



Columbus Foundation, Inc.

Financial Statements

And

Independent Auditor's Report

**As of June 30, 2017 and 2016
and for the years then ended**

Columbus Foundation, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Columbus Foundation, Inc.
Salt Lake City, Utah

Financial Statements

We have audited the accompanying financial statements of Columbus Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 the 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 audit. We conducted our audit 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 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 presents fairly, in all material respects, the financial position of Columbus Foundation, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 15 to the financial statements, the Organization retrospectively changed its method of accounting for debt issuance costs as of July 1, 2016. Our opinion is not modified with respect to this matter.

Shaw & Co., P.C.

Bountiful, Utah
November 8, 2017

Columbus Foundation, Inc.

Statements of Financial Position

June 30, 2017 and 2016

	<u>06/30/2017</u>	<u>06/30/2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,148,325	\$ 1,263,650
Current portion of accounts receivable, including promises to give	1,190,158	829,162
Inventory	11,802	27,913
Prepaid expenses	<u>42,085</u>	<u>45,744</u>
Total current assets	<u>2,392,370</u>	<u>2,166,469</u>
Property and equipment, at cost	8,023,056	7,868,872
Less: accumulated depreciation and amortization	<u>(2,855,238)</u>	<u>(2,548,360)</u>
Property and equipment, net	<u>5,167,818</u>	<u>5,320,512</u>
Restricted cash	1,228,193	847,817
Accounts receivable, including promises to give, less current portion	448,000	441,000
Construction in progress	702,433	-
Investments, restricted	99,612	85,970
Beneficial interest in assets held by others	<u>42,970</u>	<u>39,954</u>
Total assets	<u>\$ 10,081,396</u>	<u>\$ 8,901,722</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 83,088	\$ 121,066
Accrued salaries and benefits	317,488	341,138
Accrued expenses and other liabilities	383,872	2,116
Current portion of long-term debt	<u>145,399</u>	<u>130,610</u>
Total current liabilities	<u>929,847</u>	<u>594,930</u>
Long-term debt, less current portion	<u>1,337,292</u>	<u>1,473,004</u>
Total Liabilities	<u>2,267,139</u>	<u>2,067,934</u>
Net assets		
Unrestricted	5,213,567	5,149,504
Temporarily restricted	2,448,375	1,558,800
Permanently restricted	<u>152,315</u>	<u>125,484</u>
Total net assets	<u>7,814,257</u>	<u>6,833,788</u>
Total liabilities and net assets	<u>\$ 10,081,396</u>	<u>\$ 8,901,722</u>

See accompanying notes to financial statements.

Columbus Foundation, Inc.

Statement of Activities Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Revenues				
Fees for service	\$ 4,624,381	\$ -	\$ -	\$ 4,624,381
Contract revenue	3,337,249	-	-	3,337,249
Rental income	101,597	-	-	101,597
Investment income	13,641	-	-	13,641
Other income	11,990	-	-	11,990
Change in value of beneficial interest	3,016	-	-	3,016
Interest income	2,900	-	-	2,900
Loss on disposal of equipment	(4,087)	-	-	(4,087)
	8,090,687	-	-	8,090,687
Support				
Capital campaign	-	645,220	-	645,220
Contributions	53,582	308,053	26,831	388,466
Government grants	72,500	250,000	-	322,500
In-kind contributions	30,000	-	-	30,000
Net assets released from restrictions	313,698	(313,698)	-	-
	469,780	889,575	26,831	1,386,186
	8,560,467	889,575	26,831	9,476,873
EXPENSES				
Program services	6,647,573	-	-	6,647,573
Management and general	1,589,703	-	-	1,589,703
Fundraising	259,128	-	-	259,128
	8,496,404	-	-	8,496,404
Change in net assets	64,063	889,575	26,831	980,469
Net assets, beginning of year	5,149,504	1,558,800	125,484	6,833,788
Net assets, end of year	\$ 5,213,567	\$ 2,448,375	\$ 152,315	\$ 7,814,257

See accompanying notes to financial statements.

Columbus Foundation, Inc.

Statement of Activities Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Revenues				
Fees for service	\$ 4,488,700	\$ -	\$ -	\$ 4,488,700
Contract revenue	2,776,010	-	-	2,776,010
Rental income	120,835	-	-	120,835
Other income	16,290	-	-	16,290
Interest income	1,774	-	-	1,774
Investment income	1,494	-	-	1,494
Change in value of beneficial interest	(525)	-	-	(525)
	7,404,578	-	-	7,404,578
Support				
Capital campaign	-	1,011,770	-	1,011,770
Contributions	107,067	137,648	-	244,715
Government grants	28,282	-	-	28,282
In-kind contributions	11,636	-	-	11,636
Net assets released from restrictions	1,003,443	(1,003,443)	-	-
	1,150,428	145,975	-	1,296,403
	8,555,006	145,975	-	8,700,981
EXPENSES				
Program services	5,728,319	-	-	5,728,319
Management and general	1,384,578	-	-	1,384,578
Fundraising	244,327	-	-	244,327
	7,357,224	-	-	7,357,224
Change in net assets	1,197,782	145,975	-	1,343,757
Net assets, beginning of year	3,951,722	1,412,825	125,484	5,490,031
Net assets, end of year	\$ 5,149,504	\$ 1,558,800	\$ 125,484	\$ 6,833,788

See accompanying notes to financial statements.

Columbus Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2017

	Program Services					Supporting Activities			Total Expenses
	Vocational Support Services	Residential Services	Community Employment	Activities	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 1,955,554	\$ 1,386,473	\$ 362,735	\$ 390,850	\$ 4,095,612	\$ 871,837	\$ 113,117	\$ 984,954	\$ 5,080,566
Payroll taxes	273,455	161,093	38,227	43,592	516,367	76,569	10,135	86,704	603,071
Employee benefits	135,350	100,711	43,570	46,803	326,434	161,581	9,808	171,389	497,823
Total salaries and related expenses	2,364,359	1,648,277	444,532	481,245	4,938,413	1,109,987	133,060	1,243,047	6,181,460
Contracted services	278,702	45,611	45,228	47,453	416,994	147,007	105,545	252,552	669,546
Cost of goods sold	358,759	-	-	-	358,759	-	-	-	358,759
Supplies	107,997	19,778	19,519	10,122	157,416	24,528	13,965	38,493	195,909
Vehicles	116,610	27,173	5,830	8,344	157,957	4,399	-	4,399	162,356
Utilities	65,789	35,918	24	14,517	116,248	39,649	-	39,649	155,897
Insurance	-	-	-	-	-	95,302	-	95,302	95,302
Repairs and maintenance	43,220	14,995	471	2,095	60,781	16,081	-	16,081	76,862
Rent	42,852	27,385	-	-	70,237	1,300	-	1,300	71,537
Dues and fees	15,312	8,336	5,696	984	30,328	16,476	-	16,476	46,804
Bank charges	-	-	-	-	-	46,321	-	46,321	46,321
Interest	-	-	-	-	-	39,189	-	39,189	39,189
Miscellaneous	26,008	-	-	311	26,319	2,388	-	2,388	28,707
Food	281	409	650	6,624	7,964	12,423	27	12,450	20,414
Travel	1,877	-	6,735	-	8,612	4,898	3,224	8,122	16,734
Total expenses before depreciation and amortization	3,421,766	1,827,882	528,685	571,695	6,350,028	1,559,948	255,821	1,815,769	8,165,797
Depreciation and amortization	132,241	26,449	6,612	132,243	297,545	29,755	3,307	33,062	330,607
Total expenses	<u>\$ 3,554,007</u>	<u>\$ 1,854,331</u>	<u>\$ 535,297</u>	<u>\$ 703,938</u>	<u>\$ 6,647,573</u>	<u>\$ 1,589,703</u>	<u>\$ 259,128</u>	<u>\$ 1,848,831</u>	<u>\$ 8,496,404</u>

See accompanying notes to financial statements.

Columbus Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services					Supporting Activities			Total Expenses
	Vocational Support Services	Residential Services	Community Employment	Activities	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 1,656,901	\$ 1,203,997	\$ 170,094	\$ 334,192	\$ 3,365,184	\$ 718,891	\$ 102,929	\$ 821,820	\$ 4,187,004
Payroll taxes	256,134	149,996	19,800	40,021	465,951	69,617	8,968	78,585	544,536
Employee benefits	108,893	80,999	22,250	40,449	252,591	71,662	10,092	81,754	334,345
Total salaries and related expenses	2,021,928	1,434,992	212,144	414,662	4,083,726	860,170	121,989	982,159	5,065,885
Contracted services	327,167	63,141	64,824	39,705	494,837	222,848	115,206	338,054	832,891
Cost of goods sold	372,174	-	-	-	372,174	-	-	-	372,174
Utilities	71,489	30,251	27	16,423	118,190	31,621	-	31,621	149,811
Vehicles	86,193	30,609	4,018	10,929	131,749	6,885	-	6,885	138,634
Supplies	67,582	13,013	2,973	9,400	92,968	28,733	1,863	30,596	123,564
Insurance	375	450	-	-	825	80,788	-	80,788	81,613
Rent	43,835	27,696	-	-	71,531	4,799	-	4,799	76,330
Dues and fees	12,603	7,404	1,015	1,015	22,037	20,611	-	20,611	42,648
Repairs and maintenance	26,401	5,431	57	2,075	33,964	6,625	-	6,625	40,589
Interest	-	-	-	-	-	33,973	-	33,973	33,973
Bank charges	-	-	-	-	-	29,018	-	29,018	29,018
Miscellaneous	11,163	68	-	1,383	12,614	15,575	-	15,575	28,189
Travel	2,663	105	858	-	3,626	12,508	2,128	14,636	18,262
Food	-	6,428	145	846	7,419	2,158	-	2,158	9,577
Total expenses before depreciation and amortization	3,043,573	1,619,588	286,061	496,438	5,445,660	1,356,312	241,186	1,597,498	7,043,158
Depreciation and amortization	125,627	25,125	6,281	125,626	282,659	28,266	3,141	31,407	314,066
Total expenses	<u>\$ 3,169,200</u>	<u>\$ 1,644,713</u>	<u>\$ 292,342</u>	<u>\$ 622,064</u>	<u>\$ 5,728,319</u>	<u>\$ 1,384,578</u>	<u>\$ 244,327</u>	<u>\$ 1,628,905</u>	<u>\$ 7,357,224</u>

See accompanying notes to financial statements.

Columbus Foundation, Inc.

Statements of Cash Flows Years Ended June 30, 2017 and 2016

	<u>06/30/2017</u>	<u>06/30/2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 980,469	\$ 1,343,757
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	330,607	314,066
Amortization of debt issuance costs	5,593	5,593
Change in value of beneficial interest	(3,016)	525
Investment income	(13,641)	(1,494)
Loss on disposal of equipment	4,087	-
In-kind contributions of property and equipment	-	(5,500)
Changes in operating assets and liabilities		
Accounts receivable, including promises to give	(367,996)	(118,799)
Inventory	16,110	10,619
Prepaid expenses	3,660	(6,950)
Accounts payable	(37,978)	(41,413)
Accrued salaries and benefits	(23,650)	(731,570)
Accrued expenses and other liabilities	<u>381,757</u>	<u>1,795</u>
Net cash provided by operating activities	<u>1,276,002</u>	<u>770,629</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in cash and cash equivalents, restricted	(380,376)	(591,962)
Cash purchases of property and equipment	(182,002)	(68,832)
Cash purchases of construction in progress	(702,433)	-
Additions to beneficial interest in assets held by others	<u>-</u>	<u>(6,686)</u>
Net cash used in investing activities	<u>(1,264,811)</u>	<u>(667,480)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(126,516)</u>	<u>(132,970)</u>
Net cash used in financing activities	<u>(126,516)</u>	<u>(132,970)</u>
Net change in cash	(115,325)	(29,821)
Cash and cash equivalents, beginning of year	<u>1,263,650</u>	<u>1,293,471</u>
Cash and cash equivalents, end of year	<u>\$ 1,148,325</u>	<u>\$ 1,263,650</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 33,596</u>	<u>\$ 27,421</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Columbus Foundation, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

1. ORGANIZATION

Columbus Foundation, Inc. (the "Organization") was incorporated on March 3, 1968 under the laws of the State of Utah as a 501(c)(3) nonprofit corporation. The Organization supports programs and services that are offered through Columbus Community Center to individuals with intellectual and physical disabilities. These programs and services provide opportunities for individuals with disabilities to live with some level of independence in the community.

Vocational Training

Vocational Training is provided to Columbus Community Center clients who are able to perform a wide range of process and packaging tasks in the Columbus Production Services (CPS) warehouse, located in West Valley City. Additional training is provided in the Organization's secure shredding facility, in the Intermountain Health Care laundry facility in North Salt Lake, and at various locations throughout the valley where grounds and janitorial work are performed.

Residential Services

Residential services are provided to approximately sixty clients ranging from medically fragile to reasonably independent in seven facilities located in the Salt Lake area. Some of the residential facilities are staffed 24-hours daily, while other residential facilities are staffed as needed to provide occasional assistance to clients.

Community Employment

Community employment services are provided to clients to assist them in working in the community, outside of Columbus Community Center's work sites. Job coaches assess abilities and needs and work with clients and local businesses to determine appropriate jobs.

Activities

The Organization's staff provide an activities program for medically fragile and other clients who are not capable of working but are able and willing to socialize with each other. The activities program is operated in a separate building.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis. The Organization follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Date of Management's Review

Subsequent events were evaluated through November 8, 2017, which is the date the financial statements were available to be issued. From their review, management has determined that there were no significant recognizable or unrecognizable subsequent events that were not properly disclosed.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. Cash and cash equivalents excludes restricted cash.

Restricted Cash

Restricted cash consisted of the following at June 30, 2017 and 2016:

Peter Demirali Scholarship Fund	\$ 32,703	\$ 39,514
Dignity Through Work scholarships	111,475	164,503
Capital campaign	<u>1,084,015</u>	<u>643,800</u>
Total restricted cash	<u>\$ 1,228,193</u>	<u>\$ 848,817</u>

Concentrations of Credit Risk

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. At June 30, 2017 and 2016, cash in bank deposit accounts exceeded the FDIC insured limit of \$250,000 by \$1,828,268 and \$1,657,192, respectively. The Organization has not experienced any losses in such accounts and believe it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. The Organization's accounts receivable are generally short-term in nature; thus, the Organization does not accrue finance or interest charges.

Accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition. An allowance for doubtful accounts has not been established as of June 30, 2017 and 2016 because management believes that all accounts receivable are fully collectible.

Promises to Give

Promises to give are recorded at their estimated fair value. Amounts due later than one year, if any, are recorded at the present value of estimated future cash flows. The Organization estimates the allowance based on analysis of specific donors, taking into consideration the age of past due pledges and an assessment of the donor's ability to pay. As of June 30, 2017 and 2016, management of the Organization considers all promises to be collectible; therefore, no allowance has been recorded.

Inventory

The Organization maintains an inventory of drug testing kits and supplies related to servicing certain contracts. Inventory is accounted for at the lower of cost or market, using the specific identification method.

Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2017 and 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

Property and Equipment

Property and equipment are recorded at acquisition cost, or if donated, at the fair market value at the date donated. The Organization capitalizes additions that exceed \$5,000. 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. Depreciation and amortization expense is provided on a straight-line basis over the estimated useful lives of the respective assets or lease terms, which range from five to thirty years. Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was \$330,607 and \$314,066, respectively.

Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amounts of the assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amounts of the assets against the estimated undiscounted future cash flows associated with them. When future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying amounts of the assets, the assets are adjusted to their fair values.

Investments

The Organization has adopted the provisions of FASB ASC 958-320, *Investments—Debt and Equity Securities*. Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. Investments are permanently restricted by donors for the Peter Demirali Scholarship Fund and Heather Lyn Bowman Scholarship Fund.

Endowment Fund

The Organization's endowment consists of two funds established to support specific activities (including Dignity Through Work Scholarships) and general operations. The endowment consists of donor-restricted funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As of June 30, 2017 and 2016, there were no such donor stipulations. Consequently, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation

Notes (continued)

- The expected total return from income and the appreciation of investments
- Other sources of the Organization
- The investment policies of the Organization

Classes of Net Assets

Net assets, revenues, gains, and losses are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by the donor for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that are restricted by the donor in perpetuity.

All contributions are considered available for unrestricted use, unless specifically restricted by the donors. All expenses are reported as changes in unrestricted net assets.

Revenue and Revenue Recognition

Program service revenue consists of fees for service, contract revenue, rental income, and other income. Program service revenue is recognized when earned. Payments received in advance, if any, are deferred to the applicable period in which the related goods or services are provided.

In-kind Contributions

During the years ended June 30, 2017 and 2016, the Organization received the following in-kind contributions:

	<u>06/30/2017</u>	<u>06/30/2016</u>
Goods		
Property and equipment	\$ -	\$ 5,500
Supplies	-	4,140
Services		
Professional consulting services	<u>30,000</u>	<u>1,995</u>
Total in-kind contributions	<u>\$ 30,000</u>	<u>\$ 11,636</u>

In accordance with ASC 958-605-25-16, *Contributed Services*, the Organization recognizes contributions of services only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteers contribute significant amounts of time to the Organization's activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria.

Contributions

Unconditional promises to give are recognized as contributions when received at the net present value of the amounts expected to be collected. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor-imposed time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restriction. Contributions with donor-imposed restrictions that are met in the current reporting period are reported as unrestricted contributions. Capital campaign contributions are considered temporarily restricted until the assets are placed in service.

Estimates in the 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 as of 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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Advertising costs are expensed when the advertising first takes place. Advertising expense for the years ended June 30, 2017 and 2016 was \$12,399 and \$135, respectively, which is included in supplies expense in the statement of functional expenses.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended June 30, 2017 and 2016.

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2017, 2016, 2015, and 2014 are subject to examination by the IRS, generally for three years after they were filed. Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classifications of activities related to its exempt purpose. Management has evaluated the tax positions reflected in the Organization's tax filings and does not believe that any material uncertain tax positions exist.

Reclassifications

Certain items from June 30, 2016 have been reclassified to conform to the June 30, 2017 presentation.

3. ACCOUNTS RECEIVABLE, INCLUDING PROMISES TO GIVE

Accounts receivable, including promises to give, consisted of the following at June 30, 2017:

	<u>Trade Receivables</u>	<u>Promises to Give</u>
Amounts expected to be collected in:		
Less than one year	\$ 1,145,158	\$ 45,000
One to five years	-	448,000
More than five years	<u>-</u>	<u>-</u>
Total accounts receivable, including promises to give	1,145,158	493,000
Less: current portion	<u>1,145,158</u>	<u>45,000</u>
Accounts receivable, including promises to give, less current portion	<u>\$ -</u>	<u>\$ 448,000</u>

Accounts receivable, including promises to give, consisted of the following at June 30, 2016:

	<u>Trade Receivables</u>	<u>Promises to Give</u>
Amounts expected to be collected in:		
Less than one year	\$ 829,162	\$ 258,000
One to five years	-	183,000
More than five years	<u>-</u>	<u>-</u>
Total accounts receivable, including promises to give	829,162	441,000
Less: current portion	<u>(829,162)</u>	<u>-</u>
Accounts receivable, including promises to give, less current portion	<u>\$ -</u>	<u>\$ 441,000</u>

Accounts receivable, including promises to give, are expected to be collected in full. Therefore, management has determined that there is no allowance necessary. Promises to give that have been donor-restricted for the capital campaign are included in amounts classified as noncurrent.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2017 and 2016:

Land	\$ 1,577,568	\$ 1,577,568
Buildings	5,392,203	5,397,853
Furniture and equipment	514,260	428,606
Vehicles	<u>539,025</u>	<u>464,845</u>
	<u>8,023,056</u>	<u>7,868,872</u>
Less: accumulated depreciation and amortization	<u>(2,855,238)</u>	<u>(2,548,360)</u>
Property and equipment, net	<u>\$ 5,167,818</u>	<u>\$ 5,320,512</u>

5. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described 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 <ul style="list-style-type: none"> • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data by correlation or other means <p>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.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Level 1

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued based on quoted NAV of the shares held by the Organization at year-end. The values of underlying common stocks, corporate bonds, and U.S. Government securities are based on the closing price reported on the active market where the individual securities are traded.

Level 3

Pooled investment funds: Valued at net asset value per unit as reported by the Community Foundation of Utah, as a practical expedient for measuring fair value. The Organization uses this practical expedient because the units do not trade in the marketplace and the Community Foundation of Utah reports all its investment assets at fair value. Redemption of pooled investment funds is restricted as described in Note 8.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2017:

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Common stock	\$ 5,014	\$ -	\$ -	\$ 5,014
Equity mutual funds	94,598	-	-	94,598
Total investments	99,612	-	-	99,612
Pooled investment funds	-	-	42,970	42,970
Total beneficial interest in assets held by others	-	-	42,970	42,970
Total	\$ 99,612	\$ -	\$ 42,970	\$ 142,582

Notes (continued)

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30, 2017:

Balance at June 30, 2016	\$ 39,954
Change in value of beneficial interest	<u>3,016</u>
Balance at June 30, 2017	<u>\$ 42,970</u>

	Assets at Fair Value as of June 30, 2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 4,093	\$ -	\$ -	\$ 4,093
Equity mutual funds	<u>81,877</u>	<u>-</u>	<u>-</u>	<u>81,877</u>
Total investments	<u>85,970</u>	<u>-</u>	<u>-</u>	<u>85,970</u>
Pooled investment funds	<u>-</u>	<u>-</u>	<u>39,954</u>	<u>39,954</u>
Total beneficial interest in assets held by others	<u>-</u>	<u>-</u>	<u>39,954</u>	<u>39,954</u>
Total	<u>\$ 85,970</u>	<u>\$ -</u>	<u>\$ 39,954</u>	<u>\$ 125,924</u>

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30, 2016:

Balance at June 30, 2015	\$ 33,793
Adjustments	6,686
Change in value of beneficial interest	<u>(525)</u>
Balance at June 30, 2016	<u>\$ 39,954</u>

6. ENDOWMENT FUND

The Organization's endowment (the Endowment) consists of the Peter Demirali Scholarship Fund and the Heather Lyn Bowman Scholarship Fund. The Peter Demirali Scholarship Fund was established in June 2013 by a Gift Agreement to provide annual funding for specific activities (including Dignity Through Work scholarships) and general operations. The Heather Lyn Bowman Scholarship Fund was established in December 2016 to provide annual funding for Dignity Through Work scholarships.

Endowment net asset composition by type of fund at June 30, 2017 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Peter Demirali Scholarship Fund	\$ -	\$ -	\$ 127,315	\$ 127,315
Heather Lyn Bowman Scholarship Fund	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,315</u>	<u>\$ 132,315</u>

Notes (continued)

Changes in endowment net assets for the fiscal year ending June 30, 2017 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, June 30, 2016	\$ -	\$ -	\$ 125,484	\$ 125,484
Contributions	-	-	6,831	6,831
Investment return				
Investment income	-	1,851	-	1,851
Net appreciation	-	<u>13,641</u>	-	<u>13,641</u>
Total investment return	-	15,492	-	15,492
Appropriation of endowment assets for expenditure	-	<u>(15,492)</u>	-	<u>(15,492)</u>
Net assets, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,315</u>	<u>\$ 132,315</u>

Endowment net asset composition by type of fund at June 30, 2016 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Peter Demirali Scholarship Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,484</u>	<u>\$ 125,484</u>

Changes in endowment net assets for the fiscal year ending June 30, 2016 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, June 30, 2015	\$ -	\$ -	\$ 125,484	\$ 125,484
Contributions	-	-	-	-
Investment return				
Investment income	-	1,766	-	1,766
Net appreciation	-	<u>1,494</u>	-	<u>1,494</u>
Total investment return	-	3,260	-	3,260
Appropriation of endowment assets for expenditure	-	<u>(3,260)</u>	-	<u>(3,260)</u>
Net assets, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,484</u>	<u>\$ 125,484</u>

7. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization established the Columbus Dignity Through Work Fund through Community Foundation of Utah. The designated purpose of the fund is for the support of the charitable purposes of the Organization. Once the fund balance reaches \$50,000, distributions may be made for charitable purposes in accordance with Community Foundation of Utah's spending policy. Distributions in excess of Community Foundation of Utah's spending policy may also be made to (1) acquire or renovate a capital asset, (2) meet an unexpected and nonrecurring financial need, or (3) benefit the Organization, advance its charitable purpose, and benefit the community.

At the time the fund was established, the Organization granted variance power to Community Foundation of Utah. That power gives Community Foundation of Utah the right to modify any restriction or condition on the distribution of funds if such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. At June 30, 2017 and 2016, Community Foundation of Utah has not notified the Organization of any decision to exercise its variance power.

The Organization believes that the fair value of the future cash flows to be received from its beneficial interest in assets held by the Community Foundation of Utah approximates the fair value of the underlying assets held by the Community Foundation of Utah. The assets held by the Community Foundation of Utah are entirely comprised of pooled investment funds held and managed by the Community Foundation of Utah. Fair value is based on the net asset value per share as determined by the Community Foundation of Utah and provided to the Organization. The fund consists primarily of various common and preferred stocks, asset backed obligations, mutual and index funds, government obligations, and cash equivalent funds. The investment is directed by the Community Foundation of Utah and the portfolio is designed to achieve returns consistent with the Community Foundation of Utah's adopted investment policies. At June 30, 2017 and 2016, the fund had a value of \$42,970 and \$39,954, respectively, which is reported in the statements of financial position as beneficial interest in assets held by others.

8. LONG-TERM DEBT

The Organization's long-term debt consists of a bond due to Salt Lake County, an equipment loan, and a residential rental property mortgage.

Bond

On November 1, 2000, Salt Lake County issued \$2,570,000 of Series 2000 Multi-Mode Variable Rate Training Facilities Revenue Bonds (the Bonds). The County then loaned the proceeds of the Bonds to the Organization (formerly known as Community Foundation for the Disabled, Inc.) for construction of production facilities and administrative offices. The Bonds are special limited obligations of the County and are payable solely out of the amounts from the Organization pursuant to the terms and provisions of the indenture and agreement. The Bonds are 2000-year serial bonds maturing in August 2025, with a variable interest rate, which was 1.05 and 0.55 percent as of June 30, 2017 and 2016, respectively. The Organization may from time to time convert the interest rate mode for the bonds to another interest rate mode in accordance with the terms of the Bond Indenture Agreement. Payment of principal and interest on the Bonds is guaranteed by a loan agreement which provides the County with rights and title to the program revenues and is secured by the production facilities and administrative offices. Interest on the Bonds is payable monthly, with various annual installments of principal through 2025.

In connection with the bond agreements, the Organization agrees that it will not sell, assign, transfer, exchange, or otherwise dispose of the Organization's facilities, and that it will not create, incur, or permit to exist any lien with respect to the Organizations facilities, except for the lien of the bond agreements. The bonds payable are secured by the Organizations facilities and revenues. The Organization has a letter of credit agreement with a bank (equal to the outstanding bond payable balance) which requires an annual payment of 1% of the outstanding bond payable amount.

Letter of credit fees are included in interest expense in the statement of functional expenses. Debt issuance costs, which consist of bond offering costs, are presented as a reduction of bond proceeds payable and are amortized to interest expense using the straight-line method over the life of the bond. At June 30, 2017 and 2016, bond proceeds payable totaled \$1,332,459 and \$1,441,866, which consisted of principal of \$1,380,000 and \$1,495,000 reduced by unamortized debt issuance costs of \$47,541 and \$53,134, respectively.

Equipment Loan

In August 2014, the Organization issued a note payable to private party. The note payable is non-interest-bearing and requires quarterly payments of \$4,750 through August 2019. The note payable is secured by equipment costing \$95,000. At June 30, 2017 and 2016, the equipment loan payable under this agreement totaled \$52,250 and \$61,750, respectively.

Residential Rental Property Mortgage

In July 2016, the Organization assumed a mortgage on residential rental property that was transferred to the Organization by a donor. The mortgage requires monthly payments of \$555 through August 2041 and bears an annual interest rate of 4.5%. The mortgage is secured by land and a building with a fair market value of \$393,086 at the time of donation. At June 30, 2017 and 2016, the mortgage payable under this agreement totaled \$97,982 and \$99,998, respectively.

Future Maturities

Future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Amortized Debt Issuance Costs</u>
2018	\$ 150,992	(5,593)
2019	151,410	(5,593)
2020	142,271	(5,593)
2021	147,636	(5,593)
2022	152,758	(5,593)
Thereafter	<u>785,165</u>	<u>(19,576)</u>
Total long-term debt	1,530,232	(47,541)
Less: current portion	<u>(150,992)</u>	<u>5,593</u>
Long-term debt, less current portion	<u>\$ 1,379,240</u>	<u>\$ (41,948)</u>

9. RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2017 and 2016:

Dignity through Work scholarships	\$ 111,475	\$ 164,503
Community employment expansion	316,880	309,497
Capital campaign	1,547,020	643,800
Promises to give	<u>473,000</u>	<u>441,000</u>
	<u>\$ 2,448,375</u>	<u>\$ 1,558,800</u>

Permanently restricted net assets consisted of the following at June 30, 2017 and 2016:

Peter Demirali Scholarship Fund	\$ 127,315	\$ 125,484
Heather Lyn Bowman Scholarship Fund	5,000	-
Promises to give	<u>20,000</u>	<u>-</u>
	<u>\$ 152,315</u>	<u>\$ 125,484</u>

Permanently restricted net assets consist of endowment funds restricted by donors for investment in perpetuity. Distributions from perpetual trusts and earnings on endowment funds are available for the purposes specified by the donors.

10. LEASES*Lessee Arrangements*

The Organization leases three residential facilities for use in its Residential Services program. At June 30, 2017, two of these leases were under month-to-month agreements. The remaining residential facility was leased under an operating lease requiring monthly payment of \$660 and expiring August 2017. Rent expense during the year ended June 30, 2017 was \$71,537. Future minimum payments required under non-cancellable leases are as follows:

<u>Year ending June 30,</u>	
2018	\$ 1,320
Thereafter	<u>-</u>
Total future minimum payments	<u>\$ 1,320</u>

Lessor Arrangements

The Organization's residential facilities are used as group homes to support the Organization's Residential Services program. The residential facilities, which cost \$886,857 and had a carrying value of \$863,712 as of June 30, 2017, are leased to individuals under operating leases requiring combined monthly payments of \$6,005 and expiring between December 2017 and April 2018. The Organization also leases office space to a third party under a month-to-month agreement. Future minimum payments to be received under non-cancellable leases are as follows:

<u>Year ending June 30,</u>	
2018	\$ 37,230
Thereafter	<u>-</u>
Total future minimum payments	<u>\$ 37,230</u>

11. CONCENTRATIONS

During the year ended June 30, 2017, the Organization received 47% of its total revenue and support from Customer A. At June 30, 2017, 25% and 15% of total accounts receivable, including promises to give, was due from Customer A and Donor A, respectively. At June 30, 2017, 55% of total accounts payable was due to Vendor A.

During the year ended June 30, 2016, the Organization received 48% of its total revenue and support from Customer A. At June 30, 2016, 35% and 16% of total accounts receivable, including promises to give, was due from Customer A and Donor A, respectively. At June 30, 2016, 43% and 22% of total accounts payable was due to Vendor A and Vendor B, respectively.

12. COMMITMENTS AND CONTINGENCIES

The Organization participates in various government-assisted state programs that are subject to review and audit by grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a government audit may become a liability of the Organization. The ultimate disallowance pertaining to these regulations, if any, is estimated to be immaterial to the overall financial condition of the Organization. The Organization may be involved in certain claims arising from the ordinary course of operations, and has purchased insurance policies to cover these risks.

13. RETIREMENT PLAN

As of January 1, 2015, the Organization began participating in a 401(k) retirement plan sponsored by a third party service provider that covers employees who meet certain eligibility requirements. The Organization contributes discretionary matching contributions for eligible employees. The Organization's contribution to the Plan during the years ended June 30, 2017 and 2016 was \$48,796 and \$57,358, respectively.

14. RELATED-PARTY TRANSACTIONS

During the year ended June 30, 2017, the Organization provided contract services to a company of which one of the Organization's board members was an owner. During the year ended June 30, 2017, contract service revenue related to contracts with this company totaled \$131,177. At June 30, 2017, accounts receivable due from this company totaled \$19,475.

15. CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2017, the Organization retrospectively changed its method of accounting for debt issuance costs, in accordance with FASB Accounting Standards Update 2015-03: *Simplifying the Presentation of Debt Issuance Costs*. The effect of the change was to (1) present debt issuance costs as a reduction of related long-term liabilities on the statement of financial position and (2) present the amortization of debt issuance costs as a component of interest expense on the statement of functional expenses. The financial statements for the year ended June 30, 2016 have been retroactively restated for such change, which resulted in reclassifying \$53,134 of debt issuance costs from other assets to a reduction of long-term liabilities on the statement of financial position and reclassifying \$5,593 of amortized debt issuance costs from amortization expense to interest expense on the statement of functional expenses. Net assets were unaffected by the retroactive application of the change in accounting principle.