



**Denver Kids, Inc.**

Years Ended August 31, 2018 and 2017  
with  
Independent Auditors' Report

**Denver Kids, Inc.**

Years Ended August 31, 2018 and 2017  
(See Independent Auditors' Report)

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Board of Directors  
Denver Kids, Inc.  
Denver, Colorado

Independent Auditors' Report

***Report on the Financial Statements***

We have audited the accompanying financial statements of Denver Kids, Inc. which comprise the statements of financial position as of August 31, 2018 and 2017 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver Kids, Inc. as of August 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Stratagem PC*  
*Certified Public Accountants*

*Lakewood, Colorado*

February 12, 2019

**Denver Kids, Inc.**

Statements of Financial Position  
August 31, 2018 and 2017  
(See Independent Auditors' Report)

Assets	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents:		
Operating:		
General	\$ 60,766	\$ 218,490
Temporarily restricted	53,705	29,247
Accounts receivable	41,805	45,573
Current portion of unconditional promises to give, net of allowance for doubtful accounts	382,365	175,047
Investments:		
Cash, unrestricted	15,337	3,969
Cash, board designated	19,280	51,967
Securities, unrestricted	-	41,927
Securities, board designated	1,020,600	980,979
Prepaid expenses	4,213	3,500
Total current assets	<u>1,598,071</u>	<u>1,550,699</u>
Property and equipment, at cost:		
Office equipment	128,399	128,399
Less accumulated depreciation	<u>106,495</u>	<u>94,711</u>
Total property and equipment, net	<u>21,904</u>	<u>33,688</u>
Other assets:		
Unconditional promises to give, net of current portion	505,972	569,032
Investments, permanently restricted:		
Cash and securities	<u>443,263</u>	<u>413,921</u>
Total other assets	<u>949,235</u>	<u>982,953</u>
Total assets	<u>\$ 2,569,210</u>	<u>\$ 2,567,340</u>

(See Notes to Financial Statements)

**Denver Kids, Inc.**

Statements of Financial Position  
August 31, 2018 and 2017  
(See Independent Auditors' Report)

Liabilities and Net Assets

	<u>2018</u>	<u>2017</u>
Current and total liabilities:		
Accounts payable	\$ 3,968	\$ -
Accrued expenses	<u>33,546</u>	<u>39,503</u>
Total liabilities	<u>37,514</u>	<u>39,503</u>
Net assets:		
Unrestricted:		
Operating	466,972	449,003
Net investment in property and equipment	21,904	33,688
Board designated	<u>1,039,880</u>	<u>1,032,946</u>
Total unrestricted	1,528,756	1,515,637
Temporarily restricted	559,677	598,279
Permanently restricted	<u>443,263</u>	<u>413,921</u>
Total net assets	<u>2,531,696</u>	<u>2,527,837</u>
Total liabilities and net assets	<u><u>\$ 2,569,210</u></u>	<u><u>\$ 2,567,340</u></u>

(See Notes to Financial Statements)

**Denver Kids, Inc.**

Statement of Activities and Changes in Net Assets  
Year Ended August 31, 2018  
(See Independent Auditors' Report)

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Revenues:					
Sponsors	\$ 412,982	\$ -	\$ -	\$ -	\$ 412,982
Corporations and Foundations	511,254	-	148,844	-	660,098
Individuals:					
General	468,179	-	-	-	468,179
Pledges	222,616	-	111,301	-	333,917
Special events, net	41,367	-	-	-	41,367
In-Kind contributions	890,448	-	-	-	890,448
Investment income	2,014	19,147	-	9,027	30,188
Realized and unrealized gains (losses) on investments	(1,552)	67,742	-	20,315	86,505
Net assets released from restrictions:					
Satisfaction of:					
Program restrictions	124,387	(79,955)	(44,432)	-	-
Time restrictions	254,315	-	(254,315)	-	-
Total revenues	<u>2,926,010</u>	<u>6,934</u>	<u>(38,602)</u>	<u>29,342</u>	<u>2,923,684</u>
Expenses:					
Program	2,293,047	-	-	-	2,293,047
General and administrative	240,985	-	-	-	240,985
Fundraising	385,793	-	-	-	385,793
Total expenses	<u>2,919,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,919,825</u>
Change in net assets from operations	6,185	6,934	(38,602)	29,342	3,859
Net assets, beginning of year	<u>482,691</u>	<u>1,032,946</u>	<u>598,279</u>	<u>413,921</u>	<u>2,527,837</u>
Net assets, end of year	<u>\$ 488,876</u>	<u>\$ 1,039,880</u>	<u>\$ 559,677</u>	<u>\$ 443,263</u>	<u>\$ 2,531,696</u>

(See Notes to Financial Statements)

**Denver Kids, Inc.**

Statement of Activities and Changes in Net Assets  
Year Ended August 31, 2017  
(See Independent Auditors' Report)

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Revenues:					
Sponsors	\$ 325,157	\$ -	\$ -	\$ -	\$ 325,157
Corporations and Foundations	469,372	-	166,247	-	635,619
Individuals:					
General	549,848	-	9,590	-	559,438
Pledges	101,775	-	407,098	-	508,873
Special events, net	21,540	-	-	-	21,540
In-kind contributions	1,052,851	-	-	-	1,052,851
Investment income	1,835	15,774	-	7,063	24,672
Realized and unrealized					
gains (losses) on investments	(1,292)	65,379	-	17,178	81,265
Net assets released					
from restrictions:					
Satisfaction of:					
Program restrictions	161,590	-	(161,590)	-	-
Time restrictions	260,352	-	(260,352)	-	-
<b>Total revenues</b>	<b>2,943,028</b>	<b>81,153</b>	<b>160,993</b>	<b>24,241</b>	<b>3,209,415</b>
Expenses:					
Program	2,512,397	-	-	-	2,512,397
General and administrative	301,137	-	-	-	301,137
Fundraising	388,060	-	-	-	388,060
<b>Total expenses</b>	<b>3,201,594</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,201,594</b>
Change in net assets					
from operations	(258,566)	81,153	160,993	24,241	7,821
Net assets, beginning of year	741,257	951,793	437,286	389,680	2,520,016
Net assets, end of year	<u>\$ 482,691</u>	<u>\$ 1,032,946</u>	<u>\$ 598,279</u>	<u>\$ 413,921</u>	<u>\$ 2,527,837</u>

(See Notes to Financial Statements)



**Denver Kids, Inc.**

Statement of Functional Expenses  
Year Ended August 31, 2018  
(See Independent Auditors' Report)

	Program	General and Administrative	Fund Raising	Total	Percentage of Total Revenue - \$2,923,684
Bad debts	\$ -	\$ 11,310	\$ -	\$ 11,310	0.4 %
Counselor and program expense	46,416	-	-	46,416	1.6
Depreciation	-	11,784	-	11,784	0.4
Development and events	1,178	120	97,405	98,703	3.4
Employee benefits	181,895	15,546	20,681	218,122	7.5
Insurance	16,697	1,649	2,268	20,614	0.7
In-kind expense:					
Goods and services	293,013	885	885	294,783	10.1
Information technology support	4,556	3,780	1,357	9,693	0.3
Rent	112,272	13,209	6,604	132,085	4.5
Salaries and wages	395,387	-	58,500	453,887	15.5
Legal and accounting	7,315	665	1,520	9,500	0.3
Mileage expense	54,246	1,056	509	55,811	1.9
Miscellaneous	3,609	368	292	4,269	0.1
Office expense	10,007	22,714	35,169	67,890	2.3
Consulting services	89,023	-	-	89,023	3.0
Payroll taxes	72,450	15,847	9,565	97,862	3.3
Salaries and wages	987,348	142,052	151,038	1,280,438	43.8
Student activities and expense	17,635	-	-	17,635	0.6
	<u>\$ 2,293,047</u>	<u>\$ 240,985</u>	<u>\$ 385,793</u>	<u>\$ 2,919,825</u>	<u>99.7 %</u>
Percentage of Total Expenses	<u>78.5%</u>	<u>8.3%</u>	<u>13.2%</u>	<u>100.0%</u>	

(See Notes to Financial Statements)

**Denver Kids, Inc.**

Statement of Functional Expenses  
Year Ended August 31, 2017  
(See Independent Auditors' Report)

	Program	General and Administrative	Fund Raising	Total	Percentage of Total Revenue - \$3,209,415
Bad debts	\$ -	\$ 38,787	\$ -	\$ 38,787	1.2 %
Counselor and program expense	36,136	-	-	36,136	1.1
Depreciation	-	13,640	-	13,640	0.4
Development and events	6,543	646	89,106	96,295	3.0
Employee benefits	188,453	17,250	22,587	228,290	7.1
Insurance	13,817	1,365	1,876	17,058	0.5
In-kind expense:					
Goods and services	294,885	983	983	296,851	9.2
Information technology support	5,600	4,700	1,700	12,000	0.4
Rent	127,500	15,000	7,500	150,000	4.7
Salaries and wages	594,000	-	-	594,000	18.5
Legal and accounting	7,371	728	1,001	9,100	0.3
Mileage expense	53,221	579	339	54,139	1.7
Miscellaneous	3,509	1,205	170	4,884	0.2
Office expense	9,969	8,041	11,889	29,899	0.9
Consulting services	11,760	-	-	11,760	0.4
Payroll taxes	79,745	13,997	17,905	111,647	3.5
Salaries and wages	1,065,508	184,216	233,004	1,482,728	46.2
Student activities and expense	14,380	-	-	14,380	0.4
	<u>\$ 2,512,397</u>	<u>\$ 301,137</u>	<u>\$ 388,060</u>	<u>\$ 3,201,594</u>	<u>99.7 %</u>
Percentage of Total Expenses	<u>78.5%</u>	<u>9.4%</u>	<u>12.1%</u>	<u>100.0%</u>	

(See Notes to Financial Statements)

**Denver Kids, Inc.**

Statements of Cash Flows  
Years Ended August 31, 2018 and 2017  
(See Independent Auditors' Report)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from sponsors, donors and others	\$ 1,913,310	\$ 2,040,831
Cash paid to suppliers and employees	(2,157,553)	(2,310,488)
Interest received	30,188	24,672
	<u>                    </u>	<u>                    </u>
Net cash used by operating activities	<u>(214,055)</u>	<u>(244,985)</u>
Cash flows from investing activities:		
Investments:		
Proceeds from sales	92,848	225,756
Purchases	(92,848)	(225,756)
Withdrawals, net of deposits	80,789	20,267
	<u>                    </u>	<u>                    </u>
Net cash provided by investing activities	<u>80,789</u>	<u>20,267</u>
Net decrease in cash and cash equivalents	(133,266)	(224,718)
Cash and cash equivalents, beginning	<u>247,737</u>	<u>472,455</u>
Cash and cash equivalents, ending	<u>\$ 114,471</u>	<u>\$ 247,737</u>

(continued)  
(See Notes to Financial Statements)

**Denver Kids, Inc.**

Statements of Cash Flows (continued)  
 Years Ended August 31, 2018 and 2017  
 (See Independent Auditors' Report)

	2018	2017
Cash flows from operating activities:		
Change in net assets from operations	\$ 3,859	\$ 7,821
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	11,784	13,640
Unrealized gain on investments	(86,381)	(22,850)
Realized gain on investments	(125)	(58,415)
(Increase) decrease in:		
Unconditional promises to give	(136,722)	(202,332)
Accounts receivable	(3,768)	(9,796)
Prepaid expenses	(713)	180
Increase (decrease) in:		
Accounts payable	3,968	(1,829)
Accrued expenses	(5,957)	28,596
Net cash used by operating activities	\$ (214,055)	\$ (244,985)

(See Notes to Financial Statements)

## Denver Kids, Inc.

Notes to Financial Statements  
Years Ended August 31, 2018 and 2017  
(See Independent Auditors' Report)

### 1. Nature of Operations and Summary of Significant Accounting Policies

#### Nature of operations

Denver Kids, Inc. (the "Organization") is a 501(c)(3) nonprofit organization formed in September 1993 as a result of the merger between Denver Girls, Inc. and Denver Boys, Inc. The Organization provides educational counseling services for referred students enrolled in kindergarten through twelfth grade in Denver Public Schools ("DPS"). The Organization and DPS work together to offer daily activities to students which are provided by educational counselors under the employ of both the Organization and DPS. In addition to the counselors, the Organization provides administrative support and other resources as needed with a significant number of volunteers providing additional support and assistance.

The Organization operates numerous programs which include the following:

- Educational Counseling: Provides one-to-one support and guidance to students in grades kindergarten through twelve that attend DPS. Students are referred to the Organization by school personnel and then assigned to a specific counselor who then meets with the student on a weekly to semi-monthly basis for a period of, on average, 6-8 years. In addition, the Organization promotes parent engagement along with personnel of both the Organization and DPS providing a link between parents and external agencies. The program offers parents group support, training on relevant topics, referrals, counseling and other resources. Referrals and resources include medical care, legal assistance and housing along with consultations on the special education process.
- Mentoring: The Organization recruits and trains adult volunteers to serve as mentors to the students. Mentor and student matches typically average 4.5 years with meetings twice per month. Professional educational counseling personnel work closely with each volunteer providing expertise and guidance.
- Future Options: Provides post-secondary guidance and career explorations to students in grades 8 through 12 which include identifying appropriate colleges and universities and assistance with applying for financial aid. Workshops, campus and industry tours and internship opportunities engage students in both career exploration and job readiness exercises.

## Denver Kids, Inc.

Notes to Financial Statements  
Years Ended August 31, 2018 and 2017  
(See Independent Auditors' Report)

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Nature of operations (continued)

The Organization operates numerous programs which include the following (continued):

- Student Enrichment Opportunities: Planned events that are organized in a manner that is fun and teachable, and aligns with the mission of the Organization. All student activities meet the following criteria - provides students an opportunity to think about the importance of education and a high school diploma, provides students an opportunity to think about or explore post-secondary options, and encourages, motivates or inspires students to become contributing/participating members of the community. Even though there is frequent overlap, there are usually four types of Denver Kids, Inc. activities: Program-related, Development-related, Stand-alone or Community-related, and Summer

#### Basis of presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 958-205. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

The financial statements of the Organization are prepared using the accrual method of accounting under accounting principles generally accepted in the United States of America whereby income is reported as earned and expenses reported as incurred.

#### Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statements of cash flows exclude permanently restricted cash and cash equivalents. The Organization maintains cash in bank deposit accounts at a financial institution in bank deposit accounts in which the deposits are guaranteed by the Federal Deposit Insurance Corporation ("FDIC").

## Denver Kids, Inc.

Notes to Financial Statements  
Years Ended August 31, 2018 and 2017  
(See Independent Auditors' Report)

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Cash and cash equivalents (continued)

The operating accounts of the Organization are held at institutions that are provided insurance up to \$250,000 per FDIC-insured depository institution. Topic 825 of the FASB ASC, *Financial Instruments* identifies such accounts as a concentration of credit risk requiring disclosure regardless of the degree of risk. Risk related to deposits held outside of institutions participating in the above program is managed by maintaining deposits with high quality financial institutions and monitoring cash such that balances are rarely, if ever, in excess of any applicable FDIC insurance limits that may be in place. In addition, management does not believe that the Organization is exposed to any significant risk related to cash and cash equivalents.

#### Promises to give

Unconditional promises to give are recognized as revenues in the period pledged and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Promises to give 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.

The Organization uses the allowance method to record uncollectible accounts. The allowance is based on past experience and on specific analysis of the collectability of individual account balances.

#### Property and equipment

The Organization capitalizes the cost of expenditures in excess of \$3,500 for property and equipment. Property and equipment are recorded at acquisition cost with donated property and equipment recorded at estimated fair market value. When items are disposed, the cost and related depreciation are removed from the accounts, with gains or losses on disposal recorded. Depreciation is computed by the straight-line method, over the estimated useful lives of the assets ranging from three to five years. Expenditures for maintenance, repairs and minor replacements are charged to operations.

## Denver Kids, Inc.

Notes to Financial Statements  
Years Ended August 31, 2018 and 2017  
(See Independent Auditors' Report)

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the Statements of Financial Position. Realized and unrealized gains and losses are included in the Statements of Activities and Changes in Net Assets. Donated investments are reflected as contributions at their market values at date of receipt.

#### Contributions

Under the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 958, Subtopic 605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. When a donor 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 statements of activities as net assets released from restrictions.

Contributions also qualify for various state tax credits to the individual donors.

#### In-Kind Contributions

Denver Public Schools contributed office space, equipment and other assistance along with a significant portion of the salaries and related costs of the Organization's program and administrative staff of approximately \$596,000 and \$756,000 for the years ended August 31, 2018 and 2017, respectively, which are recorded as contributed services in the Statements of Activities. These amounts represent the Organization's estimate of what it would cost the Organization to replace DPS assistance in order to maintain the current level of service provided to DPS students. The contributed services are allocated on a functional basis in the Statements of Activities and Changes in Net Assets.



## Denver Kids, Inc.

Notes to Financial Statements  
Years Ended August 31, 2018 and 2017  
(See Independent Auditors' Report)

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### In-kind contributions (continued)

In addition, the Organization receives in-kind donations of clothing and school supplies from businesses and individuals. Where possible, these donations are valued at cost (if readily available) or at a conservative amount based on market value. Management of the Organization has estimated the value of these donations to be approximately \$295,000 and \$297,000 for the years ended August 31, 2018 and 2017, respectively.

Also, many other individuals volunteer their time and perform a variety of tasks that assist the Organization in its programs and general operations throughout the year; however, the value of these services do not meet the recognition criteria under FASB ASC Topic 958-605. Management of the Organization has estimated the hours contributed to be approximately 12,000 and 18,000 for the years ended August 31, 2018 and 2017, respectively.

#### Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Allocations

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The statements of functional expenses provide a detail of the natural classifications of those functional expenses.

#### Income taxes

No provision for income taxes has been made in these financial statements as the Organization has been granted non-for-profit status with the Internal Revenue Service under Section 501(c)(3). As such, the Organization is only subject to taxes on unrelated business income. During the years ended August 31, 2018 and 2017, the Organization had no unrelated business income.

## Denver Kids, Inc.

### Notes to Financial Statements Years Ended August 31, 2018 and 2017 (See Independent Auditors' Report)

#### 2. Promises to Give

##### Unconditional promises to give

Unconditional promises to give for years ending after August 31, 2018 and 2017 are reflected as either current or non-current assets based on the terms of the commitment by the individual donors. The allowance for uncollectible amounts is determined by management based on the evaluation of collectability of the promises outstanding

The following is a summary of unconditional promises to give at August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 425,309	\$ 208,626
One to five years	<u>505,972</u>	<u>569,032</u>
	<u>\$ 931,281</u>	<u>\$ 777,658</u>
Promises to give	\$ 931,281	\$ 777,658
Less allowance for uncollectible amounts	<u>42,944</u>	<u>33,579</u>
Net promises to give	<u>\$ 888,337</u>	<u>\$ 744,079</u>

Amounts due in more than one year in the future have not been discounted to present value because the effect on the financial statements would not be significant.

#### 3. Investments

##### Fair value measurements

During 2008, the Organization adopted Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 820, *Fair Value Measurements and Disclosures*. FASB ASC Topic 820 establishes a single authoritative definition of fair value and sets a hierarchy for measuring fair value. The adoption of FASB ASC Topic 820 has no impact on the Organization's accounting policies for investments, but requires additional disclosures about fair value measurement. The hierarchy for measuring fair value prioritizes the inputs to valuation techniques used to measure fair value and gives the highest priority to unadjusted quoted prices for securities traded in active markets (level 1) and the lowest priority to unobservable inputs (level 3). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**Denver Kids, Inc.**

Notes to Financial Statements  
Years Ended August 31, 2018 and 2017  
(See Independent Auditors' Report)

**3. Investments (continued)**

The hierarchies for measuring fair value under FASB ASC Topic 820 are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; and d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As required by FASB ASC Topic 820, the Organization's portfolio managed investments as of August 31, 2018 were classified as follows, based on the lowest level of input that is significant to the fair value measurement:

Description	Level 1	Level 2	Level 3	Totals
Managed Investments:				
Cash and money market funds	\$ 51,283	\$ -	\$ -	\$ 51,283
Equities	694,212	-	-	694,212
Fixed income investments	572,621	-	-	572,621
Mutual funds:				
Bonds	68,056	-	-	68,056
Equities	37,908	-	-	37,908
Other assets	74,400	-	-	74,400
	<u>\$ 1,498,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,498,480</u>

**Denver Kids, Inc.**

Notes to Financial Statements  
Years Ended August 31, 2018 and 2017  
(See Independent Auditors' Report)

**3. Investments (continued)**

As required by FASB ASC Topic 820, the Organization's portfolio managed investments as of August 31, 2017 were classified as follows, based on the lowest level of input that is significant to the fair value measurement:

Description	Level 1	Level 2	Level 3	Totals
Managed Investments:				
Cash and money market funds	\$ 79,814	\$ -	\$ -	\$ 79,814
Equities	683,162	-	-	683,162
Fixed income investments	543,054	-	-	543,054
Mutual funds:				
Bonds	70,953	-	-	70,953
Equities	56,399	-	-	56,399
Other assets	59,381	-	-	59,381
	<u>\$ 1,492,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,492,763</u>

Valuation techniques used to measure assets at fair value include net asset value of shares held by the Organization at year end and closing prices reported on the active markets in which securities held by the Organization are traded.

Investments are carried at fair value and are presented in the financial statements as follows as of August 31, 2018:

Description	Unrestricted (Reserve)	Board Designated	Permanently Restricted (Endowment)	Totals
Managed Investments:				
Cash and money market funds	\$ 15,337	\$ 19,280	\$ 16,666	\$ 51,283
Equities	-	526,548	167,664	694,212
Fixed income investments	-	374,972	197,649	572,621
Mutual funds:				
Bonds	-	68,056	-	68,056
Equities	-	9,782	28,126	37,908
Other assets	-	41,242	33,158	74,400
Total investments	<u>-</u>	<u>1,020,600</u>	<u>426,597</u>	<u>1,447,197</u>
	<u>\$ 15,337</u>	<u>\$ 1,039,880</u>	<u>\$ 443,263</u>	<u>\$ 1,498,480</u>

## Denver Kids, Inc.

### Notes to Financial Statements Years Ended August 31, 2018 and 2017 (See Independent Auditors' Report)

#### 3. Investments (continued)

Investments are carried at fair value and are presented in the financial statements as follows as of August 31, 2017:

Description	Unrestricted (Reserve)	Board Designated	Permanently Restricted (Endowment)	Totals
Managed Investments:				
Cash and money market funds	\$ 3,969	\$ 51,967	\$ 23,878	\$ 79,814
Equities	15,485	514,038	153,639	683,162
Fixed income investments	26,442	336,081	180,531	543,054
Mutual funds:				
Bonds	-	70,953	-	70,953
Equities	-	28,481	27,918	56,399
Other assets	-	31,426	27,955	59,381
Total investments	41,927	980,979	390,043	1,412,949
	<u>\$ 45,896</u>	<u>\$ 1,032,946</u>	<u>\$ 413,921</u>	<u>\$ 1,492,763</u>

Included in investment income for the years ended August 31, 2018 and 2017 were investment management fees of approximately \$11,100 and \$10,800, respectively.

#### 4. Board Designated Net Assets

During the year ended August 31, 2004, the Board of Directors resolved to establish a quasi-endowment account to set aside funds to cover future operating expenses of the Organization. The board initially designated a transfer of \$600,000 to this account from unrestricted net assets and since that time all investment income and investment gains have been retained as well.

## Denver Kids, Inc.

Notes to Financial Statements  
Years Ended August 31, 2018 and 2017  
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### 5. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of donations restricted by the donors and are available for the following purposes as of August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Unconditional promises to give that are due in more than one year	<u>\$ 505,972</u>	<u>\$ 569,032</u>
Programs:		
Academic Achievement	-	1,710
Ambers Fund	-	3,260
Educational Counselors	26,585	19,493
Future Options	-	410
Girls with Dreams	2,096	-
SEAL	25,024	-
Volunteer Mentors	<u>-</u>	<u>4,374</u>
Total programs	<u>53,705</u>	<u>29,247</u>
	<u>\$ 559,677</u>	<u>\$ 598,279</u>

### 6. Permanently Restricted Net Assets

Permanently restricted net assets consist of contributed endowment assets plus the related investment income as well as realized and unrealized gains and losses. The endowment allows the board to approve an annual distribution from the account of no more than 5% per year to be used towards general operations. The annual distribution is based on the combined funds available using a three year rolling average of the market value. The board approved no distributions from permanently restricted net assets for the years ended August 31, 2018 and 2017.

## Denver Kids, Inc.

Notes to Financial Statements  
Years Ended August 31, 2018 and 2017  
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### 7. Employee Retirement and Deferred Compensation Plans

In September 2007, the Organization established a Simple/IRA Plan which allows employees to participate immediately upon hire. The Plan includes a matching provision whereby the Organization will match employee contributions up to a maximum of 3% of compensation.

The Organization's matching contributions totaled approximately \$22,000 and \$24,200 for the years ended August 31, 2018 and 2017, respectively.

### 8. Concentration of Credit Risk

The Organization is required by FASB ASC Topic 825, *Financial Instruments*, to disclose significant concentrations of credit risk regardless of the degree of such risk. At August 31, 2018 and 2017, the financial instruments that potentially subject the Organization to a concentration of credit risk consist principally of investments.

Investment securities, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility risk. Due to the level of risk associated with investment securities, it is reasonably possible that changes in value of investment securities will occur in the near term and that such change could materially affect account balances and the amount presented in the statements of financial position.

U.S. and international markets continue to experience significant fluctuations and volatility. The Organization is monitoring investment market conditions and the impact such fluctuations and volatility are having on the Organization's investment portfolio. Due to the volatility in the financial markets as of the date of this report, the Organization is unable to determine the impact which continued volatility may have on the Organization's investment portfolio.

## Denver Kids, Inc.

Notes to Financial Statements  
Years Ended August 31, 2018 and 2017  
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### 9. Income Taxes

In July, 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109", hereafter referred to as Topic 740 of the FASB ASC. Topic 740 clarifies the accounting for uncertainty in income tax positions and defines the threshold for recognizing the tax benefits of tax return filing positions in the financial statements as "more likely than not" to be sustained upon examination, based on the technical merits of the positions. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized. Tax positions which previously would have failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which the threshold is met. Conversely, previously recognized tax positions which no longer meet the more-likely-than-not recognition should be derecognized in the first subsequent financial reporting period in which the threshold is no longer met. Accrued interest related to tax positions deemed to meet the more-likely-than-not threshold is recognized in interest expense, and any applicable penalties related to such tax positions is recognized as an operating expense of the Organization.

The Organization adopted the provisions of Topic 740 on July 1, 2009. The adoption of Topic 740 did not result in a material modification of the overall financial statements of the Organization as of and for the years ended August 31, 2018 and 2017. The Organization files tax returns in the U.S. federal jurisdiction. The Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2014.

### 10. Subsequent Events

Subsequent events have been evaluated by management as of the date of these financial statements. This date represents the date the financial statements were available to be issued.