Respite Care, Inc.

Financial Statements and Independent Auditor's Report

June 30, 2015 and 2014

Table of Contents

SOUKUP BUSH
& Associates, CPAs, P.C.
2032 Caribou Drive, Suite 200
Fort Collins, CO 80525
970.223.2727
Fax 970.226.0813

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, 2015 and 2014, 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.

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, 2015 and 2014, 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.

Soukup Bush + Associates P.C.

Fort Collins, Colorado
October 14, 2015

Respite Care, Inc.
Statements of Financial Position
June 30, 2015 and 2014

Assets	2015	2014
Cash	$ 629,334	$ 399,137
Certificates of deposit	430,455	474,265
Pledges receivable - net of allowance of $28,203 and $9,650 for 2015 and 2014	318,924	363,572
Prepaid assets	14,120	19,464
Accounts receivable	47,263	24,802
Community Foundation agency fund	1,503,997	1,268,117
Assets restricted to investment in building	78,200	86,000
Property and equipment - net of accumulated depreciation of $745,437 and $678,952 for 2015 and 2014	1,796,287	1,842,823
Total assets	$ 4,818,580	$ 4,478,180

Liabilities and Net Assets		
Liabilities		
Accrued wages and payroll taxes	$ 49,469	$ 43,281
Accounts payable	11,259	13,912
Accrued paid time off	15,592	23,946
United Way payroll deduction	2,051	2,809
Deferred income	33,000	-
Total liabilities	111,371	83,948
Commitments and contingencies		
Net Assets		
Unrestricted	2,796,523	2,660,236
Temporarily restricted	1,910,686	1,733,996
Total net assets	4,707,209	4,394,232
Total liabilities and net assets	$ 4,818,580	$ 4,478,180

See Accompanying Notes to the Financial Statements.

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

	Unrestricted	Temporarily Restricted	Total
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	264,461	700,585
Fund-raising income	621,424	-	621,424
Costs of direct benefits to donors	(61,614)	-	(61,614)
Interest and dividend income	5,615	30,600	36,215
Net realized and unrealized gains	-	14,043	14,043
Net assets released from restrictions	130,716	(130,716)	-
Total revenue and support	1,567,739	187,953	1,755,692
Expenses			
Program services	1,016,615	-	1,016,615
Management and general	43,880	11,263	55,143
Fundraising	370,957	-	370,957
Total expenses	1,431,452	11,263	1,442,715
Changes in net assets:	136,287	176,690	312,977
Net assets, beginning of year	2,660,236	1,733,996	4,394,232
Net assets, end of year	$ 2,796,523	$ 1,910,686	$ 4,707,209

See Accompanying Notes to the Financial Statements.

Respite Care, Inc.
Statement of Activities
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support			
Program revenue	$ 213,053	$ -	$ 213,053
Grants and allocations	162,951	16,307	179,258
Individual and business contributions	470,612	178,270	648,882
Fund-raising income	606,454	-	606,454
Costs of direct benefits to donors	(41,252)	-	(41,252)
Interest and dividend income	4,517	26,553	31,070
Net realized and unrealized gains	-	143,400	143,400
Net assets released from restrictions	93,712	(93,712)	-
Total revenue and support	1,510,047	270,818	1,780,865
Expenses			
Program services	1,021,539	-	1,021,539
Management and general	48,412	10,082	58,494
Fundraising	228,644	-	228,644
Total expenses	1,298,595	10,082	1,308,677
Changes in net assets:	211,452	260,736	472,188
Net assets, beginning of year	2,448,784	1,473,260	3,922,044
Net assets, end of year	$ 2,660,236	$ 1,733,996	$ 4,394,232

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	-	-	160,924	160,924
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
Investment fees	-	11,263	-	11,263
Contract services	700	-	6,888	7,588
Travel expenses	6,042	300	882	7,224
Miscellaneous	5,102	-	-	5,102
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
Total functional expenses	$ 1,016,615	$ 55,143	$ 370,957	$ 1,442,715

See Accompanying Notes to the Financial Statements.

Respite Care, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2014

Supporting Services	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 655,456	$ 34,582	$ 51,300	$ 741,338
Fundraising	-	-	161,694	161,694
Contributed childcare	66,275	-	-	66,275
Depreciation	62,011	3,272	-	65,283
Payroll taxes	54,909	2,587	-	57,496
Food and project	34,912	-	-	34,912
Supplies	21,795	1,150	-	22,945
Insurance	21,685	1,144	-	22,829
Professional fees	18,684	-	-	18,684
Repairs	17,583	936	-	18,519
Training, staff and board	14,707	-	-	14,707
Bad debt expense	12,693	670	993	14,356
Utilities	12,873	679	-	13,552
Investment fees	-	10,082	-	10,082
Contract services	525	-	9,425	9,950
Employee benefits	8,656	457	678	9,791
Computer expense	3,663	2,244	3,822	9,729
Travel expenses	4,702	248	368	5,318
Telephone	2,862	151	-	3,013
Marketing	2,470	130	193	2,793
Postage	2,178	115	171	2,464
Miscellaneous	2,012	-	-	2,012
Dues and subscriptions	888	47	-	935
Total functional expenses	$ 1,021,539	$ 58,494	$ 228,644	$ 1,308,677

See Accompanying Notes to the Financial Statements.

Respite Care, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash flow from operating activities:		
Change in net assets	$ 312,977	$ 472,188
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt	99,569	14,356
Depreciation	66,485	65,283
Interest income included in certificates of deposit	(455)	(3,629)
Earnings on Community Foundation agency fund	(33,379)	(159,872)
Changes in working capital items:		
(Increase) in pledges receivable - net	(54,921)	(138,418)
(Increase) decrease in accounts receivable	(22,461)	28,591
(Increase) decrease in prepaid assets	5,344	(8,242)
Increase (decrease) in accounts payable	(2,653)	1,535
Increase (decrease) in accrued paid time off	(8,355)	1,506
Increase (decrease) in United Way payroll deduction	(758)	1,356
Increase in accrued wages and payroll taxes	6,188	5,459
Increase in deferred income	33,000	-
Net cash provided by operating activities	400,581	280,113
Cash flows from investing activities:		
Purchase of property and equipment	(19,949)	(146,527)
Assets restricted to investment	7,800	5,700
Investments into endowment fund	(202,500)	-
Maturity of certificates of deposit	474,265	-
Funding of certificates of deposits	(430,000)	-
Net cash used in investing activities	(170,384)	(140,827)
Increase in cash during the year	230,197	139,286
Cash, beginning of year	399,137	259,851
Cash, end of year	$ 629,334	$ 399,137

See Accompanying Notes to the Financial Statements.

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.

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, 2015 the allowance for uncollectible pledges totals $28,203 with a corresponding bad debt expense of $99,569. As of the year ended June 30, 2014 the allowance for uncollectible pledges totals $9,650 with corresponding bad debt expense of $14,356.

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 50l(c)(3) of the U.S. Internal Revenue Code. Contributions to Respite Care, Inc. are tax deductible. The Organization's evaluation on June 30, 2015 revealed no tax positions that would have a material impact on the financial statements. The 2012 through 2014 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 $92,534 and $6,749 in excess of the insured limit in 2015 and 2014, respectively. The Organization considers all unrestricted and highly liquid investments to be cash equivalents that have an initial maturity of three months or less.

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. Depreciation is computed using the straight-line method for financial reporting over the estimated useful lives of the assets. 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, 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. As of June 30, 2014, the Organization has $86,000 of assets that have been temporarily restricted by donors for future use for the upstairs building remodel that will take place next fiscal year. 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, 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. As of June 30, 2014, the Organization has $16,307 of grants that have been restricted for future uses. For the year ended June 30, 2014, $15,606 from grants has been released from restriction.

RECLASSIFICATION

Certain 2014 amounts have been reclassified to conform with the 2015 presentation.

Note 2 - Property and Equipment

Property and equipment consist of the following:

	2015	2014
Buildings	$ 1,744,921	$ 1,744,921
Land	300,000	300,000
Capital improvements	136,607	136,607
Parking lot	125,957	125,957
Operating equipment	124,182	110,663
Vehicles	36,805	36,805
Improvements	32,196	28,101
Office equipment	33,176	30,841
Website	7,880	7,880
	2,541,724	2,521,775
Less accumulated depreciation	(745,437)	(678,952)
	$ 1,796,287	$ 1,842,823

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:

	2015	2014
Wages - volunteer	$ 47,999	$ 66,275
Repairs and maintenance	7,617	7,733
Fundraising events	44,113	43,525
Other	40,472	-
Computer expense	700	1,937
Food	8,720	9,434
	$ 149,621	$ 128,904

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 $8,937 and $6,020 respectively in 2015 and $20,454 and $7,836 respectively in 2014.

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, 2015 to June 30, 2016 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 $77,033, $10,400 and $30,000 respectively from which the Organization can invoice for services provided in the July 1, 2015 to June 30, 2016 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 $1,503,997 and $1,268,117 in 2015 and 2014, 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 $143,974, and $104,243 in 2015 and 2014, 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, 2015 or 2014.

Note 5 - Community Foundation Funds (continued)

Community Foundation of Northern Colorado	2015	2014
Beginning Fund Balance	$ 1,268,117	$ 1,108,245
Gifts received	202,500	-
Investment activity		
Interest and dividends	30,600	26,553
Realized gain/loss	(3,186)	2,327
Unrealized gain/loss	17,229	141,073
Administrative fees	(11,263)	(10,081)
Ending Fund Balance	$ 1,503,997	$ 1,268,117

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.

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, 2014.

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.

		Fair Value Measurements Using:		
June 30, 2015	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Community Foundation of Northern Colorado:				
Pooled Separate Accounts	$ 1,503,997	$ -	$ 1,503,997	$ -
Ending balance	$ 1,503,997	$ -	$ 1,503,997	$ -

Note 6 - Fair Value Measurements (continued)

		Fair Value Measurements Using:		
June 30, 2014	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Community Foundation of Northern Colorado:				
Pooled Separate Accounts	$ 1,268,117	$ -	$ 1,268,117	$ -
Ending balance	$ 1,268,117	$ -	$ 1,268,117	$ -

Note 7 - Pledges Receivable

For 2015, pledges receivable to be collected within one year total $87,580. Pledges receivable to be collected from one to five years total $251,622. Pledges receivable that are expected to be collected greater than 5 years from June 30, 2015 total $7,925.

Note 8 - Subsequent Events

The Organization has evaluated all subsequent events through October 14, 2015, the date the financial statements were available to be issued.