

Respite Care, Inc.
Financial Statements and
Independent Auditor's Report
June 30, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors
Respite Care, Inc.
Fort Collins, Colorado

We have audited the accompanying financial statements of Respite Care, Inc. (a 501(c)(3) nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Respite Care, Inc.
Board of Directors
December 7, 2016

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Respite Care, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Stewart Burk + Associates P.C.

Fort Collins, Colorado
December 7, 2016

Respite Care, Inc.
Statements of Financial Position
June 30, 2016 and 2015

Assets	<u>2016</u>	<u>2015</u>
Cash	\$ 422,146	\$ 629,334
Certificates of deposit	432,941	430,455
Pledges receivable - net of allowance of \$30,036 and \$28,203 for 2016 and 2015	562,280	399,573
Prepaid assets	29,379	14,120
Accounts receivable	60,374	47,263
Construction in progress	26,995	-
Community Foundation agency fund	1,894,176	1,503,997
Assets restricted to investment in building	23,005	78,200
Property and equipment - net of accumulated depreciation of \$818,029 and \$745,437 for 2016 and 2015	<u>1,819,437</u>	<u>1,796,287</u>
Total assets	<u>\$ 5,270,733</u>	<u>\$ 4,899,229</u>
Liabilities and Net Assets		
Liabilities		
Accrued wages and payroll taxes	\$ 58,364	\$ 49,469
Accounts payable	11,316	11,259
Accrued paid time off	15,591	15,592
United Way payroll deduction	1,970	2,051
Deferred income	<u>6,000</u>	<u>33,000</u>
Total liabilities	<u>93,241</u>	<u>111,371</u>
Commitments and contingencies		
Net Assets		
Unrestricted	3,034,482	2,796,522
Temporarily restricted	<u>2,143,010</u>	<u>1,991,336</u>
Total net assets	<u>5,177,492</u>	<u>4,787,858</u>
Total liabilities and net assets	<u>\$ 5,270,733</u>	<u>\$ 4,899,229</u>

See Accompanying Notes to the Financial Statements.

Respite Care, Inc.
Statement of Activities
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenues, gains and other support			
Program revenue	\$ 212,046	\$ -	\$ 212,046
Grants and allocations	114,468	13,546	128,014
Individual and business contributions	116,599	278,415	395,014
Fund-raising income	1,252,914	-	1,252,914
Costs of direct benefits to donors	(76,576)	-	(76,576)
Interest and dividend income	4,459	27,247	31,706
Net realized and unrealized gains	-	12,934	12,934
Net assets released from restrictions	<u>180,468</u>	<u>(180,468)</u>	<u>-</u>
 Total revenue and support	 <u>1,804,378</u>	 <u>151,674</u>	 <u>1,956,052</u>
Expenses			
Program services	1,182,663	-	1,182,663
Management and general	41,601	-	41,601
Fundraising	<u>342,154</u>	<u>-</u>	<u>342,154</u>
 Total expenses	 <u>1,566,418</u>	 <u>-</u>	 <u>1,566,418</u>
Changes in net assets:	<u>237,960</u>	<u>151,674</u>	<u>389,634</u>
 Net assets, beginning of year	 <u>2,796,522</u>	 <u>1,991,336</u>	 <u>4,787,858</u>
 Net assets, end of year	 <u>\$ 3,034,482</u>	 <u>\$ 2,143,010</u>	 <u>\$ 5,177,492</u>

See Accompanying Notes to the Financial Statements.

Respite Care, Inc.
Statement of Activities
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenues, gains and other support			
Program revenue	\$ 194,843	\$ -	\$ 194,843
Grants and allocations	240,631	9,565	250,196
Individual and business contributions	436,124	345,111	781,235
Fund-raising income	621,424	-	621,424
Costs of direct benefits to donors	(61,614)	-	(61,614)
Interest and dividend income	5,615	19,337	24,952
Net realized and unrealized gains	-	14,043	14,043
Net assets released from restrictions	<u>130,716</u>	<u>(130,716)</u>	<u>-</u>
 Total revenue and support	 <u>1,567,739</u>	 <u>257,340</u>	 <u>1,825,079</u>
Expenses			
Program services	1,011,907	-	1,011,907
Management and general	43,880	-	43,880
Fundraising	<u>375,666</u>	<u>-</u>	<u>375,666</u>
 Total expenses	 <u>1,431,453</u>	 <u>-</u>	 <u>1,431,453</u>
Changes in net assets:	<u>136,286</u>	<u>257,340</u>	<u>393,626</u>
 Net assets, beginning of year	 <u>2,660,236</u>	 <u>1,733,996</u>	 <u>4,394,232</u>
 Net assets, end of year	 <u>\$ 2,796,522</u>	 <u>\$ 1,991,336</u>	 <u>\$ 4,787,858</u>

See Accompanying Notes to the Financial Statements.

Respite Care, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2016

Supporting Services	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 799,183	\$ 31,757	\$ 98,540	\$ 929,480
Fundraising	-	-	218,534	218,534
Depreciation	69,819	2,774	-	72,593
Payroll taxes	60,847	2,327	7,379	70,553
Contributed childcare	51,891	-	-	51,891
Food and project	34,184	-	-	34,184
Supplies	29,017	1,154	-	30,171
Repairs	26,255	-	-	26,255
Insurance	22,964	912	-	23,876
Professional fees	21,369	849	-	22,218
Training, staff and board	19,345	-	-	19,345
Employee benefits	15,489	615	1,910	18,014
Utilities	15,206	604	-	15,810
Contract services	390	-	6,888	7,278
Bad debt expense	-	-	8,191	8,191
Computer expense	5,731	228	-	5,959
Marketing	2,746	109	339	3,194
Travel expenses	1,947	77	240	2,264
Dues and subscriptions	2,086	83	-	2,169
Telephone	1,733	69	-	1,802
Miscellaneous	1,379	-	-	1,379
Postage	<u>1,082</u>	<u>43</u>	<u>133</u>	<u>1,258</u>
Total functional expenses	\$ <u>1,182,663</u>	\$ <u>41,601</u>	\$ <u>342,154</u>	\$ <u>1,566,418</u>

See Accompanying Notes to the Financial Statements.

Respite Care, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2015

Supporting Services	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 634,598	\$ 31,579	\$ 92,640	\$ 758,817
Fundraising	-	-	165,633	165,633
Bad debt expense	-	-	99,569	99,569
Depreciation	63,333	3,152	-	66,485
Payroll taxes	46,691	2,338	6,948	55,977
Contributed childcare	47,999	-	-	47,999
Supplies	34,409	1,712	-	36,121
Food and project	34,443	-	-	34,443
Repairs	30,961	-	-	30,961
Insurance	23,264	1,158	-	24,422
Employee benefits	16,474	820	2,405	19,699
Professional fees	18,515	921	-	19,436
Computer expense	15,291	761	-	16,052
Training, staff and board	15,920	-	-	15,920
Utilities	14,078	701	-	14,779
Contract services	700	-	6,888	7,588
Travel expenses	6,042	300	882	7,224
Marketing	3,220	160	470	3,850
Dues and subscriptions	2,111	105	-	2,216
Telephone	1,879	94	-	1,973
Postage	1,585	79	231	1,895
Miscellaneous	<u>394</u>	<u>-</u>	<u>-</u>	<u>394</u>
Total functional expenses	\$ <u>1,011,907</u>	\$ <u>43,880</u>	\$ <u>375,666</u>	\$ <u>1,431,453</u>

See Accompanying Notes to the Financial Statements.

Respite Care, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flow from operating activities:		
Change in net assets	\$ 389,634	\$ 393,626
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt	8,191	99,569
Depreciation	72,593	66,485
Interest income included in certificates of deposit	(2,486)	(455)
Earnings on Community Foundation agency fund	(40,179)	(33,379)
Changes in working capital items:		
(Increase) in pledges receivable - net	(170,897)	(135,570)
(Increase) in accounts receivable	(13,111)	(22,461)
(Increase) decrease in prepaid assets	(15,259)	5,344
Increase (decrease) in accounts payable	57	(2,653)
(Decrease) in accrued paid time off	-	(8,355)
(Decrease) in United Way payroll deduction	(81)	(758)
Increase in accrued wages and payroll taxes	8,895	6,188
Increase (decrease) in deferred income	<u>(27,000)</u>	<u>33,000</u>
Net cash provided by operating activities	<u>210,357</u>	<u>400,581</u>
Cash flows from investing activities:		
Purchase of property and equipment	(122,740)	(19,949)
Assets restricted to investment	55,195	7,800
Investments into endowment fund	(350,000)	(202,500)
Maturity of certificates of deposit	-	474,265
Funding of certificates of deposits	<u>-</u>	<u>(430,000)</u>
Net cash used in investing activities	<u>(417,545)</u>	<u>(170,384)</u>
Increase (decrease) in cash during the year	(207,188)	230,197
Cash, beginning of year	<u>629,334</u>	<u>399,137</u>
Cash, end of year	<u>\$ 422,146</u>	<u>\$ 629,334</u>

See Accompanying Notes to the Financial Statements.

Respite Care, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 1 - Nature of Activities and Significant Accounting Policies

NATURE OF ACTIVITIES

Respite Care, Inc. (the Organization) is a 501(c)(3) non-profit organization in Larimer County, Colorado whose sole function is to provide short-term quality care for developmentally disabled children and respite to their families enabling them to enhance their quality of life. All expenses which are not specifically designated as administrative or fund raising are dedicated to fulfilling this function.

FUND ACCOUNTING

To ensure observance of limitations and restrictions placed on the use of the resources available to the Organization, the accounts are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, funds temporarily restricted by outside sources are so indicated and are distinguished from unrestricted funds designated for specific purposes by action of the Board of Directors. Externally restricted funds may only be utilized in accordance with the purposes established by the sources of such and are in contrast with unrestricted funds over which the Board retains full control to use in achieving any of its purposes.

RECOGNITION OF DONOR RESTRICTIONS

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance unconditional. Contributions that are not restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Respite Care, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 1 - Nature of Activities and Significant Accounting Policies (continued)

Respite Care, Inc. uses the allowance method to determine uncollectible unconditional promises receivable. This allowance is based on management analysis of specific promises and any communication received from donors over the course of the year. As of the year ended June 30, 2016 the allowance for uncollectible pledges totals \$30,036 with a corresponding bad debt expense of \$8,191. As of the year ended June 30, 2015 the allowance for uncollectible pledges totals \$28,203 with corresponding bad debt expense of \$99,569.

RECOGNITION OF PROGRAM SERVICE FEES

Revenue from program services is recognized as it is earned based upon hours of childcare provided to developmentally disabled children. Such fees are invoiced on a monthly basis. Management performs an analysis to determine if any program services fees are uncollectible and reserves for such amount. As of the year ended there is no allowance or corresponding bad debt expense related to program services.

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 and disclosures of contingent 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

Respite Care, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Contributions to Respite Care, Inc. are tax deductible. The Organization's evaluation on June 30, 2016 revealed no tax positions that would have a material impact on the financial statements. The 2013 through 2015 tax years remain subject to examination by the Internal Revenue Service (IRS). As of the date of the financial statements, the IRS has not commenced any examinations. The Organization does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

CASH AND CASH EQUIVALENTS

Respite Care, Inc. maintains its cash in bank deposit accounts at financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization had cash balances of \$3,412 and \$92,534 in excess of the insured limit in 2016 and 2015, respectively. The Organization considers all unrestricted and highly liquid investments to be cash equivalents that have an initial maturity of three months or less.

Respite Care, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 1 - Nature of Activities and Significant Accounting Policies (continued)

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Donations of property and equipment are reported at their estimated fair value, and as unrestricted unless the donor has restricted the donated asset or cash for a specific purpose or purchase. Assets and cash donated with stipulations regarding the use of those assets are reported as restricted. If there is no stipulation for the length of time those assets donated or acquired are to be maintained, Respite Care, Inc., reports the restriction as expiring when the asset is placed in service. And the Organization reclassifies temporarily restricted net assets to unrestricted net assets at such time as they are placed in service. All tangible personal property with a useful life of more than one year and a unit acquisition cost of \$500 or more is capitalized and depreciated over its useful life using the straight-line method. The Company expenses the full acquisition cost of tangible personal property below this threshold in the year of purchase. Estimated useful lives of property and equipment are 5-7 years for autos and furniture and fixtures, 7-39 years for improvements, and 39 years for buildings.

CLASSIFICATION OF ASSETS AND LIABILITIES

The assets and liabilities have not been classified as current or noncurrent based upon the related party nature of the majority of the respective assets and liabilities presented in the statement of financial position.

CONCENTRATIONS

The Organizations's operations are concentrated in the area of child care in Larimer County, Colorado. As such, the Organization's accounts receivable and revenues are concentrated wholly in this industry and area.

RESTRICTED DONATIONS AND GRANTS

As of June 30, 2016, the Organization has \$23,005 of assets that have been temporarily restricted by donors for future use for the lift elevator which will be completed next fiscal year. As of June 30, 2015, the Organization had \$78,200 of assets that had been temporarily restricted by donors for future uses which included \$28,200 for new carpet, refrigerators and household repairs and \$50,000 for a lift elevator from the basement to the upstairs. Pledges receivable are temporarily restricted until the pledge has been received by Respite Care. The endowment (Note 5) is also included within temporarily restricted net assets.

As of June 30, 2016, the Organization has \$13,546 of grants that have been restricted for future uses. For the year ended June 30, 2016, \$9,565 from grants has been released from restriction. As of June 30, 2015, the Organization has \$9,565 of grants that have been restricted for future uses. For the year ended June 30, 2015, \$16,307 from grants has been released from restriction.

RECLASSIFICATION

Certain 2015 amounts have been reclassified to conform with the 2016 presentation.

Respite Care, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 2 - Property and Equipment

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 1,744,921	\$ 1,744,921
Land	300,000	300,000
Capital improvements	164,587	136,607
Parking lot	125,957	125,957
Operating equipment	125,940	124,182
Vehicles	85,015	36,805
Improvements	44,266	32,196
Office equipment	38,900	33,176
Website	<u>7,880</u>	<u>7,880</u>
	2,637,466	2,541,724
Less accumulated depreciation	<u>(818,029)</u>	<u>(745,437)</u>
	<u>\$ 1,819,437</u>	<u>\$ 1,796,287</u>

Note 3 - In Kind and Non Cash Contributions

Respite Care, Inc., receives time, service, and items contributed by individuals, groups and organizations. Those have been recorded as follows:

Services:

	<u>2016</u>	<u>2015</u>
Wages - volunteer	\$ 51,891	\$ 47,999
Repairs and maintenance	7,561	7,617
Fundraising events	44,004	44,113
Other	50,000	40,472
Computer expense	700	700
Food	<u>3,665</u>	<u>8,720</u>
	<u>\$ 157,821</u>	<u>\$ 149,621</u>

Certain in-kind donations have been received but not recognized as revenue as they do not meet the requirements of FASB ASC 958, *Not For Profit Entities*. Such donations for volunteer non-essential wages and board of directors services total \$17,195 and \$16,740 respectively in 2016 and \$8,937 and \$6,020 respectively in 2015.

Respite Care, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 4 - Future Promises to Give

The City of Loveland, the United Way, and the City of Fort Collins have agreed to terms with Respite Care Inc. for reimbursement of program expenses for the July 1, 2016 to June 30, 2017 time period. To receive these funds, the Organization must incur program expense and perform its service requirement to receive such funds. Revenue will be recognized as the expenses are incurred. The United Way, City of Loveland and the City of Fort Collins have made available \$114,905, \$9,932 and \$30,000 respectively from which the Organization can invoice for services provided in the July 1, 2016 to June 30, 2017 time period.

Note 5 - Community Foundation Funds

The Organization has two agreements with the Community Foundation of Northern Colorado (the Foundation). The first agreement is an Agency Fund, in which the Organization donated cash to the Foundation. The primary purpose of the Agency Fund is to provide future annual endowment income to the Organization. Because the fund is an Agency Endowment naming Respite Care, Inc. as the beneficiary, the assets, earnings, and expenses of the Agency Fund are recognized on the Organization's financial statements at fair market value as discussed in Note 6. The Organization has elected the Foundation's Balance Pool Fund which provides long-term growth of capital and generation of income by investing in a diversified mix of domestic and foreign equities and fixed income securities. This pool is appropriate for donors who seek moderate growth paired with stability. This pool is managed by First National Wealth Management ("FNWM"), and Dimensional Fund Advisors ("DFA"). The overall allocation of the Balanced Pool is 60% equities and 40% fixed income, plus or minus 10%. Assets held in the Agency Fund totaled \$1,894,176 and \$1,503,997 in 2016 and 2015, respectively.

The second agreement sets up a Designated Fund. The agreement gives the Foundation the unilateral power to redirect the use of the assets away from the Organization (variance power). The assets, earnings, and expenses of the Designated Fund have not been recognized on the Organization's financial statements. Assets held in the Designated Fund totaled \$193,019, and \$143,974 in 2016 and 2015, respectively. The assets in the Designated Fund were donated directly to the Foundation on the Organization's behalf. The Organization received no funds from either the Agency or Designated Fund for the years ended June 30, 2016 or 2015.

Respite Care, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 5 - Community Foundation Funds (continued)

<u>Community Foundation of Northern Colorado</u>	<u>2016</u>	<u>2015</u>
Beginning Fund Balance	\$ 1,503,997	\$ 1,268,117
Gifts received	350,000	202,500
Investment activity		
Interest and dividends	40,046	30,600
Realized gain/loss	(6,019)	(3,186)
Unrealized gain/loss	18,951	17,229
Administrative fees	<u>(12,799)</u>	<u>(11,263)</u>
Ending Fund Balance	<u>\$ 1,894,176</u>	<u>\$ 1,503,997</u>

Note 6 - Fair Value Measurements

ASC 820-10, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Valuation techniques utilized to determine fair value are consistently applied.

Level 1 Fair Value Measurements - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market which the Organization has the ability to access at the measurement date.

Level 2 Fair Value Measurements - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in an active market;
- Quoted prices for identical or similar assets or liabilities in an inactive market;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Respite Care, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 6 - Fair Value Measurements (continued)

Level 3 Fair Value Measurements - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For those assets with fair value measured using Level 3 inputs, the asset manager determines the fair value measurement policies and procedures in consultation with the Organization's Executive Director and Board of Directors. Those policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

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

Pooled separate accounts: Valued at fair value as determined by observable Level 1 quoted pricing inputs or by quoted prices for similar assets in active or non-active markets. While some pooled separate accounts may have publicly quoted pricing inputs (Level 1), the account values of separate accounts are not publicly quoted and are therefore classified as Level 2 investments. There have been no changes in the methodologies used at June 30, 2016.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

		<u>Fair Value Measurements Using:</u>		
<u>June 30, 2016</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Community Foundation of Northern Colorado: Pooled Separate Accounts	\$ <u>1,894,176</u>	\$ <u>-</u>	\$ <u>1,894,176</u>	\$ <u>-</u>
Ending balance	\$ <u><u>1,894,176</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,894,176</u></u>	\$ <u><u>-</u></u>

Respite Care, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 6 - Fair Value Measurements (continued)

<u>July 1, 2015</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Community Foundation of Northern Colorado: Pooled Separate Accounts	\$ <u>1,503,997</u>	\$ <u>-</u>	\$ <u>1,503,997</u>	\$ <u>-</u>
Ending balance	\$ <u><u>1,503,997</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,503,997</u></u>	\$ <u><u>-</u></u>

Note 7 - Pledges Receivable

For 2016, pledges receivable to be collected within one year total \$190,521. Pledges receivable to be collected from one to five years total \$374,916. Pledges receivable that are expected to be collected greater than 5 years from June 30, 2016 total \$26,879.

Respite Care, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 8 - Restatement of Financial Statements

As a result of our current year procedures, we discovered the balance in the pledges receivable account was understated due to an error by double booking the allowance for bad debt. This error resulted in material errors that occurred in 2015, primarily from the understatement of pledged receivable during that period. Accordingly, the Organization restated its results for the year ended June 30, 2015. The effect of the restatement was to increase temporarily restricted net assets for 2015 by \$80,649. Net assets at the beginning of 2016 was increased by \$80,649 for the effects of the restatement on 2015.

The effect of the restatement on results of operations and financial position as of and for the year ended June 30, 2015 are as follows:

	<u>As Previously Reported</u>	<u>Restated</u>
Total increase in net assets	\$ 312,977	\$ 393,626
Individual and business contributions	700,586	781,235
Pledges receivable	318,924	399,573
Total assets	4,818,580	4,899,229
Net assets	4,707,209	4,787,858
Temporarily restricted net assets	1,910,687	1,991,336

Note 9 - Subsequent Events

The Organization has evaluated all subsequent events through December 7, 2016, the date the financial statements were available to be issued.