GRIFFITH CENTERS FOR CHILDREN, INC.

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Griffith Centers for Children, Inc.
Denver, Colorado

We have audited the accompanying financial statements of Griffith Centers for Children, Inc. (the Centers, a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, 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.

Auditors' 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 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 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.

Board of Directors
Griffith Centers for Children, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Griffith Centers for Children, Inc. as of September 30, 2018 and 2017, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
March 27, 2019

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 464,003	$ 313,493
Accounts Receivables:		
Medicaid	469,916	350,268
Colorado Social Service Agencies	333,960	350,655
Colorado School Districts	110,383	136,192
Other State Agencies and Private Entities	33,321	45,544
Other Program Receivables	40,115	66,102
Total	987,695	948,761
Less: Allowance for Doubtful Accounts	13,722	13,722
Net Accounts Receivable	973,973	935,039
Contribution Receivables	25,136	32,155
Amounts Due from the GCC Foundation	106,976	67,752
Unemployment Trust Fund	-	145,880
Prepaid Expenses	67,781	67,380
Other Current Assets	2,997	2,242
Total Current Assets	1,640,866	1,563,941
PROPERTY AND EQUIPMENT, NET		
Land	445,968	445,968
Buildings and Improvements	2,075,249	2,075,249
Equipment	199,378	-
Vehicles	18,519	18,519
Total	2,739,114	2,539,736
Less: Accumulated Depreciation and Amortization	1,177,809	1,088,205
Net Property and Equipment	1,561,305	1,451,531
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	30,594	30,630
INTEREST IN NET ASSETS OF GCC FOUNDATION	619,183	629,015
Total Assets	$ 3,851,948	$ 3,675,117

See accompanying Notes to Financial Statements.

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2018 AND 2017

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 434,288	$ 357,583
Accrued Salaries	80,346	84,993
Accrued Vacation Payable	84,936	85,852
Accrued Payroll Taxes and Insurance	5,922	6,502
Unemployment Trust Fund	349	-
Current Portion of Capital Lease	36,650	-
Current Portion of Notes Payable	45,416	44,912
Deferred Revenue	143,246	197,278
Total Current Liabilities	831,153	777,120
LONG-TERM LIABILITIES		
Capital Lease, Less Current Portion	156,778	-
Notes Payable, Less Current Portion	703,917	749,231
Total Current Liabilities	860,695	749,231
Total Liabilities	1,691,848	1,526,351
NET ASSETS		
Unrestricted	1,468,892	1,436,192
Temporarily Restricted	257,891	279,257
Permanently Restricted	433,317	433,317
Total Net Assets	2,160,100	2,148,766
Total Liabilities and Net Assets	$ 3,851,948	$ 3,675,117

See accompanying Notes to Financial Statements.

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Program Services Revenue:				
Grants	$ 311,717	$ -	$ -	$ 311,717
State Contracts	774,642	-	-	774,642
Local Contracts	3,498,984	-	-	3,498,984
Agency Contracts	12,978	-	-	12,978
School Districts	650,091	-	-	650,091
Medicaid	2,912,015	-	-	2,912,015
Other	20,707	-	-	20,707
Total Operating Revenue	8,181,134	-	-	8,181,134
EXPENSES				
Program Services:				
Residential Programs	2,408,836	-	-	2,408,836
Education	1,130,966	-	-	1,130,966
Foster Care	856,772	-	-	856,772
Group Home	265,210	-	-	265,210
Community and Other Program Services	2,852,971	-	-	2,852,971
Total Program Services Expenses	7,514,755	-	-	7,514,755
Management and General	842,134	-	-	842,134
Total Operating Expenses	8,356,889	-	-	8,356,889
TOTAL OPERATING NET LOSS	(175,755)	-	-	(175,755)
NONOPERATING REVENUE AND EXPENSES				
Contributions	239,635	29,321	-	268,956
In-Kind Contributions	4,359	-	-	4,359
Other Income	19,637	-	-	19,637
Net Assets Released from Restrictions	40,855	(40,855)	-	-
Total Nonoperating Revenue	304,486	(11,534)	-	292,952
Fundraising Expenses	96,031	-	-	96,031
Total Nonoperating Net Income	208,455	(11,534)	-	196,921
CHANGE IN NET ASSETS BEFORE THE CHANGE IN NET ASSETS HELD BY GCC FOUNDATION	32,700	(11,534)	-	21,166
CHANGE IN INTEREST IN NET ASSETS OF GCC FOUNDATION	-	(9,832)	-	(9,832)
CHANGE IN NET ASSETS	32,700	(21,366)	-	11,334
Net Assets - Beginning of Year	1,436,192	279,257	433,317	2,148,766
NET ASSETS - END OF YEAR	$ 1,468,892	$ 257,891	$ 433,317	$ 2,160,100

See accompanying Notes to Financial Statements.

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Program Services Revenue:				
Grants	$ 325,311	$ -	$ -	$ 325,311
State Contracts	635,864	-	-	635,864
Local Contracts	3,974,059	-	-	3,974,059
Agency Contracts	11,564	-	-	11,564
School Districts	580,540	-	-	580,540
Medicaid	2,472,128	-	-	2,472,128
Other	62,738	-	-	62,738
Total Operating Revenue	8,062,204	-	-	8,062,204
EXPENSES				
Program Services:				
Residential Programs	2,689,204	-	-	2,689,204
Education	1,181,829	-	-	1,181,829
Foster Care	668,229	-	-	668,229
Group Home	288,176	-	-	288,176
Community and Other Program Services	2,947,760	-	-	2,947,760
Total Program Services Expenses	7,775,198	-	-	7,775,198
Management and General	760,334	-	-	760,334
Total Operating Expenses	8,535,532	-	-	8,535,532
TOTAL OPERATING NET LOSS	(473,328)	-	-	(473,328)
NONOPERATING REVENUE AND EXPENSES				
Contributions	347,071	32,155	-	379,226
In-Kind Contributions	37,235	-	-	37,235
Other Income	67,181	630	-	67,811
Net Assets Released from Restrictions	27,959	(27,959)	-	-
Total Nonoperating Revenue	479,446	4,826	-	484,272
Fundraising Expenses	208,164	-	-	208,164
Total Nonoperating Net Income	271,282	4,826	-	276,108
CHANGE IN NET ASSETS BEFORE THE CHANGE IN NET ASSETS HELD BY GCC FOUNDATION	(202,046)	4,826	-	(197,220)
CHANGE IN INTEREST IN NET ASSETS OF GCC FOUNDATION	-	(8,948)	-	(8,948)
CHANGE IN NET ASSETS	(202,046)	(4,122)	-	(206,168)
Net Assets - Beginning of Year	1,638,238	283,379	433,317	2,354,934
NET ASSETS - END OF YEAR	$ 1,436,192	$ 279,257	$ 433,317	$ 2,148,766

See accompanying Notes to Financial Statements.

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	Residential Programs	Education	Foster Care	Group Home	Community and Other Programs Services	Total Program Services	Management and General	Fundraising	Total
EXPENSES									
Salaries	$ 1,552,045	$ 752,303	$ 153,555	$ 163,736	$ 491,954	$ 3,113,593	$ 564,905	$ 39,121	$ 3,717,619
Taxes and Benefits	269,940	148,113	26,894	29,762	106,337	581,046	77,998	10,723	669,767
Contract Program Labor	24,625	20,445	623,583	-	1,906,938	2,575,591	-	-	2,575,591
Other Staff Related Costs	22,852	16,087	10,274	1,399	7,672	58,284	63,538	542	122,364
Client Services	287,809	43,465	7,069	32,632	1,189	372,164	276	61	372,501
Occupancy	81,995	47,117	6,338	16,152	140,294	291,896	9,431	3,921	305,248
Office Expense	16,689	10,465	2,544	1,895	77,774	109,367	18,048	7,908	135,323
Travel and Transportation	7,541	1,808	8,706	140	15,171	33,366	15,774	1,120	50,260
Professional Fees	29,897	22,071	3,238	2,844	23,649	81,699	21,073	13,127	115,899
Communication and Technology	50,761	26,497	6,526	7,313	31,201	122,298	12,208	5,322	139,828
Insurance Expense	32,362	16,394	6,726	3,853	37,114	96,449	10,655	2,506	109,610
Marketing and Public Relations	-	-	-	-	1,126	1,126	1,027	4,764	6,917
In-Kind Expense	-	1,172	-	-	-	1,172	-	3,187	4,359
Depreciation	32,320	25,029	1,319	5,484	12,552	76,704	10,826	2,074	89,604
Other Operating Expenses	-	-	-	-	-	-	36,375	1,655	38,030
Total Expenses	$ 2,408,836	$ 1,130,966	$ 856,772	$ 265,210	$ 2,852,971	$ 7,514,755	$ 842,134	$ 96,031	$ 8,452,920

See accompanying Notes to Financial Statements.

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2017

	Residential Programs	Education	Foster Care	Group Home	Community and Other Programs Services	Total Program Services	Management and General	Fundraising	Total
EXPENSES									
Salaries	$ 1,710,840	$ 788,136	$ 154,916	$ 172,038	$ 542,713	$ 3,368,643	$ 482,787	$ 126,933	$ 3,978,363
Taxes and Benefits	303,782	134,012	28,266	32,245	105,878	604,183	71,235	17,852	693,270
Contract Program Labor	24,100	1,156	433,886	-	1,981,507	2,440,649	-	-	2,440,649
Other Staff Related Costs	28,673	20,074	13,436	2,010	17,044	81,237	61,083	1,222	143,542
Client Services	322,813	47,338	3,090	41,476	3,341	418,058	-	4,258	422,316
Occupancy	90,662	55,787	7,316	11,461	90,019	255,245	10,184	3,711	269,140
Office Expense	19,555	17,608	1,931	3,470	81,801	124,365	14,854	8,762	147,981
Travel and Transportation	7,455	2,800	4,479	490	9,111	24,335	15,085	2,339	41,759
Professional Fees	59,655	44,743	5,145	7,895	20,143	137,581	43,709	5,509	186,799
Communication and Technology	49,848	25,308	5,845	6,951	36,359	124,311	12,512	4,619	141,442
Insurance Expense	32,713	16,530	6,824	3,809	38,202	98,078	9,287	2,754	110,119
Marketing and Public Relations	-	-	191	-	2,191	2,382	273	6,213	8,868
In-Kind Expense	5,846	2,579	1,547	688	6,534	17,194	-	20,041	37,235
Depreciation	33,262	25,758	1,357	5,643	12,917	78,937	4,304	2,134	85,375
Other Operating Expenses	-	-	-	-	-	-	35,021	1,817	36,838
Total Expenses	$ 2,689,204	$ 1,181,829	$ 668,229	$ 288,176	$ 2,947,760	$ 7,775,198	$ 760,334	$ 208,164	$ 8,743,696

See accompanying Notes to Financial Statements.

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 11,334	$ (206,168)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Interest in Net Assets of GCC Foundation	9,832	8,948
Depreciation and Amortization	89,604	85,375
Net Realized and Unrealized Gains on Investments	(988)	(2,861)
(Increase) Decrease in Assets:		
Accounts Receivable	(38,934)	(106,169)
Contributions Receivables	7,019	(18,602)
Amounts Due from/to GCC Foundation	(39,224)	(5,835)
Unemployment Trust Fund	145,880	65,861
Other Current Assets	(1,156)	(6,541)
Increase (Decrease) in Liabilities:		
Accounts Payable	76,705	44,731
Accrued Expenses and Other Liabilities	(5,794)	10,001
Deferred Revenue	(54,032)	(54,009)
Net Cash Provided (Used) by Operating Activities	200,246	(185,269)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	1,713	1,763
Reinvested Interest and Dividends	(689)	(371)
Net Cash Provided by Investing Activities	1,024	1,392
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Notes Payable	(44,810)	(44,625)
Payments on capital lease obligation	(5,950)	-
Net Cash Used by Financing Activities	(50,760)	(44,625)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	150,510	(228,502)
Cash and Cash Equivalents - Beginning of Year	313,493	541,995
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 464,003	$ 313,493
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Equipment Acquired through Capital Lease	$ 199,378	$ -
Cash Paid for Interest	$ 26,000	$ 27,306
Donated Goods and Services	$ 4,359	$ 37,235

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Griffith Centers for Children, Inc. (the Centers) was founded in 1927 and is a private, nonprofit organization licensed and nationally accredited to serve children from birth to 21 years of age who have persistent social, emotional, educational, or behavioral problems resulting from abuse and neglect. In addition to its community programs, such as family preservation, day treatment, education and counseling services, the Centers provides residentially-based programs such as foster care, adoption, group homes, residential treatment (staff secure and open) and independent living services. Each year over 3,000 children and families find the help they need at the Centers. The Centers has been able to pursue innovative and imaginative treatment programs for children and their families throughout Colorado. The Centers' administrative office is located in Denver, Colorado.

The Centers has facilities in Colorado Springs, Denver, Greeley, and Grand Junction.

The Centers is the sole member of a limited liability company – Griffith Centers for Children: Colorado Springs Asset Management, LLC. The accounts and activities of the LLC are included in the accompanying financial statements. All inter-company balances have been eliminated.

The Centers' primary sources of revenue are fees for service for treatment as well as room and board reimbursed by the various County Departments of Human Services through the State Medicaid program. If a significant reduction in the future level of this support occurs, or if certain reimbursable costs are disallowed, it may have an effect on the Centers' programs and activities.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other assets and liabilities.

Nonoperating Activities

Nonoperating activities reflect transactions that are outside of the Centers' program services or are nonrecurring in nature.

Financial Statement Presentation

The Centers' financial statements are presented in accordance with the Statement of Financial Accounting Standards relating to *Accounting for Contributions Received and Contributions Made, and Financial Statements of Not-for-Profit Organizations*. Under the provisions of these standards, net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Centers and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the board of directors has discretionary control.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Temporarily Restricted – Those resources subject to donor imposed restrictions, which will be satisfied by actions of the Centers or passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Centers.

The Organization elected to present temporarily restricted contributions, which are fulfilled in the same time period they are received within the unrestricted net asset class.

Contributions and Contribution Receivables

Unconditional contribution receivables are recognized as revenue in the period the promise is received. Contribution receivables are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Uncollected contribution receivables are not expected to be significant.

Contributed Property and Services

Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Contributed goods and services are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. In-kind contributions for the years ended September 30, 2018 and 2017 consisted of program materials totaling $4,359 and $37,235, respectively.

A number of volunteers have donated time in connection with the Centers' activities. No amounts have been reflected in the accompanying financial statements for volunteers' donated services because they do not meet the criteria of recognition under the Revenue Recognition accounting standard.

Recognition of Income

Program services revenue is deemed to be earned and is reported as revenue when the Centers have incurred expenditures or performed services in compliance with the provisions of the respective service agreements.

Cash and Cash Equivalents

Cash equivalents include money market and savings funds. For purposes of the statements of cash flows, the Centers considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

An allowance is estimated for uncollectible accounts based on past experience and on analysis of current accounts receivable collectability. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible.

Property and Equipment

Property and equipment having a unit cost greater than $10,000 and a useful life of more than one year are capitalized at cost when purchased. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 2 to 39 years.

Unemployment Trust Fund

The Centers contributes quarterly to an unemployment trust fund account. The funds are used to satisfy unemployment claims assessed by the state of Colorado. The Centers has full custody of the funds held in the account, which are managed by a third party and generate interest periodically.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Centers to concentrations of credit risk, consist of cash and cash equivalents and trade receivables. The Centers places its cash and cash equivalents with creditworthy, high quality, financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 or in cash equivalents that are backed by federal government securities. At times, such balances are in excess of FDIC insurance limits. Credit risk with respect to trade receivables is generally diversified due to the large number of entities and credit-worthiness of the organizations that comprise the Centers' customer base.

For the year ended September 30, 2018, approximately 43% of the program service revenue was provided by three entities. For the year ended September 30, 2017, approximately 28% of program service revenue was provided by two entities. Approximately 44% of program service accounts receivable as of September 30, 2018, was due from three different entities. For the year ended September 30, 2017, approximately 36% of program service accounts receivable was due from three different entities.

For the years ended September 30, 2018 and 2017, approximately 34% and 23% of contribution revenue was provided by two payors, respectively.

The Centers believes that there is no significant risk with respect to these concentrations.

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 disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There were no impairments recognized by the Centers for the years ended September 30, 2018 and 2017.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Program activities are those that are conducted in accordance with the Centers' nature of operations and certain necessary costs. Management and general activities are those that are not identifiable with a single program or fundraising activity, but that are indispensable to the conduct of those activities and to an organization's existence. Fundraising activities involve inducing potential donors to contribute money, securities, services, materials, facilities, other assets, or time. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management's estimate of the functional allocation of expenses shared between programs, management and general, and fundraising is based on a reasonable and consistent basis using factors such as direct payroll allocation, square footage, full time equivalents within each department, and total direct expenses.

Income Tax Status

The Centers is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Centers' tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Centers qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and have been classified as an organization other than a private foundation under Section 509(a)(1). The Centers had no unrelated business income in 2018 and 2017 and thus incurred no unrelated business income tax expense.

The Centers follows the *Accounting for Uncertainty in Income Taxes* accounting standard, which requires the Centers to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The Centers believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are significant to the financial statements.

Subsequent Events

The Centers has evaluated subsequent events from the statement of financial position date through March 27, 2019, the date at which the financial statements were available to be issued.

NOTE 2 LEASES

The Centers is obligated under various capital and operating leases for office and program space, vehicles and office equipment, which expire at various dates through July 2023. As of September 30, 2018 and 2017, the cost of leased equipment under capital leases was $199,378 and $-0-, respectively, and accumulated depreciation was $6,646 and $-0-, respectively.

Total future minimum lease payments under noncancelable capital and operating leases are as follows:

Year Ending September 30,	Operating Leases	Capital Leases
2019	$ 136,940	$ 44,604
2020	110,912	44,604
2021	81,751	44,604
2022	49,484	44,604
2023	45,502	37,170
Total Minimum Lease Payments	424,589	215,586
Less Amounts Representing Interest	-	(22,158)
Present Value of Net Minimum Lease Payments	$ 424,589	$ 193,428

Rent expense was $146,028 and $131,590 for the years ended September 30, 2018 and 2017, respectively.

NOTE 3 NOTES PAYABLE

The Centers had access to draw up to $250,000 on a revolving promissory note at any time during the term of the note. The revolving promissory note was scheduled to expire December 2, 2018. The revolving promissory note account was renewed in December 2018 for an additional three year period and will expire in December 2021. The promissory note is secured by real property located at 10 North Farragut Avenue in Colorado Springs, Colorado. The note requires monthly interest payments at the bank's prime lending rate (but not less than 5.75%). There was no outstanding balance at September 30, 2018 and 2017, respectively.

During 2008, the Centers borrowed $500,000 from the Foundation. The original agreement was amended in 2011 with all principal payments suspended through January 5, 2012. The agreement was renegotiated in October 2013 with an interest rate of 2.2% and principal payments of $1,000 plus interest due monthly through September 30, 2014. The note was renegotiated again in April 2016 due to the acquisition of a parcel of land and a building in Colorado Springs by the Centers from the Foundation (see Note 4).

The renegotiated note has an interest rate of 2.4% and principal payments of $2,500 plus interest due monthly through April 30, 2030. At September 30, 2018 and 2017, the balance was $344,666 and $374,666, respectively.

NOTE 3 NOTES PAYABLE (CONTINUED)

The Centers entered into a mortgage agreement in 2006 to borrow $108,750 from a bank at a beginning rate of 6.93% that is adjusted after five years to the prevailing five-year U.S. Treasury Note rate plus 2.5%. This loan was refinanced in November 2014 with a different bank with a balance of $35,000 and an interest rate of 4.5%. The loan requires monthly principal and interest payments of $355 through November 26, 2024, and is secured by real property located at 28 North Farragut Avenue in Colorado Springs. At September 30, 2018 and 2017, the note balances were $23,142 and $26,458, respectively.

In December 2015, the Centers purchased a parcel of land and a building in Denver from the Foundation. The acquisition was funded by the proceeds from a mortgage loan agreement that the Centers executed with a bank. At the settlement date of December 3, 2015, the total loan amount was $412,500. The loan agreement requires monthly principal payments of $1,998 with an initial interest rate of 3.15% through December 3, 2020. At that date the interest rate will increase to 4.18% and the monthly principal payment will increase to $2,191 through December 3, 2025. The loan is secured by real property located at 1724 Gilpin Street in Denver. The outstanding balance of this loan was $381,525 and $393,121 as of September 30, 2018 and 2017, respectively.

Future principal payments due on the notes for each future year ending September 30 are as follows:

Year Ending September 30,	Amount
2019	$ 45,416
2020	45,903
2021	45,448
2022	45,736
2023	46,398
2024 and Thereafter	520,432
Total	$ 749,333

NOTE 4 GRIFFITH CENTERS FOR CHILDREN FOUNDATION, INC.

On February 27, 1995, the Foundation was formed to operate exclusively for the benefit of and to assist in carrying out the mission of the Centers. The Foundation is governed by its own board of directors, and the Foundation owns and controls all funds within the Foundation, subject to any restrictions imposed by donors, until such funds are distributed to the Centers by resolution of the Foundation’s board.

The Centers follow the provisions of the Financially Interrelated Entities accounting standards. The standard requires a beneficiary organization, such as the Centers, to report in its financial statements assets held for its benefit by an endowment organization, such as the Foundation, and to adjust its interest in such assets for the changes in net assets held by the endowment organization, notwithstanding that the beneficiary organization has no legal claim to such assets until the endowment organization distributes such assets to the beneficiary organization.

NOTE 4 GRIFFITH CENTERS FOR CHILDREN FOUNDATION, INC. (CONTINUED)

The Centers' interest in the Foundation is equal to the balance of the Foundation's net assets, which was $619,183 and $629,015 at September 30, 2018 and 2017, respectively.

In August 2010, the Foundation purchased land and a building located in Colorado Springs from the Centers. The property was purchased for $250,000. In 2011, the Centers entered into a lease agreement with the Foundation to use the property for their programs for $2,000 a month with the lease ending November 30, 2012. In November 2012, this lease was extended through November 30, 2015 after which point the lease was month-to-month.

On April 1, 2016, the Centers purchased this property from the Foundation for the price of $280,218. This purchase triggered the renegotiation of the note payable to the Foundation (see Note 3). The new monthly principal payment is $2,500 with an initial interest rate of 2.4%. The outstanding note payable balance to the Foundation was $344,666 and $374,666 as of September 30, 2018 and 2017, respectively. The note payable is the primary investment of the Foundation's permanently restricted net assets (see Note 9).

The Foundation raised $33,050 and $58,155, respectively, of contributions, sponsorships and ticket sales at special events and incurred related expenses of $50,886 and $43,404, respectively, during the years ended September 30, 2018 and 2017. Additional contributions in the amounts of $82,126 and $127,576 were received during the years ended September 30, 2018 and 2017, respectively, that were related to these events that are recorded as center contributions.

For the years ended September 30, 2018 and 2017, the Centers had a receivable of $106,976 and $67,752, respectively, from the Foundation related to intercompany activity for which the Foundation has not yet paid to the Centers.

NOTE 5 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

On August 18, 2014, the Centers entered into an agreement with Community First Foundation (CFF) to establish an endowment fund with the purpose to provide funding for facility maintenance of properties owned and utilized by the Centers. CFF shall hold, manage, invest, and reinvest the endowment fund of the Centers. The agreement required the Centers to make an initial contribution of $20,000 and CFF to provide matching funds of $10,000 in order to establish the endowment fund (see Note 6 for information on distribution policy). During the years ended September 30, 2018 and 2017, there were no contributions to the endowment fund.

The agreement also permits CFF to substitute another beneficiary in the place of the Centers if the Centers cease to exist or if the governing board of CFF votes that support of the Centers is no longer necessary or is inconsistent with the needs of the community.

NOTE 6 ENDOWMENT

The endowment fund's principal is required to be invested in perpetuity while the earnings are to be used to provide funding for facility maintenance of properties owned and utilized by the Centers.

The state of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective October 1, 2008. Accordingly, the Centers follow the guidance of *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

The Centers has interpreted UPMIFA as requiring the preservation of all assets of the endowment fund until appropriated for expenditure under the distribution policy. Earnings on permanently restricted net assets are classified as temporarily restricted until appropriated for expenditure by the CFF's board in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Centers' agreement with CFF for the endowment fund states that no distribution shall be made from the fund until the net fair market value of the initial contribution to the fund equals or exceeds $25,000 on any October 31 following which CFF shall make distributions to the Centers. CFF may make distributions of no more than 5% of average net fair market value of the fund on the last business day of each of the three calendar years preceding the year for which the distribution is being made. CFF's right to direct a distribution of amounts for any year shall not be cumulative, and, if CFF distributes to or for the benefit of the Centers less than the amount described in the preceding sentence with respect to any such year, then the Centers shall not be entitled to request a distribution of such undistributed amount in any subsequent year.

The Centers' investments are held in various investment accounts at CFF. Long-term investment activity and endowment net asset composition by type of fund for the years ended September 30, 2018 and 2017 are as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds	$ -	$ 594	$ 30,000	$ 30,594

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds	$ -	$ 630	$ 30,000	$ 30,630

NOTE 6 ENDOWMENT (CONTINUED)

Changes in endowment net assets for the fiscal years ended September 30:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, Beginning of Year	$ -	$ 630	$ 30,000	$ 30,630
Investment Return:				
Investment Income	-	689	-	689
Net Appreciation (Realized and Unrealized)	-	988	-	988
Total Investment Return	-	1,677	-	1,677
Appropriation of Endowment	-	(1,713)	-	(1,713)
Net Assets, September 30, 2018	$ -	$ 594	$ 30,000	$ 30,594

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, Beginning of Year	$ (839)	$ -	$ 30,000	$ 29,161
Investment Return:				
Investment Income	371	-	-	371
Net Appreciation (Realized and Unrealized)	2,861	-	-	2,861
Total Investment Return	3,232	-	-	3,232
Appropriation of Endowment	(1,763)	-	-	(1,763)
Transfer of Underwater Funds	(630)	630	-	-
Net Assets, September 30, 2017	$ -	$ 630	$ 30,000	$ 30,630

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the Foundation uses various valuation approaches within the FASB ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. FASB ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

As of September 30, 2018 and 2017 beneficial interest in assets held by others consists of investments that are held at CFF, which manages and invests the Centers' endowment fund (see Note 5 and 6) and has fiduciary responsibility for the proper investment of these funds.

CFF may invest in equity securities and fixed income securities without limitation; provided however, that in making and retaining the investments, CFF shall act in accordance with the standard of conduct set forth in Colorado law with respect to the management of institutional funds. CFF's investments may include funds in all levels of the valuation hierarchy. Since CFF's underlying investments of the Centers' funds are not observable, this type of investment for the Centers is generally classified within Level 3 of the valuation hierarchy.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of September 30:

	2018			
	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Community First Foundation	$ -	$ -	$ 30,594	$ 30,594

	2017			
	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Community First Foundation	$ -	$ -	$ 30,630	$ 30,630

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended September 30:

	2018	2017
Beginning Balance	$ 30,630	$ 29,161
Purchases	689	371
Total Gains or Losses (Realized/ Unrealized)		
Included in Changes in Net Assets	988	2,861
Distributions	(1,408)	(1,422)
Investment Management Fees	(305)	(341)
Ending Balance	$ 30,594	$ 30,630

Unrealized gains and losses applicable to instruments valued using significant unobservable inputs (Level 3) are included in the statement of activities for the years ended September 30, 2018 and 2017.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30:

	2018	2017
Contributions Due in Future Periods	$ 25,136	$ 32,155
Capital Campaign Contributions Received but Unspent	16,295	20,776
Endowment Earnings Held By the Centers		
Investment Held by Community Foundation	594	630
Net Assets Held by the Foundation	215,866	225,696
Total	$ 257,891	$ 279,257

Contribution receivables at September 30, 2018 and 2017 are due in less than one year.

Temporarily restricted net assets released from restrictions during the year were as follows:

	2018	2017
Program Restriction	$ 14,948	$ 14,426
Time Restriction	25,907	13,533
Total	$ 40,855	$ 27,959

NOTE 9 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at September 30:

	2018	2017
Endowment Assets Held By the Foundation		
Note Receivable (see Note 4)	$ 344,666	$ 374,666
Investments	58,651	28,651
Endowment Assets Held By the Centers		
Investment Held by Community Foundation	30,000	30,000
Total	$ 433,317	$ 433,317

The endowment assets held by the Foundation shown above are permanently restricted net assets as they are required to be held in perpetuity by the Foundation. The Foundation's endowment assets are invested in the vehicles listed above in accordance with the Foundation's investment policy.

The endowment fund's principal plus or minus unrealized gains or losses are required to be invested in perpetuity while the earnings are to be used to further the work of the Centers and the accomplishment of the Centers' mission.

The state of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective October 1, 2008. Accordingly, the Foundation follows the guidance of *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.*

The Foundation has interpreted UPMIFA as requiring the preservation of all assets of the Foundation until appropriated for expenditure under the distribution policy. Earnings on permanently restricted net assets are classified as temporarily restricted until appropriated for expenditure by the Foundation's board in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide distributions to the Centers as needed that supports current needs and provides for growth in assets and income over time to build an operating reserve fund of six months. Under this policy, as approved by the Foundation's board of directors, the endowment assets are to be invested in a manner that is intended to produce a long-term rate of return that exceeds the total return of the S&P 500 Index for equity securities and the Lehman Brothers Government/Corporation Intermediate Index (now managed by Barclays Capital since time of Lehman Brothers bankruptcy) for fixed income securities. As principal payments are received on the note they are invested in accordance with this policy.

The Foundation's endowment distribution policy is to distribute investment income earned on the endowment fund. The Foundation expects the current spending policy to not exceed the expected total investment return minus the expected rate of inflation and investment expense. There were no distributions from the endowment fund in 2018 and 2017.

NOTE 10 RETIREMENT PLAN

The Centers' 403(b) tax sheltered annuity plan (the 403(b) Plan) is a defined contribution pension plan, which covers all eligible employees who have attained the age of 21. After one year of service, eligible employees may receive a discretionary employer match up to 15% of their elected deferral. As of October 1, 2008, the Centers elected to not provide any employer contribution to the 403(b) Plan, and therefore no contributions were made under the 403(b) Plan in 2018 and 2017. The 403(b) Plan benefits vest immediately upon qualification by the employee as an eligible participant.

NOTE 11 THE HELEN MCLORAINE EMILY GRIFFITH CENTER ENDOWMENT FUND

On October 28, 2004, a donor established a $1,000,000 endowment fund, The Helen McLoraine Emily Griffith Center Endowment Fund (the Fund), at The Denver Foundation and named the Centers as the designated beneficiary. The Fund was established to provide support for the programs of the Centers. The agreement gave The Denver Foundation variance power, which allows it to redirect the funds to another beneficiary. Since The Denver Foundation has variance power over the gift, the fund is not recorded as an asset in the financial statements of the Centers. Per the agreement, the donor intended that an annual distribution equal to 5% of the Fund be made each year to the Centers. The Centers earned distributions totaling $52,535 and $51,565 from the Fund during the years ended September 30, 2018 and 2017, respectively. As of September 30, 2018 and 2017, $13,288 and $12,670, respectively, of the earned distributions were outstanding receivables.