ATTENTION, INC.

FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

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ATTENTION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016

		2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	204,842
Contributions receivable		73,434
Accounts receivable		54,552
Prepaid expense		5,100
Total current assets		337,928
PROPERTY AND EQUIPMENT, NET (Note 2)		738,440
OTHER ASSETS		
Investments (Note 3)		402,735
TOTAL ASSETS	$	1,479,103
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$	10,395
Accrued payroll liabilities		44,318
Total current liabilities		54,713
COMMITMENTS (Note 7)		
NET ASSETS		
Unrestricted		1,353,456
Temporarily restricted (Note 6)		70,934
Total net assets		1,424,390
TOTAL LIABILITIES AND NET ASSETS	$	1,479,103

ATTENTION, INC.
STATEMENT OF ACTIVITIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Public support			
Grants	$ 372,543	$ 88,434	$ 460,977
Contributions	173,240	-	173,240
In-kind donations	90,013	-	90,013
Total public support	635,796	88,434	724,230
Revenue			
Program service fees	357,373	-	357,373
Investment income, net (Note 3)	6,783	-	6,783
Change in value of endowment investments	2,553	-	2,553
Total revenue	366,709	-	366,709
Special events			
Contributions	253,091	-	253,091
Direct cost of benefits to donors	(63,015)	-	(63,015)
Special events, net	190,076	-	190,076
Net assets released from restrictions			
Released from time restrictions	47,500	(47,500)	-
Total revenue and support	1,240,081	40,934	1,281,015
EXPENSES			
Program services	983,390	-	983,390
Management and general	99,590	-	99,590
Fund raising	299,809	-	299,809
Total expenses	1,382,789	-	1,382,789
CHANGE IN NET ASSETS	(142,708)	40,934	(101,774)
NET ASSETS - BEGINNING OF YEAR	1,496,164	30,000	1,526,164
NET ASSETS - END OF YEAR	$ 1,353,456	$ 70,934	$ 1,424,390

ATTENTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

	Program Services	Management and General	Fund Raising	Total
EMPLOYEE EXPENSES				
Salaries	$ 565,476	$ 53,491	$ 145,190	$ 764,157
Payroll taxes	49,338	4,667	12,668	66,673
Health insurance	29,802	2,819	7,652	40,273
Workers compensation	6,431	3,216	3,216	12,863
Awards and recognition	3,916	1,009	1,009	5,934
Recruitment and training	3,625	934	934	5,493
Other	428	110	110	648
	659,016	66,246	170,779	896,041
DIRECT PROGRAM EXPENSES				
Food and cleaning supplies	20,413	-	-	20,413
Recreation and education	10,584	-	-	10,584
Contract services	98,537	-	-	98,537
Transportation	17,140	-	-	17,140
Other	54,362	-	-	54,362
	201,036	-	-	201,036
OCCUPANCY EXPENSES				
Rent	5,745	2,873	2,872	11,490
Repairs	11,035	1,505	-	12,540
Insurance	6,689	3,344	3,344	13,377
Telephone and utilities	23,001	3,136	-	26,137
Depreciation and amortization	33,542	4,193	4,193	41,928
	80,012	15,051	10,409	105,472
OTHER EXPENSES				
Bank and credit card fees	-	-	8,109	8,109
Professional services	13,332	6,666	6,665	26,663
Computer supplies and maintenance	9,351	2,408	2,409	14,168
Interest and investment fees	-	-	1,594	1,594
Insurance	1,150	575	575	2,300
Marketing	6,220	2,927	27,441	36,588
Office expense	10,764	5,382	5,383	21,529
Direct mail and fundraising expense	-	-	65,943	65,943
Volunteer program	2,509	335	502	3,346
	43,326	18,293	118,621	180,240
	$ 983,390	$ 99,590	$ 299,809	$ 1,382,789

ATTENTION, INC.
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(101,774)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation		41,928
Change in value of endowment investments		2,553
Realized and unrealized gains on investments		(2,431)
Change in operating assets:		
Receivables		(32,402)
Prepaid expense		(4,100)
Change in operating liabilities:		
Accounts payable and accrued liabilities		(3,052)
Net cash from operating activities		(99,278)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments, net		(293,000)
Purchases of property and equipment		(43,735)
Net cash from investing activities		(336,735)
NET CHANGE IN CASH		(436,013)
CASH - BEGINNING OF YEAR		640,855
CASH - END OF YEAR	$	204,842
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$	1,594
NON-CASH TRANSACTIONS		
Donated materials and services (Note 7)	$	90,013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Attention, Inc. (doing business as Attention Homes) ("the Organization") was incorporated on August 30, 1966, in the State of Colorado. The mission of Attention Homes is to provide life-changing resources to youth in crisis. The Organization is a safe resource for youth in crisis providing shelter, structure and access to crucial services so that homeless and displaced youth can become stable independent members of our community.

The Organization has two programs for at-risk youth: Runaway and Homeless Youth (RHY) and Adolescent Residential Care (RES). These two programs are operated independently at two separate facilities, Broadway House and Chase House, both located in Boulder, Colorado and serve adolescents and young adults from the Boulder/Denver metro area. The programs offer a combination of services to youth who are abused, neglected, recovering, homeless, runaway, and delinquent and/or are from families in crisis. Services are provided to low-income youth regardless of their or their families' ability to pay.

Youth in the care of Attention Homes receive the following core services: safety, stability, security and supervision in a highly structured home-like setting; healthy meals and shelter; individual case management, and in-house groups; access to accredited education, recreational activities, community service projects, as well as medical, dental and mental health care; life skills lessons and positive adult role models; support in accessing employment; and a team of experienced counselors, clinicians, volunteers, county case workers and other service providers helping youth move through their troubles and toward treatment goals and self-sufficiency.

The RHY program is operated in the Broadway House facility. This program provides street outreach, day drop-in and emergency shelter services to homeless youth ages 12 to 24. The goal of this program is to reduce youth homelessness through building trust and establishing relationships with them and increasing access to services that move teens from living on the streets or in shelters toward stable, long-term housing and/or family reunification.

The RES program is facilitated at Chase House. This program operates three tracks: respite/extended care, sober living, and transitional living for youth ages 12 to 18. The goals of this program are to provide abused, neglected, delinquent, troubled and/or recovering teens with temporary residential care and treatment services to help them transition through their crisis and to a long-term and safe placement or emancipation. All placements come through the child welfare system.

Funding for the organization's operations comes from service contracts, federal, state and local government grants, private foundations, individuals, service clubs, faith communities, businesses and special events.

Basis of Accounting and Presentation

The Organization reports its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The definition of each class is as follows:

- <u>Unrestricted net assets</u> – Net assets that are generally not subject to donor-imposed restrictions. In general, the unrestricted net assets of the Organization may be used at the discretion of the Organization's management and board of directors to support the Organizations purposes, operations and mission.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Presentation (Continued)

- Temporarily restricted net assets – Net assets that are subject to donor-imposed restrictions that may or will be met either through actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose restrictions.

- Permanently restricted net assets – Net assets that are subject to donor-imposed restrictions that are maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for specific purposes. As of September 30, 2016, the Organization had no permanently restricted net assets.

The Organization does not imply time restrictions on donations of long-lived assets (property, plant, and equipment) in the absence of a donor-specified period over which the asset must be used, or for gifts of other assets that are restricted to the acquisition of long-lived assets.

In 2016, the Organization changed their year end from December 31 to September 30. The fiscal year end aligns us with the federal government's fiscal year end and allows our strongest fundraising quarter (October to December) to be the first quarter of our fiscal year rather than the last. This will provide more flexibility should market conditions demand a shift in spending mid-year.

Use of Estimates

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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue, expenses, and distributions during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers money market funds and all highly liquid investments purchased or donated with maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts Receivable represent amounts billed for services provided to program participants and balances of grants awarded to the Organization for capital improvements and are carried at their estimated collectible amounts. No allowance for uncollectible accounts has been provided in the accompanying financial statements, as management believes that all receivable balances are fully collectible.

Contributions Receivable (Promises to Give)

Contributions receivable consist of unconditional promises to give that are expected to be received within one year and are recorded at net realizable value. The Organization uses the allowance method to determine the collectability of contributions receivable, taking into account its relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness. At September 30, 2016 management believed all contributions to be fully collectible. Therefore, no uncollectible allowance is included in the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments
All investments in marketable equity securities are reported at fair values, with realized and unrealized gains reported in the statement of activities.

Property and Equipment
All property and equipment is stated at cost or estimated fair value if donated. The Organization capitalizes all assets with a unit cost greater than $500. Property and equipment is depreciated over the following estimated useful lives using the straight-line method:

Property and Equipment (Continued)

	Estimated useful lives
Buildings	25 - 30 years
Land improvements	15 years
Furniture, equipment and autos	3 - 5 years

The Organization periodically evaluates the potential impairments of its long-lived assets. When it is determined the carrying value of long-lived assets may not be recoverable based upon the existence of one or more indicators of impairment, the Organization evaluates the projected undiscounted cash flows relating to the assets. If these cash flows are less than the carrying value of these assets, the Organization measures the impairment using discounted cash flows or other methods of determining fair value. There were no such impairments at September 30, 2016.

Revenue Recognition
Contributions and grants are recorded at fair value at the date of receipt and as unrestricted or temporarily restricted support, depending on the existence or nature of any donor restrictions. Amounts received that are restricted by the donor for specific purposes, or are designated for future periods are reported as increases in temporarily restricted net assets.

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Temporarily Restricted Net Assets and Net Assets Released from Restrictions
Special purpose donations that are to be used only for the purpose, or the time frame, specifically designated by the donor are recorded as increases in temporarily restricted net assets. When a purpose restriction is accomplished or a time restriction has lapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Donated Services and Materials (In-Kind)
Donated services are recorded at the fair value of the services received. Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals processing those skills, and would typically need to be purchased if not provided by donation. Donated materials are recorded at fair value at the date of donation.

A significant portion of the Organization functions are conducted by unpaid volunteers and is not reflected in the accompanying financial statements because the particular tasks performed by volunteers do not meet the criteria for recognition.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Property (In-Kind)

Donations of property are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as temporarily restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. Management and general expense includes costs not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Fair Value Measurements

Fair value measurements of assets and liabilities may be carried out using:

- Quoted prices in active markets for identical assets (Level 1),
- Significant other observable inputs (Level 2), or
- Significant unobservable inputs (Level 3).

Assets and liabilities measured at fair value were all measured using Level 1 inputs and consisted of the following at December 31:

Assets measured on a recurring basis:		2016
Cash equivalents - money market funds	$	83,009
Investments		402,735
	$	485,744

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has no unrelated business income. The Organization has taken no tax positions it believes are unlikely to be upheld, or that might jeopardize its tax-exempt status, if examined by taxing authorities with full knowledge of all relevant information.

Accordingly, no provision for income taxes is included in the accompanying financial statements. Should its tax-exempt status be challenged in the future, all years since inception could be subject to review by the IRS. The Organization's federal information returns (Forms 990) for 2016, 2015, 2014 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits and investments held at a brokerage firm.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization manages deposit credit risk by placing its cash and money market accounts with commercial banks insured by the Federal Deposit Insurance Corporation (FDIC) and manages investments credit risk by using brokerage firms insured by the Securities Investor Protection Corporation (SIPC). In the ordinary course of business, balances may exceed FDIC and SIPC insurance limits. However, the Organization does not expect any losses from this exposure.

Concentration of Revenue Sources
Attention Homes receives a significant portion of their revenue from Colorado State and local human services agencies. In 2016, three of those agencies accounted for 40% of the total revenue.

Subsequent Events
Management has evaluated all subsequent events through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

		2016
Land and building	$	1,114,221
Vehicles		26,278
Furniture and equipment		181,560
		1,322,059
Less: accumulated depreciation		(583,619)
	$	738,440

NOTE 3 - INVESTMENTS

The Organization's investments, including the endowment fund described in Note 4 as well as other publicly traded securities, consisted of the following at December 31:

		2016
Equity funds	$	176,065
Fixed income and mutual funds		226,670
	$	402,735

NOTE 3 – INVESTMENTS (Continued)

The Organization's gains and losses on investments (other than the endowment fund) consisted of the following:

	2016
Dividend and interest income	$ 4,352
Realized and unrealized gains	2,431
	$ 6,783

NOTE 4 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

During 1998, the Organization entered into an agreement with The Community Foundation serving Boulder County ("The Foundation"). The agreement established a designated agency endowment fund to be known as the Judge Horace B. Holmes Attention Homes Endowment (the "Fund") within The Foundation with the intention that its net income be distributed at least annually to the Fund's beneficiary, Attention Homes. The Foundation has been granted variance power permitting the Board of Trustees of the Foundation to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with charitable needs of the community served.

The Foundation invests in marketable debt and equity securities, primarily in assets yielding a combination of income and long-term growth. The Foundation periodically distributes income earned on the Fund, subject to the Foundation's spending policy. The Fund is recorded as a beneficial interest in assets held by the Foundation on the accompanying statements of financial position.

Fund activity and balances consisted of the following in the years ending September 30:

	2016
Beginning balance	$ 61,086
Dividend and interest income	848
Net gains	2,417
Management and investment fees	(712)
Ending balance	$ 63,639

NOTE 5 – LINE OF CREDIT

The Organization has a revolving line of credit (the line) in the amount of $175,000 with a commercial bank. The variable interest rate on this line is calculated using a rate of 3.75% over the 1-Month LIBOR interest rate (4.18% at September 30, 2016). The maturity date is June 14, 2018 and the line is collateralized by real property. At September 30, 2016, no borrowings were outstanding under this line.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of a contribution where the donor specified it be used in future years or for a specified purpose.

	2016
Subsequent year activities	$ 70,934

NOTE 7 – IN-KIND DONATIONS

Donated goods and services were recognized in the accompanying financial statements as follows:

	2016
Services	$ 3,000
Food and supplies	87,013
	$ 90,013

NOTE 8 – COMMITMENTS

The Organization has entered into a noncancellable operating lease for office space in Boulder, Colorado. The lease terminates on July 31, 2017. Rent expense for 2016 totaled $11,490.

Future minimum obligations under this non-cancelable lease totaled $12,750.

NOTE 9 – RETIREMENT PLAN

The Organization sponsors a tax-deferred annuity plan qualified under section 403(b) of the Internal Revenue Code (the Plan). Eligible employees may make contributions to the Plan up to a maximum allowed under the Internal Revenue Code. The Organization may elect a discretionary match to employees. The Organization made no contributions to the Plan in 2016.

NOTE 10 – PERMANENT HOUSING DEVELOPMENT

During 2016 and 2017, the Organization received the following grant awards to support the development of a permanent housing complex in Boulder Colorado:

- The Colorado Housing and Finance Authority - $844,130
- Boulder County Commissioners - $500,000
- City of Boulder Division of Housing - $2,000,000

The housing complex will be built with the assistance of Gardner Capital Development Colorado, LLC, a “for-profit” affordable housing developer. As of September 30, 2016, the project was still in the planning phase and, therefore, the awards had no impact on the accompanying financial statements.