Respite Care, Inc.

Financial Statements and Independent Auditor's Report

June 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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
December 13, 2017

Respite Care, Inc.
Statements of Financial Position
June 30, 2017 and 2016

Assets	2017	2016
Cash	$ 560,838	$ 422,146
Certificates of deposit	435,798	432,941
Pledges receivable - net of allowance of $32,305 and $30,036 for 2017 and 2016	569,367	562,280
Prepaid assets	7,925	29,379
Accounts receivable	69,817	60,374
Construction in progress	-	26,995
Investments	2,076,982	1,894,176
Assets restricted to investment in building	-	23,005
Property and equipment - net of accumulated depreciation of $905,695 and $818,029 for 2017 and 2016	1,901,672	1,819,437
Total assets	$ 5,622,399	$ 5,270,733
Liabilities and Net Assets		
Liabilities		
Accrued wages and payroll taxes	$ 61,087	$ 58,364
Accounts payable	8,888	11,316
Accrued paid time off	19,006	15,591
United Way payroll deduction	1,489	1,970
Deferred income	19,500	6,000
Total liabilities	109,970	93,241
Commitments and contingencies		
Net Assets		
Unrestricted	3,200,788	3,034,482
Temporarily restricted	2,311,641	2,143,010
Total net assets	5,512,429	5,177,492
Total liabilities and net assets	$ 5,622,399	$ 5,270,733

See Accompanying Notes to the Financial Statements.

Respite Care, Inc.
Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support			
Program revenue	$ 224,031	$ -	$ 224,031
Grants and allocations	71,043	15,289	86,332
Individual and business contributions	276,956	179,670	456,626
Fund-raising income	1,120,829	-	1,120,829
Costs of direct benefits to donors	(63,639)	-	(63,639)
Interest and dividend income	4,068	31,834	35,902
Net realized and unrealized gains	-	150,974	150,974
Net assets released from restrictions	209,136	(209,136)	-
Total revenue and support	1,842,424	168,631	2,011,055
Expenses			
Program services	1,290,366	-	1,290,366
Management and general	42,682	-	42,682
Fundraising	343,070	-	343,070
Total expenses	1,676,118	-	1,676,118
Changes in net assets:	166,306	168,631	334,937
Net assets, beginning of year	3,034,482	2,143,010	5,177,492
Net assets, end of year	$ 3,200,788	$ 2,311,641	$ 5,512,429

See Accompanying Notes to the Financial Statements.

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

	Unrestricted	Temporarily Restricted	Total
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	180,468	(180,468)	-
Total revenue and support	1,804,378	151,674	1,956,052
Expenses			
Program services	1,182,663	-	1,182,663
Management and general	41,601	-	41,601
Fundraising	342,154	-	342,154
Total expenses	1,566,418	-	1,566,418
Changes in net assets:	237,960	151,674	389,634
Net assets, beginning of year	2,796,522	1,991,336	4,787,858
Net assets, end of year	$ 3,034,482	$ 2,143,010	$ 5,177,492

See Accompanying Notes to the Financial Statements.

Respite Care, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2017

Supporting Services	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 857,077	$ 32,071	$ 94,681	$ 983,829
Fundraising	-	-	217,733	217,733
Depreciation	84,504	3,162	-	87,666
Payroll taxes	64,993	2,347	7,100	74,440
Contributed childcare	67,045	-	-	67,045
Food and project	41,543	-	-	41,543
Insurance	33,307	1,246	315	34,868
Supplies	29,164	1,091	-	30,255
Professional fees	25,322	948	-	26,270
Training, staff and board	18,092	-	-	18,092
Repairs	16,617	-	-	16,617
Utilities	14,697	550	-	15,247
Employee benefits	12,986	486	1,435	14,907
Bad debt expense	-	-	13,838	13,838
Computer expense	9,169	343	-	9,512
Contract services	600	-	6,971	7,571
Travel expenses	5,513	206	609	6,328
Miscellaneous	3,549	-	-	3,549
Marketing	2,190	82	242	2,514
Telephone	1,968	74	-	2,042
Postage	1,321	49	146	1,516
Dues and subscriptions	709	27	-	736
Total functional expenses	$ 1,290,366	$ 42,682	$ 343,070	$ 1,676,118

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
Bad debt expense	-	-	8,191	8,191
Contract services	390	-	6,888	7,278
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	1,082	43	133	1,258
Total functional expenses	$ 1,182,663	$ 41,601	$ 342,154	$ 1,566,418

See Accompanying Notes to the Financial Statements.

Respite Care, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flow from operating activities:		
Change in net assets	$ 334,937	$ 389,634
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt	13,838	8,191
Depreciation	87,666	72,593
Interest income included in certificates of deposit	(2,857)	(2,486)
Earnings on Community Foundation agency fund	(182,806)	(40,179)
Changes in working capital items:		
(Increase) in pledges receivable - net	(20,925)	(170,897)
(Increase) in accounts receivable	(9,443)	(13,111)
(Increase) decrease in prepaid assets	21,454	(15,259)
Increase (decrease) in accounts payable	(2,428)	57
Increase in accrued paid time off	3,415	-
(Decrease) in United Way payroll deduction	(481)	(81)
Increase in accrued wages and payroll taxes	2,723	8,895
Increase (decrease) in deferred income	13,500	(27,000)
Net cash provided by operating activities	258,593	210,357
Cash flows from investing activities:		
Purchase of property and equipment	(142,906)	(122,740)
Assets restricted to investment	23,005	55,195
Investments into endowment fund	-	(350,000)
Net cash used in investing activities	(119,901)	(417,545)
Increase (decrease) in cash during the year	138,692	(207,188)
Cash, beginning of year	422,146	629,334
Cash, end of year	$ 560,838	$ 422,146

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, 2017 the allowance for uncollectible pledges totals $32,305 with a corresponding bad debt expense of $13,838. As of the year ended June 30, 2016 the allowance for uncollectible pledges totals $30,036 with corresponding bad debt expense of $8,191.

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, 2017 revealed no tax positions that would have a material impact on the financial statements. The 2014 through 2016 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 $93,575 and $3,412 in excess of the insured limit in 2017 and 2016, 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. 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, 2017, the Organization had no new additions of assets that had been temporarily restricted by donors for future use. As of June 30, 2016, the Organization had $23,005 of assets that were temporarily restricted by donors for future use for the lift elevator which was completed during the June 30, 2017 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, 2017, the Organization has $15,289 of grants that have been temporarily restricted for future uses. For the year ended June 30, 2016, $13,546 from grants has been released from restriction.

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

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

RECLASSIFICATION
Certain 2016 amounts have been reclassified to conform with the 2017 presentation.

Note 2 - Property and Equipment

Property and equipment consist of the following:

	2017	2016
Buildings	$ 1,744,921	$ 1,744,921
Land	300,000	300,000
Capital improvements	178,356	164,587
Operating equipment	144,965	125,940
Parking lot	125,957	125,957
Lift	110,183	-
Vehicles	85,015	85,015
Improvements	71,190	44,266
Office equipment	38,900	38,900
Website	7,880	7,880
	2,807,367	2,637,466
Less accumulated depreciation	(905,695)	(818,029)
	$ 1,901,672	$ 1,819,437

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:

	2017	2016
Wages - volunteer	$ 67,045	$ 51,891
Repairs and maintenance	20,000	7,561
Fundraising events	39,955	44,004
Other	40,575	50,000
Computer expense	700	700
Food	4,068	3,665
	$ 172,343	$ 157,821

Note 3 - In Kind and Non Cash Contributions (continued)

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 $15,208 and $15,540 respectively in 2017 and $17,195 and $16,740 respectively in 2016.

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, 2017 to June 30, 2018 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 $82,008, $9,160 and $32,607 respectively from which the Organization can invoice for services provided in the July 1, 2017 to June 30, 2018 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 $2,076,982 and $1,894,176 in 2017 and 2016, 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 $248,168, and $193,019 in 2017 and 2016, 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, 2017 or 2016.

Note 5 - Community Foundation Funds (continued)

Community Foundation of Northern Colorado	2017	2016
Beginning Fund Balance	$ 1,894,176	$ 1,503,997
Gifts received	-	350,000
Investment activity		
Interest and dividends	46,666	40,046
Realized gain/(loss)	(4,250)	(6,019)
Unrealized gain/(loss)	155,222	18,951
Administrative fees	(14,832)	(12,799)
Ending Fund Balance	$ 2,076,982	$ 1,894,176

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, 2017.

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, 2017	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	$ 2,076,982	$ -	$ 2,076,982	$ -
Ending balance	$ 2,076,982	$ -	$ 2,076,982	$ -

Note 6 - Fair Value Measurements (continued)

		Fair Value Measurements Using:		
June 30, 2016	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	$ 1,894,176	$ -	$ 1,894,176	$ -
Ending balance	$ 1,894,176	$ -	$ 1,894,176	$ -

Note 7 - Pledges Receivable

For 2017, pledges receivable to be collected within one year total $259,503. Pledges receivable to be collected from one to five years total $325,266. Pledges receivable that are expected to be collected greater than 5 years from June 30, 2017 total $16,903.

Note 8 - Subsequent Events

The Organization has evaluated all subsequent events through December 13, 2017, the date the financial statements were available to be issued.