

JEFFCO ACTION CENTER, INC.

**Financial Statements
and
Independent Auditors' Report
June 30, 2017 and 2016**

EKS&H

JEFFCO ACTION CENTER, INC.

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8181 East Tufts Avenue, Suite 600
Denver, Colorado 80237-2521
P: 303-740-9400
F: 303-740-9009
www.EKSH.com

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INDEPENDENT AUDITORS' 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. (the "Organization"), which are comprised of the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

The Board of Directors
Jeffco Action Center, Inc.
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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, 2017, 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.

PRIOR-PERIOD FINANCIAL STATEMENTS

The 2016 financial statements of the Organization were audited by other auditors, whose report dated November 8, 2016, expressed an unmodified opinion on those statements.

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November 15, 2017
Denver, Colorado

JEFFCO ACTION CENTER, INC.

Statements of Financial Position

	June 30,	
	2017	2016
Assets		
Cash and cash equivalents		
Unrestricted cash	\$ 361,444	\$ 205,731
Cash held for Jeffco Prosperity Project	240,527	379,527
Accounts receivable	52,163	27,943
Unconditional promises to give, net of allowance of \$47,372 (2017) and \$26,554 (2016)	1,247,001	1,203,709
Prepaid expenses and other assets	37,167	38,732
Property and equipment, net	5,637,216	5,754,813
Endowments		
Investment portfolio	378,675	322,669
Beneficial interest in assets held by Community First Foundation	162,905	153,831
	<u>\$ 8,117,098</u>	<u>\$ 8,086,955</u>
Total assets	<u>\$ 8,117,098</u>	<u>\$ 8,086,955</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 167,224	\$ 126,241
Capital lease obligations	46,597	62,075
Note payable	2,012,713	2,055,063
Total liabilities	<u>2,226,534</u>	<u>2,243,379</u>
Net assets		
Unrestricted		
Undesignated	(108,713)	(146,887)
Invested in property and equipment, net of related debt	3,577,906	3,637,675
Board designated		
Endowment	374,675	318,669
Facilities reserve	20,000	20,000
Technology reserve	9,550	9,550
Total unrestricted	<u>3,873,418</u>	<u>3,839,007</u>
Temporarily restricted	1,850,241	1,846,738
Permanently restricted	166,905	157,831
Total net assets	<u>5,890,564</u>	<u>5,843,576</u>
Total liabilities and net assets	<u>\$ 8,117,098</u>	<u>\$ 8,086,955</u>

See notes to financial statements.

JEFFCO ACTION CENTER, INC.

**Statement of Activities
For the Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
In-kind donations	\$ 9,862,557	\$ -	\$ -	\$ 9,862,557
Contributions	1,865,558	1,896,028	-	3,761,586
Government grants and contracts	312,443	-	-	312,443
Rental revenue	97,004	-	-	97,004
Net investment return	22,517	-	-	22,517
Distribution from and change in value of beneficial interest in assets held by Community First Foundation	-	7,947	9,074	17,021
Other revenue	93,522	-	-	93,522
Special events, net of direct costs of \$10,223	121,691	-	-	121,691
Net assets released from restrictions	<u>1,900,472</u>	<u>(1,900,472)</u>	<u>-</u>	<u>-</u>
Total support, revenue, and gains	<u>14,275,764</u>	<u>3,503</u>	<u>9,074</u>	<u>14,288,341</u>
Expenses				
Program services expenses				
Participant services	4,714,998	-	-	4,714,998
Food programs	6,635,582	-	-	6,635,582
Shelter programs	886,351	-	-	886,351
Jeffco Prosperity Project	<u>820,662</u>	<u>-</u>	<u>-</u>	<u>820,662</u>
Total program services expenses	<u>13,057,593</u>	<u>-</u>	<u>-</u>	<u>13,057,593</u>
Supporting services expenses				
Management and general	462,655	-	-	462,655
Fundraising and development	<u>721,105</u>	<u>-</u>	<u>-</u>	<u>721,105</u>
Total supporting services expenses	<u>1,183,760</u>	<u>-</u>	<u>-</u>	<u>1,183,760</u>
Total expenses	<u>14,241,353</u>	<u>-</u>	<u>-</u>	<u>14,241,353</u>
Change in net assets	34,411	3,503	9,074	46,988
Net assets at beginning of year	<u>3,839,007</u>	<u>1,846,738</u>	<u>157,831</u>	<u>5,843,576</u>
Net assets at end of year	<u>\$ 3,873,418</u>	<u>\$ 1,850,241</u>	<u>\$ 166,905</u>	<u>\$ 5,890,564</u>

See notes to financial statements.

JEFFCO ACTION CENTER, INC.

**Statement of Activities
For the Year Ended June 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
In-kind donations	\$ 10,335,228	\$ -	\$ -	\$ 10,335,228
Contributions	1,661,744	1,306,563	-	2,968,307
Government grants and contracts	153,861	-	-	153,861
Rental revenue	64,868	-	-	64,868
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
Special events, net of direct costs of \$18,077	107,503	-	-	107,503
Net assets released from restrictions	1,414,469	(1,414,469)	-	-
Total support, revenue, and gains	13,816,973	(100,015)	(11,560)	13,705,398
Expenses				
Program services expenses				
Participant services	4,441,023	-	-	4,441,023
Food programs	7,216,357	-	-	7,216,357
Shelter programs	893,237	-	-	893,237
Jeffco Prosperity Project	472,206	-	-	472,206
Total program services expenses	13,022,823	-	-	13,022,823
Supporting services expenses				
Management and general	342,230	-	-	342,230
Fundraising and development	559,369	-	-	559,369
Total supporting services expenses	901,599	-	-	901,599
Total expenses	13,924,422	-	-	13,924,422
Change in net assets	(107,449)	(100,015)	(11,560)	(219,024)
Net assets at beginning of year	3,946,456	1,946,753	169,391	6,062,600
Net assets at end of year	\$ 3,839,007	\$ 1,846,738	\$ 157,831	\$ 5,843,576

See notes to financial statements.

JEFFCO ACTION CENTER, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2017**

	Participant Services	Food Programs	Shelter Programs	Jeffco Prosperity Project	Total Program Services	Management and General	Fundraising and Development	Direct Benefits to Donors	Total Supporting Services	Total
Grants and other assistance	\$ 3,769,377	\$ 6,105,462	\$ 462,669	\$ 13,169	\$ 10,350,677	\$ 955	\$ 7,154	\$ -	\$ 8,109	\$ 10,358,786
Salaries and wages	493,711	326,909	237,417	137,845	1,195,882	237,584	308,974	-	546,558	1,742,440
Employee benefits	70,559	49,263	34,656	15,584	170,062	25,366	44,835	-	70,201	240,263
Payroll taxes	39,925	24,536	17,993	10,822	93,276	17,643	23,058	-	40,701	133,977
Professional services	150,851	4,203	4,585	619,342	778,981	13,409	8,019	-	21,428	800,409
Occupancy	44,633	24,839	36,282	119	105,873	59,010	51,565	6,949	117,524	223,397
Office expenses	3,716	4,066	3,066	2,589	13,437	5,453	28,530	1,901	35,884	49,321
Repairs and maintenance	15,955	25,188	8,944	-	50,087	22,006	11,172	-	33,178	83,265
Insurance	10,431	5,085	11,852	-	27,368	9,997	8,048	-	18,045	45,413
Interest	26,213	21,093	12,768	-	60,074	16,194	42,542	-	58,736	118,810
Depreciation	59,960	31,631	46,554	-	138,145	40,583	40,684	-	81,267	219,412
Other	29,667	13,307	9,565	21,192	73,731	20,107	146,524	1,373	168,004	241,735
Total expenses by function	4,714,998	6,635,582	886,351	820,662	13,057,593	468,307	721,105	10,223	1,199,635	14,257,228
Less expenses included with revenues on the statement of activities										
Cost of direct benefits to donors	-	-	-	-	-	-	-	(10,223)	(10,223)	(10,223)
Investment management fees	-	-	-	-	-	(5,652)	-	-	(5,652)	(5,652)
Total expenses included in the expense section on the statement of activities	<u>\$ 4,714,998</u>	<u>\$ 6,635,582</u>	<u>\$ 886,351</u>	<u>\$ 820,662</u>	<u>\$ 13,057,593</u>	<u>\$ 462,655</u>	<u>\$ 721,105</u>	<u>\$ -</u>	<u>\$ 1,183,760</u>	<u>\$ 14,241,353</u>

See notes to financial statements.

JEFFCO ACTION CENTER, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2016**

	Participant Services	Food Programs	Shelter Programs	Jeffco Prosperity Project	Total Program Services	Management and General	Fundraising and Development	Direct Benefits to Donors	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	55,472	17,904	36,178	38	109,592	54,501	41,057	-	95,558	205,150
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	28,400	18,119	13,343	-	59,862	26,660	37,422	-	64,082	123,944
Depreciation	104,103	55,399	23,933	-	183,435	9,293	24,467	-	33,760	217,195
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	49,051	-	78,877	158,442
Total expenses by function	<u>4,441,023</u>	<u>7,216,357</u>	<u>893,237</u>	<u>472,206</u>	<u>13,022,823</u>	<u>345,757</u>	<u>559,369</u>	<u>18,077</u>	<u>923,203</u>	<u>13,946,026</u>
Less expenses included with revenues on the statement of activities										
Cost of direct benefits to donors	-	-	-	-	-	-	-	(18,077)	(18,077)	(18,077)
Investment management fees	-	-	-	-	-	(3,527)	-	-	(3,527)	(3,527)
Total expenses included in the expense section on the statement of activities	<u>\$ 4,441,023</u>	<u>\$ 7,216,357</u>	<u>\$ 893,237</u>	<u>\$ 472,206</u>	<u>\$ 13,022,823</u>	<u>\$ 342,230</u>	<u>\$ 559,369</u>	<u>\$ -</u>	<u>\$ 901,599</u>	<u>\$ 13,924,422</u>

See notes to financial statements.

JEFFCO ACTION CENTER, INC.

Statements of Cash Flows

	For the Years Ended June 30,	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 46,988	\$ (219,024)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	219,412	217,195
Amortization of deferred financing cost and capitalized interest	5,233	10,887
Bad debt expense for promises to give	79,982	10,733
Change in beneficial interest in assets held by Community First Foundation	(17,021)	3,669
Endowment net realized and unrealized gains	(19,773)	(15,970)
Changes in assets and liabilities		
Accounts receivable	(24,220)	37,999
Promises to give	(123,274)	(180,936)
Prepaid expenses and other assets	(1,257)	1,421
Accounts payable and accrued expenses	40,983	142
	<u>160,065</u>	<u>85,140</u>
Net cash provided by (used in) operating activities	<u>207,053</u>	<u>(133,884)</u>
Cash flows from investing activities		
Net (additions) distributions from endowment	(36,233)	(40,115)
Distributions from beneficial interest	7,947	7,891
Purchase of property and equipment	(101,815)	(12,601)
Net cash used in investing activities	<u>(130,101)</u>	<u>(44,825)</u>
Cash flows from financing activities		
Principal payments on notes payable and capital leases	(60,239)	(42,646)
Borrowings on notes payable	-	284,076
Payments on line-of-credit	-	(228,882)
Net cash (used in) provided by financing activities	<u>(60,239)</u>	<u>12,548</u>
Net increase (decrease) in cash and cash equivalents	16,713	(166,161)
Cash and cash equivalents at beginning of year	<u>585,258</u>	<u>751,419</u>
Cash and cash equivalents at end of year	<u>\$ 601,971</u>	<u>\$ 585,258</u>

See notes to financial statements.

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The Jeffco Action Center, Inc. (the "Organization"), a non-profit corporation, was incorporated in the state of Colorado on October 1, 1968 and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization provides an immediate response to basic human needs and promotes pathways to self-sufficiency for Jefferson County residents and the homeless. The Organization fulfills their mission by focusing their efforts in the following program areas:

- Participant Assistance – 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.

The primary funding sources of the Organization include private contributions of cash and in-kind goods and services from individuals, churches, businesses, and foundations. The Organization also receives revenue from special events and grants from governmental sources.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

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

Basis of Presentation (continued)

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted amounts are those available for use in general operations. Unrestricted Board-designated net assets consist of net assets designed by the Board of Directors (the "Board") for Board-designated endowment, facilities reserve, and technology reserve.

Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes, or programs.

Permanently restricted amounts are assets that must be maintained permanently by the Organization as required by the donor; but the Organization is permitted to use or expend part or all of any income derived from those assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio or otherwise encumbered. At June 30, 2017 and throughout the year, the Organization had cash in excess of federally insured limits.

Accounts Receivable

Accounts receivable consist of amounts due under grants and contracts for allowable expenditures incurred but not yet reimbursed as of June 30, 2017. Management anticipates full collection of outstanding balance.

Promises to Give

Promises to give consist of contributions relating to general operations and the capital campaign that ended in 2015. Promises to give that are expected to be collected within one year are recorded at their net realizable value and those that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these amounts was computed using a rate comparable to the interest rate earned on short-term investments. Amortization of the discount is included in contribution revenue in the statement of activities. Conditional promises to give are not included as support until such time as the conditions are substantially met. Management determines the allowance for uncollectible 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 uncollectible.

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

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

Property and Equipment

The Organization records property and equipment additions over \$2,500 at cost or if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range 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.

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, 2017.

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with unrealized gains and losses included in net investment return on the statement of activities.

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 Organization 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 Organization's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized on the statements of activities.

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. 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.

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

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

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's 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 10).

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements 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

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Organization is not a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for income taxes is made for federal, state, or local taxes.

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2017.

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as management and general expenses. No interest or penalties have been assessed for the year ended June 30, 2017.

Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

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

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment applies to not-for-profit entities. The amendment reduces the classes of net assets to *net assets with donor restrictions* and *net assets without donor restrictions*; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for all fiscal years beginning after December 15, 2017. Entities should apply the amendment in this update retrospectively to all periods presented. The Organization is currently evaluating the impact of the new standard on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU No. 2014-09 will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America when it becomes effective. The new standard is effective for all fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact of the new standard on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early application of this amendment is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the new standards on the financial statements.

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

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

Financial Instruments and Credit Risk

The Organization 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 the mission. Investments are made by diversified investment managers whose performance is monitored by the Finance Committee of the Board of Directors. Although 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

The Organization has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued.

Note 2 - Promises to Give

Unconditional promises to give consist of the following:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ 311,634	\$ 389,975
Due in one to five years	994,183	860,449
Due after five years	<u>28,547</u>	<u>14,047</u>
	1,334,364	1,264,471
Less unamortized discount on promises to give	(39,991)	(34,208)
Less allowance for uncollectible promises to give	<u>(47,372)</u>	<u>(26,554)</u>
	<u>\$ 1,247,001</u>	<u>\$ 1,203,709</u>

Note 3 - Fair Value Measurements

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

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

Note 3 - Fair Value Measurements (continued)

Fair value measurement standards require the Organization to classify certain financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1: Quoted prices are available in active markets for identical instruments as of the reporting 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 instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

There were no changes in the Organization's valuation techniques during the year.

Financial assets carried at fair value as of June 30, 2017 are classified in the table below in one of the three categories described above:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by CFF	\$ -	\$ -	\$ 162,905	\$ 162,905
Investment portfolio Corporate stocks	<u>304,617</u>	<u>-</u>	<u>-</u>	<u>304,617</u>
Total	<u>\$ 304,617</u>	<u>\$ -</u>	<u>\$ 162,905</u>	<u>\$ 467,522</u>

Included in investments is cash of \$74,058 as of June 30, 2017, which is not subject to fair value reporting.

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

Note 3 - Fair Value Measurements (continued)

Financial assets carried at fair value as of June 30, 2016 are classified in the table below in one of the three categories described above:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by CFF	\$ -	\$ -	\$ 153,831	\$ 153,831
Investment portfolio Corporate stocks	<u>249,307</u>	<u>-</u>	<u>-</u>	<u>249,307</u>
Total	<u>\$ 249,307</u>	<u>\$ -</u>	<u>\$ 153,831</u>	<u>\$ 403,138</u>

Included in investments is cash of \$73,362 as of June 30, 2016, which is not subject to fair value reporting.

Net investment return consists of the following:

	<u>For the Years Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 6,821	\$ 6,531
Net realized and unrealized gain	19,773	15,970
Investment management service fees	<u>(4,077)</u>	<u>(3,527)</u>
Total net investment return	<u>\$ 22,517</u>	<u>\$ 18,974</u>

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>For the Years Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 153,831	\$ 165,391
Investment earnings reinvested	3,299	3,390
Realized gain	710	3,309
Unrealized gain (loss)	14,587	(8,819)
Distributions	(7,947)	(7,891)
Investment management service fees	<u>(1,575)</u>	<u>(1,549)</u>
Ending balance	<u>\$ 162,905</u>	<u>\$ 153,831</u>

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

Note 4 - Property and Equipment

The Organization's property and equipment are comprised of the following:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 494,082	\$ 494,082
Buildings and improvements	6,561,420	6,487,442
Furniture and equipment	406,103	378,266
Vehicles	<u>126,883</u>	<u>126,883</u>
	7,588,488	7,486,673
Less accumulated depreciation	<u>(1,951,272)</u>	<u>(1,731,860)</u>
	<u>\$ 5,637,216</u>	<u>\$ 5,754,813</u>

Note 5 - Line-of-Credit

The Organization has a \$400,000 line-of-credit with a bank, due August 14, 2018. Interest accrues at the greater of *The Wall Street Journal* prime rate plus 1.00%, or 5.00% (5.25% at June 30, 2017). There was no outstanding balance as of June 30, 2017 and 2016. The line-of-credit is secured by a deed of trust on three buildings.

Note 6 - Note Payable

On July 1, 2011, the Organization entered into a note payable agreement with a lender for \$1,975,000. 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 \$12,368 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, 2017, the Organization was in compliance with that covenant.

Future maturities of the note payable are as follows:

For the Year Ending June 30,

2018	\$ 44,676
2019	47,120
2020	49,424
2021	54,590
2022	57,634
Thereafter	<u>1,759,269</u>
	<u>\$ 2,012,713</u>

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

Note 7 - Capital Lease Obligations

The Organization has acquired a vehicle under the provisions of a long-term lease with a third party. For financial reporting purposes, minimum lease payments relating to the asset have been capitalized. Depreciation of the leased property is included in depreciation expense.

The asset under capital lease has cost and accumulated depreciation and depreciation as follows:

	<u>June 30.</u>	
	<u>2017</u>	<u>2016</u>
	\$ 89,298	\$ 89,298
Less accumulated depreciation and amortization	<u>(60,851)</u>	<u>(42,991)</u>
	<u>\$ 28,447</u>	<u>\$ 46,307</u>

Maturities of capital lease obligations are as follows:

Year Ending June 30.

2018	\$ 23,208
2019	<u>31,741</u>
Total minimum lease payments	54,949
Amount representing interest	<u>(8,352)</u>
Present value of net minimum lease payments	<u>\$ 46,597</u>

Note 8 - Endowments

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

In 2006, the Uniform Law Commission approved the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), which governs the investment and management of donor-restricted endowment funds by non-profit organizations. In 2008, the state of Colorado enacted UPMIFA, and the FASB issued guidance on the net asset classification of donor-restricted endowment funds that is subject to UPMIFA as well as additional disclosure requirements for both donor-restricted and Board-designated endowments.

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

Note 8 - Endowments (continued)

Under generally accepted accounting principles, the portion of an endowment that is perpetual in nature shall be classified as permanently restricted net assets. The remaining portion of accumulations to donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as dictated by the donor or, in absence of donor stipulation, as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization 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. The Board approves distributions from the endowment funds. Expenditures from the donor-restricted endowment funds are controlled by the Board in concert with the donors' intent with no more than 5% of the trailing six-quarter average of the endowment's investment portfolio.

Invested Endowment Asset Composition by Type of Fund

As of June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 374,675	\$ -	\$ -	\$ 374,675
Donor restricted endowment	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Total funds	<u>\$ 374,675</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 378,675</u>

As of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 318,669	\$ -	\$ -	\$ 318,669
Donor restricted endowment	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Total funds	<u>\$ 318,669</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 322,669</u>

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

Note 8 - Endowments (continued)

Changes in Invested Endowment Assets

For the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets at beginning of year	\$ 318,669	\$ -	\$ 4,000	\$ 322,669
Investment return				
Investment income, net	2,744	-	-	2,744
Net realized and unrealized gain	<u>19,773</u>	<u>-</u>	<u>-</u>	<u>19,773</u>
Total investment return	<u>22,517</u>	<u>-</u>	<u>-</u>	<u>22,517</u>
Addition to Board-designated endowment funds	<u>40,789</u>	<u>-</u>	<u>-</u>	<u>40,789</u>
Appropriation and distribution of endowment assets for expenditure	<u>(7,300)</u>	<u>-</u>	<u>-</u>	<u>(7,300)</u>
Endowment assets at end of year	<u>\$ 374,675</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 378,675</u>

For the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets at beginning of year	\$ 262,584	\$ -	\$ 4,000	\$ 266,584
Investment return				
Investment income, net	3,004	-	-	3,004
Net realized and unrealized gain	<u>15,970</u>	<u>-</u>	<u>-</u>	<u>15,970</u>
Total investment return	<u>18,974</u>	<u>-</u>	<u>-</u>	<u>18,974</u>
Addition to Board-designated endowment funds	<u>40,185</u>	<u>-</u>	<u>-</u>	<u>40,185</u>
Appropriation and distribution of endowment assets for expenditure	<u>(3,074)</u>	<u>-</u>	<u>-</u>	<u>(3,074)</u>
Endowment assets at end of year	<u>\$ 318,669</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 322,669</u>

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

Note 9 - Temporarily and Permanently Restricted Net Assets

The temporarily restricted net assets represent the net proceeds of donations, which have been restricted by the donors to be used only for the following purposes.

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Time restriction	\$ 1,231,763	\$ 1,104,081
Restricted by donor for		
Jeffco Prosperity Project	232,331	365,565
Participant programs	160,020	142,782
Other	97,584	44,937
Betty Proctor fund	69,364	93,766
Shelter after care	34,406	38,117
Energy outreach Colorado	19,745	19,727
J-Help	5,028	12,912
Mental health first aid	-	24,851
	<u>\$ 1,850,241</u>	<u>\$ 1,846,738</u>

Net assets were released from restrictions as follows during the year ended:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Expiration of time restriction	\$ 385,109	\$ 415,650
Satisfaction of purpose restriction		
Jeffco Prosperity Project	820,906	472,206
Energy outreach Colorado	191,482	187,313
Participant programs	182,021	127,191
Other	120,964	34,119
Betty proctor fund	60,597	34,670
Shelter operations	50,000	45,000
Shelter after care	43,711	39,351
Mental health first aid	24,851	35,299
J-Help	12,884	15,779
Homeless shelter	7,947	7,891
	<u>\$ 1,900,472</u>	<u>\$ 1,414,469</u>

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

Note 9 - Temporarily and Permanently Restricted Net Assets (continued)

The 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 balance, classified by restriction on the use of earnings, are as follows:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Beneficial interest in assets held by Community First Foundation - Homeless Shelter	\$ 162,905	\$ 153,831
Endowment - General use	<u>4,000</u>	<u>4,000</u>
	<u>\$ 166,905</u>	<u>\$ 157,831</u>

Note 10 - Donated Professional Services and Materials

The Organization records in-kind revenues relating to contributed materials and services.

Materials

The Organization records the estimated fair value of goods that are received and distributed to clients during the year as in-kind contributions revenue and donated goods expense. The amounts of donated materials reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property, equipment and improvements.

Tangible goods donated to the Organization during the year ended June 30, 2017:

	<u>Participant Services</u>	<u>Food Programs</u>	<u>Shelter Programs</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Food	\$ -	\$ 6,068,912	\$ 437,385	\$ -	\$ -	\$ 6,506,297
Clothing	2,159,079	-	-	-	-	2,159,079
Household goods	303,111	-	-	-	-	303,111
Toys	302,219	-	-	-	-	302,219
School supplies	232,347	-	-	-	-	232,347
Personal items	203,016	-	-	-	-	203,016
Baby care items	6,311	-	-	-	-	6,311
Other	<u>300</u>	<u>948</u>	<u>-</u>	<u>955</u>	<u>7,154</u>	<u>9,357</u>
Total	<u>\$ 3,206,383</u>	<u>\$ 6,069,860</u>	<u>\$ 437,385</u>	<u>\$ 955</u>	<u>\$ 7,154</u>	<u>\$ 9,721,737</u>

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

Note 10 - Donated Professional Services and Materials (continued)

Materials (continued)

Tangible goods donated to the Organization during the year ended June 30, 2016:

	<u>Participant Services</u>	<u>Food Programs</u>	<u>Shelter Programs</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
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
	<u>\$ 2,974,665</u>	<u>\$ 6,620,615</u>	<u>\$ 494,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,089,993</u>

Services

Services are recognized at fair value if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Organization recognized in-kind contribution revenue for certain services received at the estimated fair value of those services. Most services were valued using 2017 volunteer rates published by the Independent Sector of rates per the appropriate occupation code published by the Bureau of Labor Statistics. The Organization also received donations of direct intangible aid to its clients. These donations are reported at fair value on the date of donation as in-kind contribution revenue offset by like amounts included in in-kind expenses.

Donated services and intangible items include the following for the year ended June 30, 2017:

	<u>Participant Services</u>	<u>Food Programs</u>	<u>Shelter Programs</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Participant counseling	\$ 140,203	\$ -	\$ -	\$ -	\$ -	\$ 140,203
Professional development	<u>206</u>	<u>103</u>	<u>104</u>	<u>72</u>	<u>132</u>	<u>617</u>
Total	<u>\$ 140,409</u>	<u>\$ 103</u>	<u>\$ 104</u>	<u>\$ 72</u>	<u>\$ 132</u>	<u>\$ 140,820</u>

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

Note 10 - Donated Professional Services and Materials (continued)

Services (continued)

Donated services and intangible items include the following for the year ended June 30, 2016:

	<u>Participant Services</u>	<u>Food Programs</u>	<u>Shelter Programs</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Participant counseling	\$ 230,545	\$ -	\$ -	\$ -	\$ -	\$ 230,545
Professional development	5,340	2,885	2,607	1,063	2,662	14,557
Other	<u>49</u>	<u>26</u>	<u>24</u>	<u>10</u>	<u>24</u>	<u>133</u>
Total	<u>\$ 235,934</u>	<u>\$ 2,911</u>	<u>\$ 2,631</u>	<u>\$ 1,073</u>	<u>\$ 2,686</u>	<u>\$ 245,235</u>

The Organization received additional contributed services that did not meet the requirements for recognition in the financial statements. The value of these services is estimated upon the hours volunteered multiplied by an hourly rate derived from information published by the Bureau of Labor statistics. Those skilled services include the following:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Client services in-take desk	\$ 674,623	\$ 484,257
Administrative services	73,963	88,783
Telephone receptionist	57,991	57,138
Shelter assistance	43,422	55,139
Funds development	20,360	20,483
Other	<u>33,813</u>	<u>28,375</u>
	<u>\$ 904,172</u>	<u>\$ 734,175</u>

In addition to the skilled volunteer contributed services above, the Organization also received additional unskilled volunteer contributed services of approximately \$1,564,000 and \$1,767,000 for the years ended June 30, 2017 and 2016, respectively.

Note 11 - Rental Income

The Action Center has nine lease agreements for space with tenants in buildings owned by the Organization that have lease terms from one to five years and also one agreement on a month-to-month basis. The monthly base rents vary from \$606 to \$1,419. Total rental revenue for the year ended June 30, 2017 and 2016 totaled \$97,004 and \$64,868, respectively.

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

Note 11 - Rental Income (continued)

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

For the Year Ending June 30.

2018	\$	89,719
2019		87,376
2020		37,067
2021		<u>17,058</u>
	\$	<u>231,220</u>

Note 12 - 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 Schools 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 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 JPP on the statements of functional expenses or as a capitalized asset for the portion of the asset which is covered.

JEFFCO ACTION CENTER, INC.

Notes to Financial Statements

Note 12 - Collaborative Arrangements (continued)

The following is a summary of revenue, expenses, and related net assets of JPP:

	For the Years Ended June 30,	
	<u>2017</u>	<u>2016</u>
Contributions	<u>\$ 687,428</u>	<u>\$ 118,902</u>
Expenses		
Participant services	13,169	1,443
Salaries and wages	137,845	122,557
Employee benefits	15,584	12,677
Payroll taxes	10,822	8,774
Professional services	619,342	309,888
Occupancy	119	38
Office expenses	2,589	1,993
Repair and maintenance	-	208
Other	<u>21,192</u>	<u>14,628</u>
	<u>820,662</u>	<u>472,206</u>
Change in net assets	(133,234)	(353,304)
Net assets, beginning of year	<u>365,565</u>	<u>718,869</u>
Net assets, end of year	<u>\$ 232,331</u>	<u>\$ 365,565</u>

The Clinic is an arrangement with Metro Community Providers Network ("MCPN"), a medical services provider, under which the Organization provides a four-exam-room clinic located in their administrative building. The Organization provides the physical space and refers clients to MCPN's case management services. MCPN reimburses the Organization 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 13 - 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.