

ATTENTION HOMES, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

ATTENTION HOMES, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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ATTENTION HOMES, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 494,741	\$ 201,725
Cash and cash equivalents - temporarily restricted	203,825	25,000
Contracts receivable	62,830	68,270
Pledges receivable	2,400	1,667
Prepaid expenses	10,346	-
Investments (Note 3)	607,476	572,384
Beneficial interest in assets held by others (Note 4)	72,550	69,038
Property and equipment (Note 5)	<u>636,650</u>	<u>681,250</u>
Total assets	<u>\$ 2,090,818</u>	<u>\$ 1,619,334</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 22,573	\$ 3,983
Accrued payroll costs	118,426	83,646
Deferred revenue	10,400	-
Commitments (Note 6)	<u>-</u>	<u>-</u>
Total liabilities	<u>151,399</u>	<u>87,629</u>
<u>Net assets</u>		
<u>Unrestricted</u>		
Operating	418,918	182,366
Board designated operating reserves (Note 3)	607,476	572,384
Board designated endowment fund (Note 4)	72,550	69,038
Net investment in fixed assets	636,650	681,250
Temporarily restricted (Note 7)	<u>203,825</u>	<u>26,667</u>
Total net assets	<u>1,939,419</u>	<u>1,531,705</u>
Total liabilities and net assets	<u>\$ 2,090,818</u>	<u>\$ 1,619,334</u>

The accompanying notes are an integral part of these financial statements

ATTENTION HOMES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
Contributions	\$ 589,852	178,825	\$ 768,677	\$ 551,936
Foundations	457,535	-	457,535	180,100
Program income	417,719	-	417,719	463,499
Government	389,251	-	389,251	365,372
Special event income	368,562	-	368,562	479,648
Less: direct event expenses	(67,541)	-	(67,541)	(109,994)
Investment income	39,685	-	39,685	18,653
Developer fee	8,178	-	8,178	-
Other income	6,624	-	6,624	1,480
In-kind contributions (Note 8)	41,369	-	41,369	99,314
Net assets released from restrictions (Note 9)	1,667	(1,667)	-	-
Total revenue and other support	<u>2,252,901</u>	<u>177,158</u>	<u>2,430,059</u>	<u>2,050,008</u>
<u>Expense</u>				
Program services	1,531,600	-	1,531,600	1,429,499
Supporting services				
Management and general	175,552	-	175,552	145,788
Fundraising	315,193	-	315,193	367,406
Total expense	<u>2,022,345</u>	<u>-</u>	<u>2,022,345</u>	<u>1,942,693</u>
Change in net assets	230,556	177,158	407,714	107,315
Net assets, beginning of year	<u>1,505,038</u>	<u>26,667</u>	<u>1,531,705</u>	<u>1,424,390</u>
Net assets, end of year	<u>\$ 1,735,594</u>	<u>\$ 203,825</u>	<u>\$ 1,939,419</u>	<u>\$ 1,531,705</u>

The accompanying notes are an integral part of these financial statements

ATTENTION HOMES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017	
	Supporting Services				
	Program	Management and General	Fund- raising	Total	Total
Salaries	\$ 932,323	\$ 101,686	\$ 192,938	\$ 1,226,947	\$ 1,121,116
Payroll taxes & benefits	153,150	20,386	28,594	202,130	171,871
Youth assistance	120,372	-	-	120,372	147,545
Professional fees	66,224	5,843	9,090	81,157	128,375
Marketing & public relations	37,530	4,175	9,217	50,922	51,789
Travel	34,548	4,265	4,265	43,078	33,058
Fundraising expense	-	-	33,690	33,690	26,914
Training costs	20,211	3,625	3,625	27,461	21,173
Utilities	22,283	1,966	1,966	26,215	23,762
Accounting & payroll	23,243	1,097	1,776	26,116	15,189
Technology support	15,325	4,534	4,389	24,248	28,214
Insurance	17,198	1,041	1,041	19,280	22,166
Building repairs	15,457	1,230	878	17,565	13,794
Rent	-	15,300	-	15,300	15,300
Telephone & internet	11,814	1,043	1,042	13,899	12,886
Supplies	6,143	1,978	4,893	13,014	9,322
Donation processing fees	-	1,252	11,265	12,517	13,128
Volunteer	4,152	139	323	4,614	4,574
Postage	108	700	1,899	2,707	2,938
All other	1,034	2,642	1,652	5,328	22,390
	1,481,115	172,902	312,543	1,966,560	1,885,504
Depreciation	50,485	2,650	2,650	55,785	57,189
Total	\$ 1,531,600	\$ 175,552	\$ 315,193	\$ 2,022,345	\$ 1,942,693

The accompanying notes are an integral part of these financial statements

ATTENTION HOMES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 407,714	\$ 107,315
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)losses on investments	(29,302)	10,453
(Gains)from assets held by others	(3,512)	-
Depreciation	55,785	57,189
 <u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contracts and grants receivable	5,440	(11,724)
(Increase)decrease in prepaid expenses	(10,346)	5,100
(Increase)decrease in pledges receivable	(733)	71,767
Increase(decrease) in accounts payable	18,590	(6,412)
Increase(decrease) in payroll accruals	34,780	39,327
Increase(decrease) in funds held for others	10,400	-
Net cash provided(used) by operating activities	<u>488,816</u>	<u>273,015</u>
 <u>Cash flows from investing activities</u>		
(Purchases) of fixed assets	(11,185)	-
(Purchases) of investments	-	(192,095)
(Reinvestment) of earnings	(5,790)	-
Net cash provided(used) by investing activities	<u>(16,975)</u>	<u>(192,095)</u>
Net increase(decrease) in cash and cash equivalents	471,841	80,920
Cash and cash equivalents, beginning of year	<u>226,725</u>	<u>145,805</u>
Cash and cash equivalents, end of year	<u>\$ 698,566</u>	<u>\$ 226,725</u>

The accompanying notes are an integral part of these financial statements

ATTENTION HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - NATURE OF ACTIVITIES

Attention Homes, Inc. (“the Organization”) was incorporated on August 30, 1966, in the State of Colorado. The mission of the Organization is to provide lifechanging 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 the Organization 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.

In December 2017, the Organization entered into a partnership to finance, construct and manage a forty-unit permanent supportive housing complex in Boulder Colorado. Construction of the housing complex began in January 2018 and is anticipated to be completed in May 2019. The Organization will provide its core services to the residents of the complex. The agreement is further discussed in Note 11.

The Organization is funded primarily by service contracts, federal, state and local government grants, private foundations, individuals, service clubs, faith communities, businesses and special events.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities, as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

5. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES – (Continued)

8. Functional Reporting of Expenses

For the year ended September 30, 2018, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

9. Fair Value Measurements

The Organization is subject to the provisions of the *Fair Value Measurements and Disclosures* accounting standard. This standard requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

10. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2017, from which the summarized information was derived.

11. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

12. Subsequent Events

Management has evaluated subsequent events through April 16, 2019, the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

The Board of directors has voted to designate these funds as Board designated operating reserves. Investments held by the Organization are valued using Level 1 measurements and consist of the following at September 30, 2018:

<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and cash equivalents	\$ 4,914	\$ 4,914	\$ 0
Stocks, options, and ETF	201,872	248,891	47,019
Fixed income securities	238,757	237,048	(1,709)
Mutual funds	<u>114,893</u>	<u>116,623</u>	<u>1,730</u>
Total	<u>\$ 560,436</u>	<u>\$ 607,476</u>	<u>\$ 47,040</u>

NOTE 3 - INVESTMENTS -- (Continued)

Investment income and account activity are summarized as follows:

<u>Description</u>	<u>Amount</u>
Unrealized and realized gains	\$ 29,302
Interest and dividend income	9,388
Less management fees	<u>(3,597)</u>
Net investment return	<u>\$ 35,093</u>

Additionally, during the year, the Organization earned interest income of \$1,080 on its operating cash accounts and a net return of \$3,512 on investments held at The Community Foundation as described in footnote 4.

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 Inc. 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. For the year ended 2018, there were no distributions from the Endowment Fund and the Organization has requested that all of the Fund's net income be reinvested in the Fund.

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 year ending September 30:

<u>Description</u>	<u>Amount</u>
Balance, beginning of year	\$ 69,038
Net investment return	<u>3,512</u>
Balance, end of year	<u>\$ 72,550</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Land	\$ 40,340
Buildings and improvements	956,066
Furniture and equipment	160,946
Vehicles	<u>32,678</u>
Total	1,190,030
Less: accumulated depreciation	<u>(553,380)</u>
Net property and equipment	<u>\$ 636,650</u>

Depreciation expense for the year was \$55,785.

NOTE 6 - LEASE COMMITMENTS

The Organization had entered into an operating lease for office space in Boulder, Colorado. The lease terminated on July 31, 2017. The Organization has continued to rent the office space from the lessor on a month to month basis. Rent expense for 2018 totaled \$15,300.

NOTE 7 - TEMPORARILY RESTRICTED

Temporarily restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
1440 Pine capital campaign	\$ 178,825
Education	<u>25,000</u>
Total	<u>\$ 203,825</u>

NOTE 8 - IN-KIND CONTRIBUTIONS

Volunteer services requiring specialized skills are reflected in the accompanying statements at their estimated values at date of receipt. The Organization recognized in-kind revenue and expense for donated goods and services, as follows:

<u>Description</u>	<u>Amount</u>
Client materials	\$ 40,369
Printing	<u>1,000</u>
Total	<u>\$ 41,369</u>

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:

<u>Description</u>	<u>Amount</u>
Pledges	<u>\$ 1,667</u>

NOTE 10 - RETIREMENT PLAN

The Organization sponsors a retirement plan consisting of a 403(b) tax sheltered annuity plan. The plan covers all employees, who wish to participate and that have been employed for a minimum of 30 days. Contributions from the Organization are at the discretion of management. During 2018, the Organization accrued contributions of \$32,959 to the plan.

NOTE 11 - PERMANENT YOUTH HOUSING – ATTENTION HOMES RESIDENCES LP

In December 2017, the Organization entered into a partnership to finance, construct and manage a forty-unit permanent supportive housing complex in Boulder Colorado. The Organization has a nominal administrative general partner interest in the partnership. Construction of the housing complex began in January 2018 and is anticipated to be completed in August 2019. The Organization will provide its core services to the residents of the complex. NEF/Capital One will provide funding for the project. The partnership also received funding from various governmental agencies. At an amount determined by the agreement, Boulder Housing Partners has the first right of refusal to purchase the building in 15 years. Attention Homes Inc. has the second right of refusal to purchase the building, also in 15 years.

The partnership agreement was entered into by the following entities.

- Attention Homes GP LLC, a Colorado LLC serving as Managing General Partner
- Source Housing LLC, a wholly owned subsidiary of Attention Inc. serving as Administrative General Partner
- NEF/Capital One, a Limited Partner
- Boulder Housing Partners, Special Limited Partner

NOTE 12 - CONCENTRATION OF CREDIT RISK

The Organization places most of its cash with one financial institution. Amounts over \$250,000 are not insured by the FDIC or related entity. Management has evaluated its banking needs and the strength of the financial institutions and believes it is in the best long-term interest of the organization to continue its existing relationship.