



**Columbus Foundation, Inc.**

**Financial Statements**

**And**

**Independent Auditor's Report**

**As of June 30, 2018 and 2017  
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, 2018 and 2017, 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, 2018 and 2017, 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.

*Shaw & Co., P.C.*

Bountiful, Utah  
November 8, 2018

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# Columbus Foundation, Inc.

## Statements of Financial Position

June 30, 2018 and 2017

	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,824,781	\$ 1,148,325
Current portion of accounts receivable, including promises to give	1,189,770	1,190,158
Inventory	-	11,802
Prepaid expenses	<u>30,005</u>	<u>42,085</u>
Total current assets	<u>3,044,556</u>	<u>2,392,370</u>
Property and equipment, at cost	8,088,133	8,023,056
Less: accumulated depreciation and amortization	<u>(3,191,872)</u>	<u>(2,855,238)</u>
Property and equipment, net	<u>4,896,261</u>	<u>5,167,818</u>
Restricted cash	725,808	1,228,193
Accounts receivable, including promises to give, less current portion	385,000	448,000
Hub in progress	1,441,933	702,433
Investments, restricted	112,699	99,612
Beneficial interest in assets held by others	<u>45,022</u>	<u>42,970</u>
Total assets	<u>\$ 10,651,279</u>	<u>\$ 10,081,396</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 60,673	\$ 83,088
Accrued salaries and benefits	345,464	317,488
Accrued expenses and other liabilities	-	383,872
Current portion of long-term debt	<u>151,318</u>	<u>145,399</u>
Total current liabilities	<u>557,455</u>	<u>929,847</u>
Long-term debt, less current portion	<u>1,191,475</u>	<u>1,337,292</u>
Total Liabilities	<u>1,748,930</u>	<u>2,267,139</u>
Net assets		
Unrestricted	5,723,500	5,213,567
Temporarily restricted	3,026,534	2,448,375
Permanently restricted	<u>152,315</u>	<u>152,315</u>
Total net assets	<u>8,902,349</u>	<u>7,814,257</u>
Total liabilities and net assets	<u>\$ 10,651,279</u>	<u>\$ 10,081,396</u>

See accompanying notes to financial statements.

# Columbus Foundation, Inc.

## Statement of Activities Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND SUPPORT</b>				
Revenues				
Fees for service	\$ 4,712,691	\$ -	\$ -	\$ 4,712,691
Contract revenue	3,299,161	-	-	3,299,161
Rental income	59,494	-	-	59,494
Investment income	13,087	-	-	13,087
Other income	9,107	-	-	9,107
Interest income	4,439	-	-	4,439
Change in value of beneficial interest	2,052	-	-	2,052
Total revenues	8,100,031	-	-	8,100,031
Support				
Capital campaign	-	453,454	-	453,454
Contributions	95,130	254,124	-	349,254
Government grants	355,340	250,000	-	605,340
Net assets released from restrictions	379,419	(379,419)	-	-
Total support	829,889	578,159	-	1,408,048
Total revenues and support	8,929,920	578,159	-	9,508,079
<b>EXPENSES</b>				
Program services	6,875,028	-	-	6,875,028
Management and general	1,132,983	-	-	1,132,983
Fundraising	411,976	-	-	411,976
Total expenses	8,419,987	-	-	8,419,987
Change in net assets	509,933	578,159	-	1,088,092
Net assets, beginning of year	5,213,567	2,448,375	152,315	7,814,257
Net assets, end of year	\$ 5,723,500	\$ 3,026,534	\$ 152,315	\$ 8,902,349

See accompanying notes to financial statements.

# Columbus Foundation, Inc.

## Statement of Activities Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND SUPPORT</b>				
Revenues				
Fees for service	\$ 4,624,381	\$ -	\$ -	\$ 4,624,381
Contract revenue	3,337,249	-	-	3,337,249
Rental income	101,597	-	-	101,597
Other income	11,990	-	-	11,990
Interest income	2,900	-	-	2,900
Investment income	13,641	-	-	13,641
Loss on disposal of equipment	(4,087)	-	-	(4,087)
Change in value of beneficial interest	3,016	-	-	3,016
Total revenues	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)	-	-
Total support	469,780	889,575	26,831	1,386,186
Total revenues and support	8,560,467	889,575	26,831	9,476,873
<b>EXPENSES</b>				
Program services	6,647,573	-	-	6,647,573
Management and general	1,589,703	-	-	1,589,703
Fundraising	259,128	-	-	259,128
Total expenses	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 Functional Expenses**  
**Year Ended June 30, 2018**

	Program Services					Supporting Activities			Total Expenses
	Vocational Support Services	Residential Services	Community Employment	Activities	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 1,828,143	\$ 1,430,593	\$ 469,604	\$ 383,539	\$ 4,111,879	\$ 628,544	\$ 259,807	\$ 888,351	\$ 5,000,230
Payroll taxes	137,524	106,335	35,201	28,290	307,350	38,460	22,292	60,752	368,102
Employee benefits	183,687	159,347	59,910	57,883	460,827	61,252	27,489	88,741	549,568
<b>Total salaries and related expenses</b>	<b>2,149,354</b>	<b>1,696,275</b>	<b>564,715</b>	<b>469,712</b>	<b>4,880,056</b>	<b>728,256</b>	<b>309,588</b>	<b>1,037,844</b>	<b>5,917,900</b>
Contracted services	613,809	16,898	21,937	40,744	693,388	160,715	75,058	235,773	929,161
Supplies	103,588	27,568	14,128	8,886	154,170	25,147	11,333	36,480	190,650
Utilities	91,105	38,859	2,930	18,860	151,754	35,707	-	35,707	187,461
Cost of goods sold	165,125	-	-	-	165,125	-	-	-	165,125
Vehicles	106,233	32,634	12,181	4,660	155,708	6,069	-	6,069	161,777
Insurance	46,221	36,170	11,873	9,697	103,961	16,597	6,569	23,166	127,127
Repairs and maintenance	33,431	29,392	-	5,128	67,951	14,330	-	14,330	82,281
Rent	45,504	31,882	-	-	77,386	-	-	-	77,386
Bank charges	-	-	-	-	-	72,795	-	72,795	72,795
Dues and fees	10,425	6,387	31,454	2,313	50,579	20,136	-	20,136	70,715
Food	15	7,978	520	13,575	22,088	13,152	-	13,152	35,240
Interest	12,576	2,580	1,290	12,899	29,345	2,580	322	2,902	32,247
Travel	6,694	-	7,488	-	14,182	8,299	5,740	14,039	28,221
Miscellaneous	2,998	-	-	-	2,998	2,269	-	2,269	5,267
<b>Total expenses before depreciation and amortization</b>	<b>3,387,078</b>	<b>1,926,623</b>	<b>668,516</b>	<b>586,474</b>	<b>6,568,691</b>	<b>1,106,052</b>	<b>408,610</b>	<b>1,514,662</b>	<b>8,083,353</b>
Depreciation and amortization	131,287	26,931	13,465	134,654	306,337	26,931	3,366	30,297	336,634
<b>Total expenses</b>	<b>\$ 3,518,365</b>	<b>\$ 1,953,554</b>	<b>\$ 681,981</b>	<b>\$ 721,128</b>	<b>\$ 6,875,028</b>	<b>\$ 1,132,983</b>	<b>\$ 411,976</b>	<b>\$ 1,544,959</b>	<b>\$ 8,419,987</b>

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.

## Statements of Cash Flows Years Ended June 30, 2018 and 2017

	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,088,092	\$ 980,469
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	336,634	330,607
Amortization of debt issuance costs	5,593	5,593
Change in value of beneficial interest	(2,053)	(3,016)
Investment income	(13,087)	(13,641)
Loss on disposal of equipment	-	4,087
Changes in operating assets and liabilities		
Accounts receivable, including promises to give	63,388	(367,996)
Inventory	11,802	16,110
Prepaid expenses	12,079	3,660
Accounts payable	(22,415)	(37,978)
Accrued salaries and benefits	27,976	(23,650)
Accrued expenses and other liabilities	<u>(383,870)</u>	<u>381,757</u>
Net cash provided by operating activities	<u>1,124,139</u>	<u>1,276,002</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in cash and cash equivalents, restricted	502,385	(380,376)
Cash purchases of property and equipment	(65,077)	(182,002)
Cash purchases of Hub in progress	<u>(739,500)</u>	<u>(702,433)</u>
Net cash used in investing activities	<u>(302,192)</u>	<u>(1,264,811)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	<u>(145,491)</u>	<u>(126,516)</u>
Net cash used in financing activities	<u>(145,491)</u>	<u>(126,516)</u>
Net change in cash	676,456	(115,325)
Cash and cash equivalents, beginning of year	<u>1,148,325</u>	<u>1,263,650</u>
Cash and cash equivalents, end of year	<u>\$ 1,824,781</u>	<u>\$ 1,148,325</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 26,654</u>	<u>\$ 33,596</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, 2018 and 2017

### 1. ORGANIZATION

Columbus Foundation, Inc. dba Columbus Community Center (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 offers programs and services to individuals with intellectual and physical disabilities to enable them 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, 2018, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Peter Demirali Scholarship Fund	\$ 24,617	\$ 32,703
Dignity Through Work scholarships	66,505	111,475
Capital campaign	<u>634,686</u>	<u>1,084,015</u>
Total restricted cash	<u>\$ 725,808</u>	<u>\$ 1,228,193</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, 2018 and 2017, cash in bank deposit accounts exceeded the FDIC insured limit of \$250,000 by \$1,998,673 and \$1,828,268, 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, 2018 and 2017 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017 was \$336,634 and \$330,607, 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, 2018 and 2017, 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, 2018 and 2017, the Organization received the following in-kind contributions:

	<u>2018</u>	<u>2017</u>
Professional consulting services	-	<u>30,000</u>
Total in-kind contributions	<u>\$ -</u>	<u>\$ 30,000</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, 2018 and 2017 was \$10,143 and \$12,399, 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, 2018 and 2017.

The Organization’s Form 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2018, 2017, 2016, and 2015 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, 2017 have been reclassified to conform to the June 30, 2018 presentation.

**3. ACCOUNTS RECEIVABLE, INCLUDING PROMISES TO GIVE**

Accounts receivable, including promises to give, consisted of the following at June 30, 2018:

	<u>Trade Receivables</u>	<u>Promises to Give</u>
Amounts expected to be collected in:		
Less than one year	\$ 1,149,770	\$ 40,000
One to five years	-	385,000
More than five years	<u>-</u>	<u>-</u>
Total accounts receivable, including promises to give	1,149,770	425,000
Less: current portion	<u>(1,149,770)</u>	<u>(40,000)</u>
Accounts receivable, including promises to give, less current portion	<u>\$ -</u>	<u>\$ 385,000</u>

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, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,577,568	\$ 1,577,568
Buildings	5,451,096	5,392,203
Furniture and equipment	520,444	514,260
Vehicles	<u>539,025</u>	<u>539,025</u>
	<u>8,088,133</u>	<u>8,023,056</u>
Less: accumulated depreciation and amortization	<u>(3,191,872)</u>	<u>(2,855,238)</u>
Property and equipment, net	<u>\$ 4,896,261</u>	<u>\$ 5,167,818</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"> <li>• quoted prices for similar assets or liabilities in active markets;</li> <li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li> <li>• inputs other than quoted prices that are observable for the asset or liability;</li> <li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means</li> </ul> <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, 2018:

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Common stock	\$ 6,408	\$ -	\$ -	\$ 6,408
Equity mutual funds	106,291	-	-	106,291
Total investments	112,699	-	-	112,699
Pooled investment funds	-	-	45,022	45,022
Total beneficial interest in assets held by others	-	-	45,022	45,022
Total	\$ 112,699	\$ -	\$ 45,022	\$ 157,721



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, 2018:

Balance at June 30, 2017	\$ 42,970
Change in value of beneficial interest	<u>2,052</u>
Balance at June 30, 2018	<u>\$ 45,022</u>

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

## 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, 2018 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>10,000</u>	<u>10,000</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,315</u>	<u>\$ 137,315</u>

Notes (continued)

Changes in endowment net assets for the fiscal year ending June 30, 2018 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, June 30, 2017	\$ -	\$ -	\$ 132,315	\$ 132,315
Contributions	-	-	5,000	5,000
Investment return				
Investment income	-	1,664	-	1,664
Net appreciation	-	<u>13,087</u>	-	<u>13,087</u>
Total investment return	-	14,751	-	14,751
Appropriation of endowment assets for expenditure	-	<u>(14,751)</u>	-	<u>(14,751)</u>
Net assets, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,315</u>	<u>\$ 137,315</u>

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>5,000</u>	<u>5,000</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,315</u>	<u>\$ 132,315</u>

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>

## 7. HUB IN PROGRESS

Hub in progress represents amounts paid to fund initial design and construction work related to The HUB of Opportunity (The Hub), an innovative transit-oriented, 200,000 square-foot commercial and residential development that will bring together a unique combination of community services, workforce development opportunities, and community living for individuals with disabilities. The Hub is being developed in partnership with a government agency and third-party investor through three separate partnerships that will finance the majority of the project through the use of low-income housing tax credits. As of June 30, 2018, no assets had been transferred to these partnerships by the partners, because certain details surrounding the agreement had not yet been finalized.

## **8. 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, 2018 and 2017, 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, 2018 and 2017, the fund had a value of \$45,022 and \$42,970, respectively, which is reported in the statements of financial position as beneficial interest in assets held by others.

## **9. 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 1.66 and 1.05 percent as of June 30, 2018 and 2017, 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, 2018 and 2017, bond proceeds payable totaled \$1,218,052 and \$1,332,459, which consisted of principal of \$1,260,000 and \$1,380,000 reduced by unamortized debt issuance costs of \$41,948 and \$47,541, 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, 2018 and 2017, the equipment loan payable under this agreement totaled \$28,500 and \$52,250, 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, 2018 and 2017, the mortgage payable under this agreement totaled \$96,241 and \$97,982, 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>
2019	\$ 156,911	(5,593)
2020	142,271	(5,593)
2021	147,636	(5,593)
2022	152,758	(5,593)
2023	162,884	(5,593)
Thereafter	<u>622,281</u>	<u>(13,983)</u>
Total long-term debt	1,384,741	(41,948)
Less: current portion	<u>(156,911)</u>	<u>5,593</u>
Long-term debt, less current portion	<u>\$ 1,227,830</u>	<u>\$ (36,355)</u>

## **10. RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Dignity through Work scholarships	\$ 66,505	\$ 111,475
Community employment expansion	251,555	316,880
Capital campaign	2,313,474	1,547,020
Promises to give	<u>395,000</u>	<u>473,000</u>
	<u>\$ 3,026,534</u>	<u>\$ 2,448,375</u>

Permanently restricted net assets consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Peter Demirali Scholarship Fund	\$ 127,315	\$ 127,315
Heather Lyn Bowman Scholarship Fund	10,000	5,000
Promises to give	<u>15,000</u>	<u>20,000</u>
	<u>\$ 152,315</u>	<u>\$ 152,315</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.

## 11. LEASES

### *Lessee Arrangements*

The Organization leases three residential facilities for use in its Residential Services program. At June 30, 2018, all of these leases were under month-to-month agreements. Rent expense during the year ended June 30, 2018 and 2017 was \$77,386 and \$71,537, respectively.

### *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 \$852,141 as of June 30, 2018, are leased to individuals under operating leases requiring combined monthly payments of \$5,225 and expiring between December 2018 and July 2019. The Organization also leased 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>	
2019	\$ 33,050
2020	340
Thereafter	<u>-</u>
Total future minimum payments	<u>\$ 33,390</u>

## 12. CONCENTRATIONS

During the year ended June 30, 2018, the Organization received 44% of its total revenue and support from Customer A. At June 30, 2018, 25% and 16% of total accounts receivable, including promises to give, was due from Customer A and Donor A, respectively. At June 30, 2018, 41% of total accounts payable was due to Vendor A.

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.

### **13. 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.

### **14. 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, 2018 and 2017 was \$52,321 and \$48,796, respectively.

### **15. RELATED-PARTY TRANSACTIONS**

The Organization provided contract services to a company of which one of the Organization's board members is an owner. Contract service revenue related to contracts with this company during the years ended June 30, 2018 and 2017 totaled \$175,339 and \$131,177, respectively. At June 30, 2018 and 2017, accounts receivable due from this company totaled \$91,797 and \$19,475, respectively.

### **16. SUBSEQUENT EVENTS**

Subsequent to year end, the Organization sold real property related to three residential facilities. Proceeds from the sale totaled approximately \$1,200,000 and the carrying value of the real property was approximately \$860,000. The Organization also entered into an agreement to lease the facilities and has a first right of refusal to repurchase the property in the future.

Bridge financing was secured by the Organization with the Housing Authority of the County of Salt Lake ("HACSL") to provide interim financing for construction costs incurred prior to the financing for the Hub project being finalized. As of the date of management's review, \$1,142,298 had been drawn on this line of credit.