GRIFFITH CENTERS FOR CHILDREN, INC.

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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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, 2019 and 2018, 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.

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, 2019 and 2018, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, management adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, the change has been retrospectively applied to prior periods presented as if the policy had always been used with the exception of the liquidity footnote, which has only been presented for fiscal year 2019. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
April 3, 2020

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 589,150	$ 464,003
Accounts Receivables:		
Medicaid	443,218	469,916
Colorado Social Service Agencies	313,637	333,960
Colorado School Districts	76,517	110,383
Other State Agencies and Private Entities	27,346	33,321
Other Program Receivables	10,942	40,115
Total	871,660	987,695
Less: Allowance for Doubtful Accounts	13,722	13,722
Net Accounts Receivable	857,938	973,973
Contribution Receivables	31,030	25,136
Amounts Due from the GCC Foundation	105,689	106,976
Prepaid Expenses	109,914	67,781
Other Current Assets	4,006	2,997
Total Current Assets	1,697,727	1,640,866
PROPERTY AND EQUIPMENT, NET		
Land	291,808	445,968
Buildings and Improvements	1,942,373	2,075,249
Equipment	199,378	199,378
Vehicles	18,519	18,519
Total	2,452,078	2,739,114
Less: Accumulated Depreciation and Amortization	1,281,114	1,177,809
Net Property and Equipment	1,170,964	1,561,305
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	29,821	30,594
INTEREST IN NET ASSETS OF GCC FOUNDATION	640,972	619,183
Total Assets	$ 3,539,484	$ 3,851,948

See accompanying Notes to Financial Statements.

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2019 AND 2018

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 271,146	$ 266,288
Payable to State of Colorado	168,000	168,000
Accrued Liabilities	209,274	171,553
Current Portion of Capital Lease	38,333	36,650
Current Portion of Notes Payable	33,576	45,416
Deferred Revenue	32,631	143,246
Total Current Liabilities	752,960	831,153
LONG-TERM LIABILITIES		
Capital Lease, Less Current Portion	118,445	156,778
Notes Payable, Less Current Portion	300,788	703,917
Total Current Liabilities	419,233	860,695
Total Liabilities	1,172,193	1,691,848
NET ASSETS		
Without Donor Restrictions	1,658,468	1,468,892
With Donor Restrictions	708,823	691,208
Total Net Assets	2,367,291	2,160,100
Total Liabilities and Net Assets	$ 3,539,484	$ 3,851,948

See accompanying Notes to Financial Statements.

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Program Services Revenue:			
Grants	$ 205,134	$ -	$ 205,134
State Contracts	483,887	-	483,887
Local Contracts	3,704,301	-	3,704,301
Agency Contracts	18,391	-	18,391
School Districts	690,813	-	690,813
Medicaid	2,809,695	-	2,809,695
Other	7,888	-	7,888
Total Operating Revenue	7,920,109	-	7,920,109
EXPENSES			
Program Services:			
Residential Programs	2,684,509	-	2,684,509
Education	1,164,535	-	1,164,535
Foster Care	831,561	-	831,561
Group Home	86,762	-	86,762
Community and Other Program Services	2,628,549	-	2,628,549
Total Program Services Expenses	7,395,916	-	7,395,916
Management and General	822,466	-	822,466
Total Operating Expenses	8,218,382	-	8,218,382
TOTAL OPERATING NET LOSS	(298,273)	-	(298,273)
NONOPERATING REVENUE AND EXPENSES			
Contributions	176,262	29,602	205,864
In-Kind Contributions	4,315	-	4,315
Gross Special Events Revenue	66,646	-	66,646
Less: Cost of Direct Benefits to Donors	(31,333)	-	(31,333)
Net Special Events Revenue	35,313	-	35,313
Gain on Sale of Property	408,162	-	408,162
Other Income	36,910	933	37,843
Net Assets Released from Restrictions	34,709	(34,709)	-
Total Nonoperating Revenue	695,671	(4,174)	691,497
Fundraising Expenses	207,822	-	207,822
Total Nonoperating Net Income	487,849	(4,174)	483,675
CHANGE IN NET ASSETS BEFORE THE CHANGE IN NET ASSETS HELD BY GCC FOUNDATION	189,576	(4,174)	185,402
CHANGE IN INTEREST IN NET ASSETS OF GCC FOUNDATION	-	21,789	21,789
CHANGE IN NET ASSETS	189,576	17,615	207,191
Net Assets - Beginning of Year	1,468,892	691,208	2,160,100
NET ASSETS - END OF YEAR	$ 1,658,468	$ 708,823	$ 2,367,291

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	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	27,644	267,279
In-Kind Contributions	4,359	-	4,359
Other Income	19,637	1,677	21,314
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	712,574	2,148,766
NET ASSETS - END OF YEAR	$ 1,468,892	$ 691,208	$ 2,160,100

See accompanying Notes to Financial Statements.

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

	Residential Programs	Education	Foster Care	Group Home	Community and Other Programs Services	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 1,757,195	$ 816,034	$ 149,860	$ 52,539	$ 661,356	$ 3,436,984	$ 522,785	$ 138,660	$ 4,098,429
Taxes and Benefits	272,961	132,452	24,022	10,693	108,083	548,211	67,877	20,016	636,104
Contract Program Labor	53,603	19,099	587,384	-	1,536,563	2,196,649	-	-	2,196,649
Other Staff Related Costs	25,437	8,748	11,911	355	7,491	53,942	74,715	651	129,308
Client Services	301,562	39,690	6,265	12,263	2,637	362,417	-	21	362,438
Occupancy	86,343	45,299	10,648	2,926	99,830	245,046	11,072	2,279	258,397
Office Expense	17,503	7,763	11,072	364	74,315	111,017	18,068	14,714	143,799
Travel and Transportation	531	2,481	8,327	-	14,196	25,535	24,417	4,397	54,349
Professional Fees	25,495	13,525	1,629	587	15,215	56,451	52,766	8,890	118,107
Communication and Technology	53,193	25,768	8,845	2,189	32,369	122,364	11,625	4,553	138,542
Insurance Expense	42,120	19,742	7,699	1,609	42,222	113,392	12,174	3,115	128,681
Marketing and Public Relations	-	-	-	-	35	35	168	6,457	6,660
In-Kind Expense	-	2,500	-	-	-	2,500	-	-	2,500
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	31,333	31,333
Depreciation	46,374	30,404	3,472	3,154	30,522	113,926	5,833	2,897	122,656
Other Operating Expenses	2,192	1,030	427	83	3,715	7,447	20,966	1,172	29,585
Total Expenses by Function	2,684,509	1,164,535	831,561	86,762	2,628,549	7,395,916	822,466	239,155	8,457,537
Less: Expenses Included with Revenues on the Statements of Activities:									
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	(31,333)	(31,333)
Total Expenses	$ 2,684,509	$ 1,164,535	$ 831,561	$ 86,762	$ 2,628,549	$ 7,395,916	$ 822,466	$ 207,822	$ 8,426,204

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
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.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 207,191	$ 11,334
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in Interest in Net Assets of GCC Foundation	(21,789)	9,832
Depreciation and Amortization	122,656	89,604
Net Realized and Unrealized Gains on Investments	(231)	(988)
Gain on Sale of Property	(408,162)	-
(Increase) Decrease in Assets:		
Accounts Receivable	116,035	(38,934)
Contributions Receivables	(5,894)	7,019
Amounts Due from/to GCC Foundation	1,287	(39,224)
Other Current Assets	(43,142)	(1,156)
Increase (Decrease) in Liabilities:		
Accounts Payable	4,858	76,705
Accrued Expenses and Other Liabilities	37,721	140,086
Deferred Revenue	(110,615)	(54,032)
Net Cash Provided (Used) by Operating Activities	(100,085)	200,246
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(45,079)	-
Proceeds from Sale of Property	348,417	-
Proceeds from Sale of Investments	1,706	1,713
Reinvested Interest and Dividends	(702)	(689)
Net Cash Provided by Investing Activities	304,342	1,024
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Notes Payable	(42,460)	(44,810)
Payments on Capital Lease Obligation	(36,650)	(5,950)
Net Cash Used by Financing Activities	(79,110)	(50,760)
NET INCREASE IN CASH AND CASH EQUIVALENTS	125,147	150,510
Cash and Cash Equivalents - Beginning of Year	464,003	313,493
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 589,150	$ 464,003
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Settlement of Loan Through Sale of Property	$ 372,509	$ -
Equipment Acquired Through Capital Lease	$ -	$ 199,378
Cash Paid for Interest	$ 32,649	$ 26,000
Donated Goods and Services	$ 4,315	$ 4,359

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 Presentation

The Centers' policy is to prepare its financial statements on the accrual basis in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Centers' accounts for its net assets, revenues, gains, expenses and losses based upon the existence or absence of donor-imposed restrictions. A description of the net asset categories follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The net assets with donor restrictions are described in Note 9.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Centers' reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

The Centers reports gifts of land, buildings, and equipment as without donor restricted support unless explicit donor/grantor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support.

Program Service Revenue

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.

Nonoperating Activities

Nonoperating activities reflect transactions that are outside of the Centers' program services or are nonrecurring in nature. The Centers' defines nonoperating activities as contribution revenue and related expenses, gain on sale of assets, and other revenue generated from activities that are not included in its core program services as listed in the statement of functional expenses.

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. Absent explicit donor/grantor stipulations about how long those long-lived assets must be maintained, the Centers' reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Centers' reports expirations of donor restrictions on gifts of cash or other assets that must be used to acquire long-lived assets when acquisition or construction costs are incurred.

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, 2019 and 2018 consisted of program materials totaling $4,315 and $4,359, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

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.

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.

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.

Payable to the State of Colorado

The Centers' outstanding payable with the state of Colorado relates to advanced payments made to the Centers for services provided to clients. The state made advanced payments to the Centers due to issues with the implementation of a new payment system for the state of Colorado system. The payable represents advanced payments received from the state in excess of the amount earned by the Centers for services provided to clients.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk (Continued)

For the year ended September 30, 2019, approximately 32% of the program service revenue was provided by two entities. For the year ended September 30, 2018, approximately 43% of program service revenue was provided by three entities. Approximately 43% of program service accounts receivable as of September 30, 2019 was due from three different entities. For the year ended September 30, 2018, approximately 44% of program service accounts receivable was due from three different entities.

For the years ended September 30, 2019 and 2018, approximately 57% and 34% of contribution revenue was provided by three and 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.

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, 2019 and 2018.

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 factors such as direct payroll allocation, square footage, full-time equivalents within each department, and total direct expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

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 2019 and 2018 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.

Recently Issued and Adopted Accounting Pronouncements

On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Management has implemented ASU 2016-14 and adjusted the presentation in these financial statements accordingly. These changes were applied retrospectively, with the exception of the liquidity footnote which has only been presented for fiscal year 2019, to ensure comparability with the prior year presented herein.

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 will eliminate the transaction and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle-based approach for determining revenue recognition. This ASU is required to be adopted by the Centers for the fiscal year ended September 30, 2020 and must be applied retrospectively.

In addition, in June 2018, FASB issued ASU 2018-08, *Not-For-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU distinguishes between contributions and exchange transactions and assists in determining which guidance to apply.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upcoming Accounting Pronouncements (Continued)

In addition, once a transaction is deemed to be a contribution, this ASU assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor restricted for a limited purpose or time period. This ASU is required to be adopted by the Centers for the fiscal year 2020 for contributions received and effective for fiscal year 2021 for contributions made. Management is currently evaluating the potential impact of these ASU's on the Centers' financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases.* The ASU is intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets. Lessor accounting remains largely consistent with existing U.S. GAAP. The new standard takes effect for fiscal year 2022 for the Centers. Management is currently evaluating the potential impact of this ASU on the Centers' financial statements.

Subsequent Events

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Centers, it is possible that COVID-19 may impact various part of its Fiscal Year 2020 operations and financial results, this could include the ability to operate programs and generate adequate cash flow. Management believes the Centers is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

The Centers has evaluated subsequent events from the statement of financial position date through April 3, 2020, the date at which the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Centers has $1,583,807 of financial assets available within one year of the balance sheet date consisting of cash of $589,150, and net accounts and contributions receivable of $994,657, less $7,000 of the financial assets which are subject to donor restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The contributions receivable are subject to time restrictions, but will be collected within one year. The Centers has a goal to maintain financial assets, which consist of cash and accounts receivable, to meet 60 days of normal operating expenses, which are, on average, approximately $1,450,000. As part of its liquidity management, the Centers invests cash in excess of daily requirements in an interest bearing money market account. As more fully described in Note 4, the Centers also has a committed line of credit in the amount of $250,000, which it could draw upon in the event of an unanticipated liquidity need. As discussed in Note 5, the Centers also has an interest in the Foundation's unrestricted net assets of $203,594 that could be available within one year if approved by the Foundation's Board of Directors.

NOTE 3 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, 2019 and 2018, the cost of leased equipment under capital leases was $199,378 and $199,378, respectively, and accumulated depreciation was $46,522 and $6,646, respectively.

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

Year Ending September 30,	Operating Leases	Capital Leases
2020	$ 226,725	$ 44,604
2021	222,463	44,604
2022	213,175	44,604
2023	191,188	37,170
2024	189,620	-
2025 and Thereafter	399,788	-
Total Minimum Lease Payments	1,442,959	170,982
Less Amounts Representing Interest	-	(14,204)
Present Value of Net Minimum Lease Payments	$ 1,442,959	$ 156,778

Rent expense was $120,061 and $146,028 for the years ended September 30, 2019 and 2018, respectively.

NOTE 4 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 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, 2019 and 2018.

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 5). 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, 2019 and 2018, the balance was $314,666 and $344,666, respectively.

NOTE 4 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, 2019 and 2018, the note balances were $19,698 and $23,142, 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. On July 31, 2019, the Centers sold the parcel of land and building that was attached to the mortgage loan, and a portion of the sale proceeds was used to pay off the remaining balance of the mortgage loan. The outstanding balance of this loan was $-0- and $381,525 as of September 30, 2019 and 2018, respectively.

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

Year Ending September 30,	Amount
2020	$ 33,576
2021	33,716
2022	33,860
2023	34,009
2024	34,164
2025 and Thereafter	165,039
Total	$ 334,364

NOTE 5 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.

NOTE 5 GRIFFITH CENTERS FOR CHILDREN FOUNDATION, INC. (CONTINUED)

The Centers follows 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.

The Centers' interest in the Foundation is equal to the balance of the Foundation's net assets, which was $640,972 and $619,183 at September 30, 2019 and 2018, respectively.

On April 1, 2016, the Centers purchased a property in Colorado Springs from the Foundation for the price of $280,218. This purchase triggered the renegotiation of the note payable to the Foundation (see Note 4). 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 $314,666 and $344,666 as of September 30, 2019 and 2018, respectively. The note payable is the primary investment of the Foundation's donor restricted endowment (see Note 9).

The Foundation raised $-0- and $33,050, respectively, of contributions, sponsorships, and ticket sales at special events and incurred related expenses of $-0- and $50,886, respectively, during the years ended September 30, 2019 and 2018. Additional contributions in the amounts of $-0- and $82,126 were received during the years ended September 30, 2019 and 2018, respectively, that were related to these events that are recorded as Centers contributions.

For the years ended September 30, 2019 and 2018, the Centers had a receivable of $105,689 and $106,976, respectively, from the Foundation related to intercompany activity for which the Foundation has not yet paid to the Centers.

NOTE 6 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 7 for information on distribution policy). During the years ended September 30, 2019 and 2018, 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 7 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 donor restricted endowment net assets are classified as with donor 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, 2019 and 2018 are as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds	$ -	$ 29,821	$ 29,821

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds	$ -	$ 30,594	$ 30,594

NOTE 7 ENDOWMENT (CONTINUED)

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

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	$ -	$ 30,594	$ 30,594
Investment Return:			
Investment Income	-	702	702
Net Appreciation (Realized and Unrealized)	-	231	231
Total Investment Return	-	933	933
Appropriation of Endowment	-	(1,706)	(1,706)
Net Assets - September 30, 2019	$ -	$ 29,821	$ 29,821

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	$ -	$ 30,630	$ 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	$ -	$ 30,594	$ 30,594

NOTE 8 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;

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

NOTE 8 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2019 and 2018, 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 6 and 7) 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 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:

	2019			
	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	$ -	$ -	$ 29,821	$ 29,821

	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

NOTE 8 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:

	2019	2018
Balance - Beginning of Year	$ 30,594	$ 30,630
Purchases	702	689
Total Gains or Losses (Realized/Unrealized)		
Included in Changes in Net Assets	231	988
Distributions	(1,489)	(1,408)
Investment Management Fees	(217)	(305)
Balance - End of Year	$ 29,821	$ 30,594

Unrealized gains and losses applicable to instruments valued using significant unobservable inputs (Level 3) are included in the statements of activities for the years ended September 30, 2019 and 2018.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of September 30:

	2019	2018
Subject to Expenditure for Specific Purpose:		
Behavioral Therapy Training Funds	$ 7,000	$ -
Capital Expenditures	-	5,862
Construction of Sensory Wall	-	10,433
Subject to the Passage of Time:		
Contributions Due in Future Periods	31,030	25,136
Net Assets Held by the Foundation	237,655	215,866
Subject to the Centers' Spending Policy and Appropriation:		
Investment in perpetuity the income from which is expendable to support:		
Centers' Operations	(179)	594
Not Subject to Appropriation or Expenditure:		
Endowment Assets Held By the Centers		
Investment Held by Community Foundation	30,000	30,000
Endowment Assets Held By the Foundation		
Note Receivable	314,666	344,666
Investments	88,651	58,651
Total Net Assets with Donor Restrictions	$ 708,823	$ 691,208

Contribution receivables at September 30, 2019 and 2018 are due in less than one year.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The principal of the endowment fund assets held by the Foundation shown above are required to be held in perpetuity by the Foundation while the earnings are to be used to further the work of the Centers and the accomplishment of the Centers' mission. The Foundation's endowment assets are invested in the vehicles listed above in accordance with the Foundation's investment policy.

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 net assets are classified as with donor restrictions 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 2019 and 2018.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the years ended September 30:

	2019	2018
Purpose Restrictions Accomplished	$ 17,068	$ 14,948
Passage of Time	17,641	25,907
Total	$ 34,709	$ 40,855

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 2019 and 2018. 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 $54,834 and $52,535 from the Fund during the years ended September 30, 2019 and 2018, respectively. As of September 30, 2019 and 2018, $-0- and $13,288, respectively, of the earned distributions were outstanding receivables.