GRIFFITH CENTERS FOR CHILDREN, INC.

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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YEARS ENDED SEPTEMBER 30, 2015 AND 2014

CliftonLarsonAllen

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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, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Griffith Centers for Children, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Griffith Centers for Children, Inc. as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
February 25, 2016

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 489,256	$ 228,000
Accounts Receivables:		
Medicaid	138,310	68,266
Colorado Social Service Agencies	138,014	117,038
Colorado School Districts	115,443	179,512
Other State Agencies and Private Entities	126,885	145,185
Other Program Receivables	228,063	353,891
Other Receivables	22,437	17,215
Total	769,152	881,107
Less Allowance for Doubtful Accounts	74,672	69,112
Net Accounts Receivable	694,480	811,995
Contribution Receivables	30,714	13,814
Amounts Due from the GCC Foundation	15,542	-
Unemployment Trust Fund	217,974	215,701
Other Current Assets	107,820	78,452
Total Current Assets	1,555,786	1,347,962
PROPERTY AND EQUIPMENT, NET		
Buildings and Improvements	2,186,019	2,365,689
Equipment in Process	-	27,302
Equipment and Furniture	161,551	244,294
Vehicles	18,519	79,298
Total	2,366,089	2,716,583
Less Accumulated Depreciation and Amortization	1,377,037	1,571,529
Net Property and Equipment	989,052	1,145,054
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	28,240	-
INTEREST IN NET ASSETS OF GCC FOUNDATION	645,273	621,240
Total Assets	$ 3,218,351	$ 3,114,256

See accompanying Notes to Financial Statements.

		2015		2014
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	$	293,304	$	241,048
Due to GCC Foundation		500		-
Accrued Salaries		156,781		141,268
Accrued Vacation Payable		82,727		91,969
Accrued Payroll Taxes and Insurance		12,146		11,128
Current Portion of Notes Payable		60,605		84,909
Total Current Liabilities		606,063		570,322
LONG-TERM LIABILITIES				
Notes Payable, Less Current Portion		313,165		254,037
Total Liabilities		919,228		824,359
NET ASSETS				
Unrestricted		1,554,936		1,614,293
Temporarily Restricted		310,870		272,287
Permanently Restricted		433,317		403,317
Total Net Assets		2,299,123		2,289,897
Total Liabilities and Net Assets	$	3,218,351	$	3,114,256

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Program Services Revenue:				
Colorado Agencies	$ 2,928,613	$ -	$ -	$ 2,928,613
Medicaid	236,785	-	-	236,785
Community Programs	3,229,278	-	-	3,229,278
Total Program Services Revenue	6,394,676	-	-	6,394,676
Federal Lunch Program and Other Income	64,599	-	-	64,599
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 ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Program Services Revenue:				
Colorado Agencies	$ 3,069,105	$ -	$ -	$ 3,069,105
Other State Agencies and Private Entities	6,215	-	-	6,215
Medicaid	290,315	-	-	290,315
Community Programs	2,654,604	-	-	2,654,604
Total Program Services Revenue	6,020,239	-	-	6,020,239
Federal Lunch Program and Other Income	69,521	-	-	69,521
Foster Care Casework Services	22,967	-	-	22,967
Total Operating Revenue	6,112,727	-	-	6,112,727
EXPENSES				
Program Services:				
Residential Programs	2,386,351	-	-	2,386,351
Education	1,273,861	-	-	1,273,861
Foster Care	577,799	-	-	577,799
Group Home	541,465	-	-	541,465
Community and Other Program Services	1,203,440	-	-	1,203,440
Total Program Services Expenses	5,982,916	-	-	5,982,916
Management and General	509,565	-	-	509,565
Total Operating Expenses	6,492,481	-	-	6,492,481
TOTAL OPERATING NET LOSS	(379,754)	-	-	(379,754)
NON-OPERATING REVENUE AND EXPENSES				
Contributions	354,907	13,814	-	368,721
In-Kind Contributions	104,656	-	-	104,656
Other Income	31,880	-	-	31,880
Net Assets Released from Restrictions	37,626	(37,626)	-	-
Total Non-Operating Revenue	529,069	(23,812)	-	505,257
Fundraising Expenses	76,203	-	-	76,203
Total Non-Operating Net Income	452,866	(23,812)	-	429,054
CHANGE IN NET ASSETS BEFORE THE CHANGE IN NET ASSETS HELD BY GCC FOUNDATION	73,112	(23,812)	-	49,300
CHANGE IN INTEREST IN NET ASSETS OF GCC FOUNDATION	-	(7,009)	-	(7,009)
CHANGE IN NET ASSETS	73,112	(30,821)	-	42,291
Net Assets - Beginning of Year	1,541,181	303,108	403,317	2,247,606
NET ASSETS - END OF YEAR	$ 1,614,293	$ 272,287	$ 403,317	$ 2,289,897

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
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	86,674	30,950	7,492	18,828	7,672	151,616	-	-	151,616
Food	205,387	820	240	25,946	817	233,210	158	-	233,368
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
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	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 and Amortization	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.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2014

	Residential Programs	Education	Foster Care	Group Home	Community and Other Program Services	Total Program Services	Management and General	Fund Raising	Total Expenses
EXPENSES									
Salaries	$ 1,458,046	$ 784,215	$ 197,562	$ 329,830	$ 127,901	$ 2,897,554	$ 319,202	$ 48,106	$ 3,264,862
Benefits	245,553	130,258	38,898	56,175	22,029	492,913	43,204	6,387	542,504
Contract Program Labor	17,474	34,772	271,478	1,150	888,735	1,213,609	16,764	-	1,230,373
Other Staff Related Costs	26,061	4,920	482	1,500	5,215	38,178	11,105	51	49,334
Client Services	81,409	36,919	6,716	21,366	1,780	148,190	-	-	148,190
Food	184,051	2,047	178	33,912	337	220,525	140	-	220,665
Occupancy	118,818	38,794	4,456	25,303	42,264	229,635	21,939	1,154	252,728
Office Expenses	30,126	15,491	7,027	5,099	20,068	77,811	11,600	2,236	91,647
Transportation	34,799	13,549	12,758	19,643	10,866	91,615	5,710	659	97,984
Professional Fees	25,128	13,381	5,019	6,909	4,246	54,683	20,469	614	75,766
Communication	53,008	32,663	11,192	8,935	15,387	121,185	27,047	6,380	154,612
Insurance Expenses	28,174	13,301	8,297	7,385	11,119	68,276	8,342	1,067	77,685
Marketing and Public Relations	112	-	-	-	301	413	3,500	114	4,027
In-Kind Expenses	20,997	54,745	9,525	4,893	7,915	98,075	-	6,581	104,656
Depreciation and Amortization	15,312	60,036	3,896	17,885	3,541	100,670	1,424	1,539	103,633
Other Operating Expenses	47,283	38,770	315	1,480	41,736	129,584	19,119	1,315	150,018
Total Expenses	$ 2,386,351	$ 1,273,861	$ 577,799	$ 541,465	$ 1,203,440	$ 5,982,916	$ 509,565	$ 76,203	$ 6,568,684

See accompanying Notes to Financial Statements.

GRIFFITH CENTERS FOR CHILDREN, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 9,226	$ 42,291
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Interest in Net Assets of GCC Foundation	(24,033)	7,009
Depreciation and Amortization	106,763	103,633
Net Realized and Unrealized Losses on Investments	1,760	-
(Gain) Loss on Sale of Real Estate	3,824	-
(Increase) Decrease in Assets:		
Accounts Receivable	117,515	26,639
Contribution Receivables	(16,900)	2,218
Amounts Due from/ to GCC Foundation	(15,042)	(14,764)
Unemployment Trust Fund	(2,273)	(28,053)
Other Current Assets	(29,368)	4,302
Increase (Decrease) in Liabilities:		
Accounts Payable	52,256	(2,143)
Accrued Expenses and Other Liabilities	7,289	(36,987)
Net Cash Provided by Operating Activities	211,017	104,145
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(151,559)	(66,112)
Proceeds from Sale of Real Estate	196,974	-
Purchase of Beneficial Interest in Assets Held by Others	(30,000)	-
Net Cash Provided (Used) by Investing Activities	15,415	(66,112)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	45,672	-
Proceeds from Note Payable	35,000	-
Repayments of Notes Payable	(45,848)	(21,117)
Net Cash Provided (Used) by Financing Activities	34,824	(21,117)
NET INCREASE IN CASH AND CASH EQUIVALENTS	261,256	16,916
Cash and Cash Equivalents - Beginning of Year	228,000	211,084
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 489,256	$ 228,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 10,459	$ 8,533
Donated Goods and Services	$ 69,979	$ 104,656

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 1,200 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:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 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, 2015 and 2014 consisted of program materials totaling $69,979 and $104,656 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)

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.

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 $1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from two to thirty-nine years.

Equipment in Process

Equipment in process represents expenditures incurred in relation to the Centers' ongoing upgrade of its facilities and technology infrastructure.

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.

Approximately 11% and 21% of program service revenue for the years ended September 30, 2015 and September 30, 2014, was from a single entity. Approximately 10% of program service accounts receivable as of September 30, 2014, was due from a single entity. There was not a concentration of a program receivable from a single payer in excess of 10% of the program receivable balance as of September 30, 2015.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended September 30, 2015, approximately 27% of contribution revenue for the year was provided by two entities. For the year ended September 30, 2014, approximately 47% of contribution revenue for the year was provided by three entities.

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 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, 2015 and 2014.

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)(iv) 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 2015 and 2014 and thus incurred no unrelated business income tax expense.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Management evaluated subsequent events through February 25, 2016, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2015, but prior to February 25, 2016, that provided additional evidence about conditions that existed at September 30, 2015, have been recognized in the financial statements for the year ended September 30, 2015. Events or transactions that provided evidence about conditions that did not exist at September 30, 2015, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended September 30, 2015. See Note 12 for information on such events.

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 are with the Griffith Centers for Children Foundation, Inc. (the Foundation). Total future minimum lease payments under noncancelable operating leases are as follows:

Year Ending September 30,	Amount
2016	$ 105,048
2017	58,858
2018	18,844
2019	10,561
Total	$ 193,311

Rent expense was $133,675 and $130,921 for the years ended September 30, 2015 and 2014, respectively.

NOTE 3 LONG-TERM AND OTHER DEBT

The Centers entered into a $250,000 line of credit with a bank, which was scheduled to expire on May 17, 2015. This line of credit was extended to expire on May 17, 2016. The line of credit was secured by real property located at 10 North Farragut Avenue in Colorado Springs, Colorado. There was $45,672 and $-0- outstanding at September 30, 2015 and 2014, respectively.

In December 2015, the Line of Credit was paid in full and transferred to another lender in the form of a revolving promissory note. The Centers has 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 is scheduled to expire December 3, 2016. The promissory note is also secured by real property located at 10 North Farragut Avenue in Colorado Springs, Colorado. The new line of credit requires monthly interest payments at the bank's prime lending rate (but not less than 3.5%).

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. In January 2012, the loan agreement was amended with interest at the average between the Wall Street Journal Prime Rate and the Applicable Federal Mid-term Rates as of January 1, 2012, which was 2.325%. Principal payments on the note resumed January 15, 2012 at $400 a month, plus interest through September 30, 2012.

This loan agreement was renegotiated in October 2012 with an interest rate of 2.085% and principal payments of $1,000 plus interest due monthly through September 30, 2013. This loan agreement was renegotiated again in October 2013 with an interest rate of 2.230% and principal payments of $1,000 plus interest due monthly through September 30, 2014. The note will be renegotiated with maturity expected by September 30, 2018. At September 30, 2015 and 2014, the balance was $295,448 and $307,448, 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, 2015 and 2014, the note balances were $32,650 and $31,499, respectively.

NOTE 3 LONG-TERM AND OTHER DEBT (CONTINUED)

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

Year Ending September 30,		Amount
2016	$	60,605
2017		71,293
2018		73,169
2019		75,095
2020		77,071
2021 and Thereafter		16,537
Total	$	373,770

The Centers' debt has certain debt covenants. At September 30, 2015 and 2014, 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.

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 $645,273 and $621,240 at September 30, 2015 and 2014, 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 (see Note 2).

During the years ended September 30, 2015 and 2014, the Centers paid $24,000 in rents to the Foundation in connection with this property.

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

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. During the years ended September 30, 2015 and 2014, the Centers paid $36,000 in rents to the Foundation in connection with this property.

The Foundation raised $35,542 of contributions at special events and through appeals during the year ended September 30, 2015. This amount was promised to the Centers in the form of a grant prior to September 30, 2015. Accordingly, $15,542 is recorded as revenue, expense and a payable on the Foundation's books and revenue and receivable on the Centers' books at September 30, 2015. There was no similar activity as of and for the year ended September 30, 2014. The Centers has a payable to the Foundation of $500 and $-0- at September 30, 2015 and 2014, respectively. The Centers has a note payable due to the Foundation for $295,448 and $307,448 at September 30, 2015 and 2014, 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, 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 the Foundation to substitute another beneficiary in the place of CFF if CFF ceases to exist or if the governing board of the Foundation votes that support of CFF 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.

NOTE 6 ENDOWMENTS (CONTINUED)

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.

The Centers' investments are held in various investment accounts at CFF. Long-term investment activity for the year ended September 30, 2015 and endowment net asset composition by type of fund as of September 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ -	$ -	$ 28,240	$ 28,240

Changes in endowment net assets for the fiscal year ended September 30, 2015:

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

There were no endowment assets and there was no endowment activity for the fiscal year ended September 30, 2014.

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, 2015 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, 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

There were no endowment assets for the fiscal year ended September 30, 2014.

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended September 30, 2015.

Beginning Balance	$ -	$ -
Purchases	30,000	30,000
Total Gains or Losses (Realized/ Unrealized)		
Included in Changes in Net Assets	250	(1,510)
Distributions	-	-
Investment Management Fees	(250)	(250)
Ending Balance	$ 30,000	$ 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 year ended September 30, 2015.

There were no endowment assets and there was no endowment activity for the fiscal year ended September 30, 2014.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

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

	2015	2014
Contributions Due in Future Periods	$ 30,714	$ 13,814
Capital Campaign Contributions		
Received but Unspent	38,200	40,550
Net Assets Held by the Foundation	241,956	217,923
Total	$ 310,870	$ 272,287

Contribution receivables at September 30, 2015 and 2014, are due in less than one year.

Temporarily restricted net assets released from restrictions during 2015 and 2014 were as follows:

	2015	2014
Program Restriction	$ 2,350	$ 21,594
Time Restriction	13,814	16,032
Total	$ 16,164	$ 37,626

NOTE 9 PERMANENTLY RESTRICTED NET ASSETS

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

	2015	2014
Endowment Assets Held By the Foundation		
Note Receivable (see Note 4)	$ 295,448	$ 307,448
Land	107,869	95,869
Endowment Assets Held By the Centers		
Investment Held by Community Foundation	30,000	-
Total	$ 433,317	$ 403,317

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 2015 and 2014.

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 2015 and 2014. 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 $56,767 and $54,850 from the Fund during the years ended September 30, 2015 and 2014, respectively. As of September 30, 2015 and 2014, $14,192 and $-0-, respectively, of the earned distributions were outstanding receivables.

NOTE 12 SUBSEQUENT EVENTS

In December 2015, the administration building and land located in Denver that were previously leased by the Centers from the foundation as discussed in Note 4 were refinanced and purchased by the Centers. The Foundation loan for the building and land was paid off with the proceeds of the new loan between the Centers and a bank.