GRIFFITH CENTERS FOR CHILDREN, INC.

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

GRIFFITH CENTERS FOR CHILDREN, INC.
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
February 22, 2017

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 541,995	$ 489,256
Accounts Receivables:		
Medicaid	304,120	138,310
Colorado Social Service Agencies	347,028	138,014
Colorado School Districts	123,277	115,443
Other State Agencies and Private Entities	70,923	126,885
Other Program Receivables	104	228,063
Other Receivables	-	22,437
Total	845,452	769,152
Less Allowance for Doubtful Accounts	16,582	74,672
Net Accounts Receivable	828,870	694,480
Contribution Receivables	13,553	30,714
Amounts Due from the GCC Foundation	90,486	15,542
Unemployment Trust Fund	211,741	217,974
Prepaid Expenses	59,919	106,732
Other Current Assets	3,162	1,088
Total Current Assets	1,749,726	1,555,786
PROPERTY AND EQUIPMENT, NET		
Land	445,968	165,710
Buildings and Improvements	2,075,249	2,020,309
Equipment and Furniture	-	161,551
Vehicles	18,519	18,519
Total	2,539,736	2,366,089
Less Accumulated Depreciation and Amortization	1,002,830	1,377,037
Net Property and Equipment	1,536,906	989,052
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	29,161	28,240
INTEREST IN NET ASSETS OF GCC FOUNDATION	637,963	645,273
Total Assets	$ 3,953,756	$ 3,218,351

See accompanying Notes to Financial Statements.

	2016	2015
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 312,852	$ 293,304
Due to GCC Foundation	28,569	500
Accrued Salaries	61,506	156,781
Accrued Vacation Payable	101,973	82,727
Accrued Payroll Taxes and Insurance	3,867	12,146
Current Portion of Notes Payable	44,424	60,605
Deferred Revenue	251,287	-
Total Current Liabilities	804,478	606,063
LONG-TERM LIABILITIES		
Notes Payable, Less Current Portion	794,344	313,165
Total Liabilities	1,598,822	919,228
NET ASSETS		
Unrestricted	1,638,238	1,554,936
Temporarily Restricted	283,379	310,870
Permanently Restricted	433,317	433,317
Total Net Assets	2,354,934	2,299,123
Total Liabilities and Net Assets	$ 3,953,756	$ 3,218,351

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Program Services Revenue:				
Grants	$ 88,135	$ -	$ -	$ 88,135
Federal Contracts	(3,389)	-	-	(3,389)
State Contracts	802,472	-	-	802,472
Local Contracts	3,910,982	-	-	3,910,982
Agency Contracts	18,321	-	-	18,321
School Districts	615,749	-	-	615,749
Medicaid	2,069,412	-	-	2,069,412
Other	22,372	-	-	22,372
Total Operating Revenue	7,524,054	-	-	7,524,054
EXPENSES				
Program Services:				
Residential Programs	2,365,386	-	-	2,365,386
Education	1,180,760	-	-	1,180,760
Foster Care	579,950	-	-	579,950
Group Home	303,912	-	-	303,912
Community and Other Program Services	2,633,345	-	-	2,633,345
Total Program Services Expenses	7,063,353	-	-	7,063,353
Management and General	684,054	-	-	684,054
Total Operating Expenses	7,747,407	-	-	7,747,407
TOTAL OPERATING NET LOSS	(223,353)	-	-	(223,353)
NON-OPERATING REVENUE AND EXPENSES				
Contributions	285,844	13,533	-	299,377
In-Kind Contributions	66,768	-	-	66,768
Other Income	21,226	-	-	21,226
Net Assets Released from Restrictions	33,714	(33,714)	-	-
Total Non-Operating Revenue	407,552	(20,181)	-	387,371
Fundraising Expenses	100,897	-	-	100,897
Total Non-Operating Net Income	306,655	(20,181)	-	286,474
CHANGE IN NET ASSETS BEFORE THE CHANGE IN NET ASSETS HELD BY GCC FOUNDATION	83,302	(20,181)	-	63,121
CHANGE IN INTEREST IN NET ASSETS OF GCC FOUNDATION	-	(7,310)	-	(7,310)
CHANGE IN NET ASSETS	83,302	(27,491)	-	55,811
Net Assets - Beginning of Year	1,554,936	310,870	433,317	2,299,123
NET ASSETS - END OF YEAR	$ 1,638,238	$ 283,379	$ 433,317	$ 2,354,934

See accompanying Notes to Financial Statements.

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Program Services Revenue:				
Grants	$ -	$ -	$ -	$ -
Federal Contracts	38,230	-	-	38,230
State Contracts	918,087	-	-	918,087
Local Contracts	3,951,950	-	-	3,951,950
Agency Contracts	-	-	-	-
School Districts	676,253	-	-	676,253
Medicaid	847,124	-	-	847,124
Other	27,631	-	-	27,631
Total Operating Revenue	6,459,275	-	-	6,459,275
EXPENSES				
Program Services:				
Residential Programs	2,219,936	-	-	2,219,936
Education	1,210,592	-	-	1,210,592
Foster Care	460,660	-	-	460,660
Group Home	464,736	-	-	464,736
Community and Other Program Services	1,835,659	-	-	1,835,659
Total Program Services Expenses	6,191,583	-	-	6,191,583
Management and General	591,030	-	-	591,030
Total Operating Expenses	6,782,613	-	-	6,782,613
TOTAL OPERATING NET LOSS	(323,338)	-	-	(323,338)
NON-OPERATING REVENUE AND EXPENSES				
Contributions	222,376	30,714	30,000	283,090
In-Kind Contributions	69,979	-	-	69,979
Other Income	35,943	-	-	35,943
Net Assets Released from Restrictions	16,164	(16,164)	-	-
Total Non-Operating Revenue	344,462	14,550	30,000	389,012
Fundraising Expenses	80,481	-	-	80,481
Total Non-Operating Net Income	263,981	14,550	30,000	308,531
CHANGE IN NET ASSETS BEFORE THE CHANGE IN NET ASSETS HELD BY GCC FOUNDATION	(59,357)	14,550	30,000	(14,807)
CHANGE IN INTEREST IN NET ASSETS OF GCC FOUNDATION	-	24,033	-	24,033
CHANGE IN NET ASSETS	(59,357)	38,583	30,000	9,226
Net Assets - Beginning of Year	1,614,293	272,287	403,317	2,289,897
NET ASSETS - END OF YEAR	$ 1,554,936	$ 310,870	$ 433,317	$ 2,299,123

See accompanying Notes to Financial Statements.

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016

	Residential Programs	Education	Foster Care	Group Home	Community and Other Programs Services	Total Program Services	Management and General	Fundraising	Total
EXPENSES									
Salaries	$ 1,535,588	$ 721,040	$ 167,538	$ 200,193	$ 317,027	$ 2,941,386	$ 403,979	$ 66,619	$ 3,411,984
Taxes and Benefits	206,380	176,787	24,686	32,516	49,416	489,785	49,000	9,554	548,339
Contract Program Labor	-	6,889	332,944	-	2,003,158	2,342,991	-	-	2,342,991
Other Staff Related Costs	24,087	15,564	9,590	1,740	7,508	58,489	53,733	(537)	111,685
Client Services	317,248	55,123	6,525	41,768	4,570	425,234	194	91	425,519
Occupancy	89,723	53,047	4,914	158	60,074	207,916	13,158	2,581	223,655
Office Expense	11,908	11,066	1,591	1,331	72,468	98,364	27,747	6,935	133,046
Travel and Transportation	4,088	1,292	3,192	360	21,260	30,192	14,302	2,191	46,685
Professional Fees	50,945	32,642	3,578	4,990	19,233	111,388	76,945	363	188,696
Communication and Technology	28,934	42,334	4,682	4,929	34,958	115,837	28,565	3,284	147,686
Insurance Expense	36,815	21,625	6,548	5,050	20,140	90,178	8,824	1,730	100,732
Marketing and Public Relations	-	-	190	-	479	669	30	7,040	7,739
In-Kind Expense	22,694	16,162	11,544	4,333	11,340	66,073	695	-	66,768
Depreciation	36,976	27,189	2,428	5,811	11,714	84,118	6,886	948	91,952
Other Operating Expenses	-	-	-	733	-	733	(4)	98	827
Total Expenses	$ 2,365,386	$ 1,180,760	$ 579,950	$ 303,912	$ 2,633,345	$ 7,063,353	$ 684,054	$ 100,897	$ 7,848,304

See accompanying Notes to Financial Statements.

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2015

	Residential Programs	Education	Foster Care	Group Home	Community and Other Program Services	Total Program Services	Management and General	Fund Raising	Total Expenses
EXPENSES									
Salaries	$ 1,358,626	$ 778,807	$ 140,092	$ 270,836	$ 139,209	$ 2,687,570	$ 374,343	$ 41,634	$ 3,103,547
Taxes and Benefits	244,042	137,544	19,863	45,431	20,704	467,584	50,433	4,836	522,853
Contract Program Labor	6,929	19,410	241,942	-	1,468,916	1,737,197	13,470	-	1,750,667
Other Staff Related Costs	30,900	3,662	2,014	550	7,831	44,957	14,317	128	59,402
Client Services	292,061	31,770	7,732	44,774	8,489	384,826	158	-	384,984
Occupancy	101,210	69,742	4,308	50,802	63,701	289,763	21,676	2,043	313,482
Office Expenses	20,781	18,076	4,698	4,720	25,913	74,188	18,208	2,629	95,025
Travel and Transportation	32,552	14,114	9,342	13,206	11,098	80,312	2,848	1,729	84,889
Professional Fees	20,262	16,720	3,043	4,197	7,798	52,020	28,042	681	80,743
Communication and Technology	29,870	36,192	4,759	6,593	21,081	98,495	37,540	4,989	141,024
Insurance Expenses	23,386	12,293	7,909	5,509	12,602	61,699	7,616	1,106	70,421
Marketing and Public Relations	-	-	375	-	184	559	5,148	1,632	7,339
In-Kind Expenses	23,022	11,151	12,094	3,563	5,450	55,280	-	14,699	69,979
Depreciation	17,384	61,276	2,477	12,255	8,627	102,019	1,724	3,020	106,763
Other Operating Expenses	18,911	(165)	12	2,300	34,056	55,114	15,507	1,355	71,976
Total Expenses	$ 2,219,936	$ 1,210,592	$ 460,660	$ 464,736	$ 1,835,659	$ 6,191,583	$ 591,030	$ 80,481	$ 6,863,094

See accompanying Notes to Financial Statements.

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 55,811	$ 9,226
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Interest in Net Assets of GCC Foundation	7,310	(24,033)
Depreciation and Amortization	91,952	106,763
Net Realized and Unrealized (Gains) Losses on Investments	(1,754)	2,260
Loss on Sale of Real Estate	-	3,824
(Increase) Decrease in Assets:		
Accounts Receivable	(134,390)	117,515
Contribution Receivables	17,161	(16,900)
Amounts Due from/ to GCC Foundation	(46,875)	(15,042)
Unemployment Trust Fund	6,233	(2,273)
Other Current Assets	44,739	(29,368)
Increase (Decrease) in Liabilities:		
Accounts Payable	19,548	52,256
Accrued Expenses and Other Liabilities	(84,308)	7,289
Deferred Revenue	251,287	-
Net Cash Provided by Operating Activities	226,714	211,517
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(509,588)	(151,559)
Proceeds from Sale of Real Estate	-	196,974
Proceeds from Sale of Investments	1,212	-
Purchase of Beneficial Interest in Assets Held by Others	-	(30,000)
Reinvested Interest and Dividends	(379)	(500)
Net Cash Provided (Used) by Investing Activities	(508,755)	14,915
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	-	45,672
Proceeds from Notes Payable	412,486	35,000
Repayments of Notes Payable	(77,706)	(45,848)
Net Cash Provided by Financing Activities	334,780	34,824
NET INCREASE IN CASH AND CASH EQUIVALENTS	52,739	261,256
Cash and Cash Equivalents - Beginning of Year	489,256	228,000
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 541,995	$ 489,256
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 20,393	$ 10,459
Donated Goods and Services	$ 66,768	$ 69,979
Acquistion of Property through Related Party Loan	$ 130,218	$ -

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, non-profit organization licensed and nationally accredited to serve children from birth to twenty-one 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 3,091 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.

Non-Operating Activities

Non-operating activities reflect transactions that are outside of the Centers' program services or are non-recurring 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. Board designated amounts represent those revenues which the board has set aside for a particular purpose.

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, 2016 and 2015 consisted of program materials totaling $66,768 and $69,979 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

The change in net assets is charged with an allowance for estimated 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

The Centers follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of $10,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from two to thirty-nine years. During the year ended September 30, 2016, the Centers increased its capitalization threshold from $1,000 to $10,000.

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, 2016, approximately 35% of the program service revenue was provided by three entities. For the year ended September 30, 2015, approximately 11% of program service revenue was provided by a single entity. Approximately 49% of program service accounts receivable as of September 30, 2016, was due from four different entities. There was not a concentration of program receivables from a single payer in excess of 10% of the program receivable balance as of September 30, 2015.

For the year ended September 30, 2016, approximately 42% of contribution revenue for the year was provided by two payers. For the year ended September 30, 2015, approximately 27% of contribution revenue for the year was provided by three payers.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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, 2016 and 2015.

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 qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). The Centers had no unrelated business income in 2016 and 2015 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. There was no effect on the net assets or changes in net assets.

Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through February 22, 2017, the date at which the financial statements were available to be issued.

NOTE 2 LEASES

The Centers has various operating leases for office and program space, vehicles and office equipment that expire over the next four years. As described in Note 4, two leases with the Griffith Centers for Children Foundation, Inc. (the Foundation) ended during the year as a result of the Centers purchasing land and buildings from the Foundation. Total future minimum lease payments under noncancelable operating leases are as follows:

Year Ending September 30,	Amount
2017	$ 108,189
2018	86,711
2019	76,447
2020	13,797
2021	144
Total	$ 285,288

Rent expense was $113,069 and $133,675 for the years ended September 30, 2016 and 2015, respectively.

NOTE 3 NOTES PAYABLE

The Centers had access to draw up to $250,000 on the revolving promissory note at any time during the term of the note. The revolving promissory note was scheduled to expire December 3, 2016, but the revolving promissory note account was closed during the year ended September 30, 2016. The promissory note was also secured by real property located at 10 North Farragut Avenue in Colorado Springs, Colorado. The note required monthly interest payments at the bank's prime lending rate (but not less than 3.5%).There was $-0- and $45,672 outstanding at September 30, 2016 and 2015, 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).

NOTE 3 NOTES PAYABLE (CONTINUED)

The renegotiated note has an interest rate of 2.4% and principal payments of $2,500 plus interest due monthly through September 30, 2020. At September 30, 2016 and 2015, the balance was $404,666 and $295,448, respectively.

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 $364 through November 26, 2024, and is secured by real property located at 28 North Farragut Avenue in Colorado Springs. At September 30, 2016 and 2015, the note balances were $29,650 and $32,650, 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 $404,452 as of September 30, 2016.

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

Year Ending September 30,	Amount
2017	$ 44,424
2018	44,912
2019	45,416
2020	330,569
2021	15,448
2022 and Thereafter	357,999
Total	$ 838,768

The Centers' debt has certain debt covenants. At September 30, 2016 and 2015, management asserts that the Centers was in compliance with all covenants.

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.

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

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.

The Centers' interest in the Foundation is equal to the balance of the Foundation's net assets, which was $637,963 and $645,273 at September 30, 2016 and 2015, 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 $404,666 as of September 30, 2016. During the years ended September 30, 2016 and 2015, the Centers paid $11,200 and $24,000 in rent expense to the Foundation in connection with this property prior to purchase.

In March 2013, the Foundation purchased land and a building located in Denver. The property was purchased for $405,000 using a loan from a private donor. In 2013, the Centers entered into a lease agreement with the Foundation to use the property for their programs and administrative activities for $3,000 a month with the lease ending May 31, 2016. In December 2015, the Centers entered into a mortgage loan agreement with a bank and purchased the land and building from the Foundation for $338,873. The loan from the private donor to the Foundation was paid off with the proceeds from the sale of the land and building. During the years ended September 30, 2016 and 2015, the Centers paid $6,000 and $36,000 in rents to the Foundation in connection with this property prior to purchase.

The Foundation raised $83,385 and $81,803, respectively, of contributions at special events and through appeals and incurred related expenses of $35,568 and $22,660, respectively, during the years ended September 30, 2016 and 2015. Of this amount, the Foundation promised $5,000 and $15,542, respectively, in the form of a grant.

For the year ended September 30, 2016, the Centers had a receivable of $90,486 from the Foundation related to intercompany activity for which the Foundation has not yet paid to the Centers. The Centers has a payable to the Foundation of $28,569 and $500 at September 30, 2016 and 2015, respectively. The Centers has a note payable due to the Foundation for $404,666 and $295,448 at September 30, 2016 and 2015, respectively (see Note 3), which is the primary investment of the Foundation's permanently restricted net assets (see Note 9).

NOTE 5 BENIFICIAL 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 year ended September 30, 2016, there were no contributions to the endowment fund. During the year ended September 30, 2015, the Foundation raised approximately $16,000 on behalf of the Centers and contributed approximately $4,000 of its own funds for the initial contribution of the endowment fund.

The agreement also permits CFF to substitute another beneficiary in the place of the Centers if the Centers ceases 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 ENDOWMENTS

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 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 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 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 fund equals or exceeds $25,000 on any October 31st 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. The Foundation'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.

NOTE 6 ENDOWMENTS (CONTINUED)

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, 2016 and 2015 are as follows:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds	$ (839)	$ -	$ 30,000	$ 29,161

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds	$ (1,760)	$ -	$ 30,000	$ 28,240

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

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, Beginning of Year	$ (1,760)	$ -	$ 30,000	$ 28,240
Investment Return:				
Investment Income	379	-	-	379
Net Appreciation (Realized and Unrealized)	1,754	-	-	1,754
Total Investment Return	2,133	-	-	2,133
Appropriation of Endowment	(1,212)	-	-	(1,212)
Net Assets, September 30, 2016	$ (839)	$ -	$ 30,000	$ 29,161

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, Beginning of Year	$ -	$ -	$ -	$ -
Investment Return:				
Investment Income	500	-	-	500
Net Depreciation (Realized and Unrealized)	(2,260)	-	-	(2,260)
Total Investment Return	(1,760)	-	-	(1,760)
Contributions	-	-	30,000	30,000
Net Assets, September 30, 2015	$ (1,760)	$ -	$ 30,000	$ 28,240

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;
- 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.

Investments at September 30, 2016 are held at the CFF, which manages and invests the Centers' endowment fund (see Note 5) and has fiduciary responsibility for the proper investment of these funds.

CFF may invest in equity securities, fixed income securities and, 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:

	2016			
	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	$ -	$ -	$ 29,161	$ 29,161

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	2015			
	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	$ -	$ -	$ 28,240	$ 28,240

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:

	2016	2015
Beginning Balance	$ 28,240	$ -
Purchases	379	30,500
Total Gains or Losses (Realized/ Unrealized)		
Included in Changes in Net Assets	1,754	(2,260)
Investment Management Fees	(1,212)	-
Ending Balance	$ 29,161	$ 28,240

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, 2016 and 2015.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2016:

	2016	2015
Contributions Due in Future Periods	$ 13,533	$ 30,714
Capital Campaign Contributions Received but Unspent	35,200	38,200
Net Assets Held by the Foundation	234,646	241,956
Total	$ 283,379	$ 310,870

Contribution receivables at September 30, 2016 and 2015, are due in less than one year.

Temporarily restricted net assets released from restrictions during 2016 and 2015 were as follows:

	2016	2015
Program Restriction	$ 3,000	$ 2,350
Time Restriction	30,714	13,814
Total	$ 33,714	$ 16,164

NOTE 9 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at September 30, 2016:

	2016	2015
Endowment Assets Held By the Foundation		
Note Receivable (see Note 4)	$ 403,317	$ 295,448
Land	-	107,869
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 show 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 2016 and 2015.

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 2016 and 2015. 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 $53,643 and $54,850 from the Fund during the years ended September 30, 2016 and 2015, respectively. As of September 30, 2016 and 2015, $13,553 and $14,192, respectively, of the earned distributions were outstanding receivables.