development	5,340	2,885	2,607	1,063	2,662	14,557
Other	49	26	24	10	24	133
	235,934	2,911	2,631	1,073	2,686	245,235
	$ 3,210,599	$ 6,623,526	$ 497,344	$ 1,073	$ 2,686	$ 10,335,228

The Action Center received additional contributed services that did not meet the requirements for recognition in the financial statements:

Client services in-take desk	$ 484,257
Administrative services	88,783
Telephone receptionist	57,138
Shelter assistance	55,139
Funds development	20,483
Other	28,375
	$ 734,175

Note 13 - Rental Income

The Action Center has five lease agreements for space with tenants in buildings owned by the Organization that have lease terms from 1 to 5 years and also one agreement on a month to month basis. The monthly base rents vary from $606 to $1,502. Total rental income was $88,460 for the year ended June 30, 2016.

Future minimum lease receipts under the existing agreements are as follows:

Years ending June 30,		
2017	$	106,189
2018		79,745
2019		77,672
2020		45,922
2021		38,445
	$	347,973

Note 14 - Collaborative Arrangements

The Action Center participates in three collaborative arrangements: Jeffco Prosperity Project (JPP); Estes Street Community Clinic (the Clinic); and J-Help.

JPP began in March 2014 and is an arrangement with Jeffco School Foundation and Jefferson County Department of Human Services. The purpose of the program is to coordinate services from participating agencies and other community service providers to ensure that existing services are aligned and that families do not slip between the cracks during major life transitions. The Action Center acts as the fiscal agent for JPP and is responsible for administration of and accounting for funds contributed and expended for JPP. Under the arrangement, the Organization receives 8.5% of any contributions restricted to JPP to be used to cover administrative expenses as fiscal agent of JPP. Any contributions received for JPP are recognized in accordance with the revenue recognition policy. Any disbursement of funds restricted for JPP is recorded as a program expense of Jeffco Prosperity Project on the statement of functional expenses or as a capitalized asset for the portion of the asset which is covered.

The following is a summary of revenue, expenses and related net assets of JPP for the year ended June 30, 2016:

Contributions	$	118,902
Expenses:		
Participant services		1,443
Salaries and wages		122,557
Employee benefits		12,677
Payroll taxes		8,774
Professional services		309,888
Occupancy		38
Office expenses		1,993
Repair and maintenance		208
Other		14,628
		472,206
Change in Net Assets		(353,304)
Net Assets, Beginning of Year		718,869
Net Assets, End of Year	$	365,565

The Clinic is an arrangement with Metro Community Providers Network ("MCPN"), a medical services provider, under which The Action Center provides a four-exam-room clinic located in their program services building. The Action Center provides the physical space and refers clients to MCPN's case management services. MPCN reimburses The Action Center a nominal amount to help cover costs of the space being used, which the Organization records as other revenue in the statement of activities.

J-Help is an arrangement with Volunteers of America (VOA) to extend VOA's Meals on Wheels program to clients under the age of 60. These clients are not eligible for the Meals on Wheels program because of their age but have the same physical need for the services. Contributions received for J-Help are recognized in accordance with the revenue recognition policy. Expenses incurred directly for the J-Help program are recorded in participant services in the statement of functional expenses.

Note 15 - Employee Benefits

The Action Center sponsors a 401(k) employee salary reduction savings plan (the Plan) covering all employees over age 21 once they have completed 30 days of employment. Employees may contribute up to the maximum allowable by the Internal Revenue Code. The Organization does not contribute to the Plan.