Denver Children's
Advocacy Center

Consolidated Financial Statements
and
Independent Auditors' Report
December 31, 2015 and 2014

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DENVER CHILDREN'S ADVOCACY CENTER

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Denver Children's Advocacy Center
Denver, Colorado

We have audited the accompanying consolidated financial statements of Denver Children's Advocacy Center, which are comprised of the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Denver Children's Advocacy Center as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PRIOR-PERIOD FINANCIAL STATEMENTS

The financial statements of Denver Children's Advocacy Center as of and for the year ended December 31, 2014, were audited by other auditors whose report dated May 27, 2015, expressed an unmodified opinion on those financial statements.

EKS+H LLLP

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May 18, 2016
Denver, Colorado

DENVER CHILDREN'S ADVOCACY CENTER

Consolidated Statements of Financial Position

	December 31, 2015	December 31, 2014
Assets		
Current assets		
Cash	$ 947,308	$ 539,672
Certificates of deposit	205,632	355,261
Accounts receivable	48,645	48,520
Grants and contributions receivable, net	381,556	488,207
Prepaid expenses	5,035	5,350
Total current assets	1,588,176	1,437,010
Non-current assets		
Grant receivable	33,333	-
Property and equipment, net	2,255,040	2,277,965
Total assets	$ 3,876,549	$ 3,714,975
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 84,535	$ 84,618
Accrued expenses	16,951	9,973
Current portion of note payable	27,841	26,695
Total current liabilities	129,327	121,286
Non-current liabilities		
Note payable, less current portion, net	378,117	404,668
Total liabilities	507,444	525,954
Commitments and contingencies		
Net assets		
Unrestricted	3,075,890	2,751,966
Temporarily restricted	293,215	437,055
Total net assets	3,369,105	3,189,021
Total liabilities and net assets	$ 3,876,549	$ 3,714,975

See notes to consolidated financial statements.

DENVER CHILDREN'S ADVOCACY CENTER

Consolidated Statements of Activities

	For the Years Ended					
	December 31, 2015			December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and support						
Private grants	$ 206,326	$ 320,000	$ 526,326	$ 104,540	$ 425,197	$ 529,737
Contributions	143,147	-	143,147	164,573	-	164,573
Earned income						
Government grants and contracts	869,585	-	869,585	738,618	-	738,618
Seminar fees	93,021	-	93,021	88,683	-	88,683
Fees earned on donated goods	112,863	-	112,863	137,322	-	137,322
Special events, net of expenses of $37,117 (2015) and $21,359 (2014)	87,611	-	87,611	90,495	-	90,495
Interest income	1,945	-	1,945	1,135	-	1,135
In-kind contribution	38,993	-	38,993	31,504	-	31,504
Total revenues and support	1,553,491	320,000	1,873,491	1,356,870	425,197	1,782,067
Net assets released from restrictions	463,840	(463,840)	-	343,930	(343,930)	-
Total revenues and support	2,017,331	(143,840)	1,873,491	1,700,800	81,267	1,782,067
Expenses						
Program services	1,286,300	-	1,286,300	1,261,686	-	1,261,686
Supporting services						
Management and general	237,615	-	237,615	132,516	-	132,516
Fundraising	169,492	-	169,492	170,595	-	170,595
Total expenses	1,693,407	-	1,693,407	1,564,797	-	1,564,797
Change in net assets	323,924	(143,840)	180,084	136,003	81,267	217,270
Net assets, at beginning of year	2,751,966	437,055	3,189,021	2,615,963	355,788	2,971,751
Net assets, at end of year	$ 3,075,890	$ 293,215	$ 3,369,105	$ 2,751,966	$ 437,055	$ 3,189,021

See notes to consolidated financial statements.

DENVER CHILDREN'S ADVOCACY CENTER

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Payroll and related expenses	$ 920,551	$ 150,177	$ 89,279	$ 1,160,007
Depreciation and amortization	89,204	12,969	8,540	110,713
Contract labor	43,632	3,587	13,557	60,776
Grant writer	14,850	-	44,550	59,400
Program supplies	42,916	2,087	1,033	46,036
Occupancy expenses	33,611	4,887	3,218	41,716
In-kind professional fees	29,770	9,223	-	38,993
Insurance	30,351	4,413	2,906	37,670
Professional fees	-	30,680	-	30,680
Telephone and Internet	19,461	2,829	1,863	24,153
Interest	15,982	2,323	1,530	19,835
Travel and entertainment	14,118	3,498	491	18,107
Dues and subscriptions	11,816	1,718	1,131	14,665
Miscellaneous	5,552	7,128	534	13,214
Printing and postage	8,981	1,306	860	11,147
Staff training	5,505	790	-	6,295
Total	$ 1,286,300	$ 237,615	$ 169,492	$ 1,693,407

See notes to consolidated financial statements.

DENVER CHILDREN'S ADVOCACY CENTER

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2014

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Payroll and related expenses	$ 991,355	$ 80,441	$ 106,183	$ 1,177,979
Depreciation and amortization	84,965	9,465	7,157	101,587
Grant writer	13,350	-	40,050	53,400
In-kind professional fees	31,504	-	-	31,504
Insurance	25,823	2,877	2,175	30,875
Contract labor	21,371	1,923	3,269	26,563
Professional fees	-	22,465	-	22,465
Occupancy expenses	17,735	1,976	1,494	21,205
Printing and postage	16,399	1,827	1,381	19,607
Interest	16,385	1,826	1,380	19,591
Telephone and Internet	14,111	1,572	1,189	16,872
Dues and subscriptions	10,178	1,134	857	12,169
Travel and entertainment	6,003	1,083	2,599	9,685
Program supplies	7,047	482	1,919	9,448
Miscellaneous	4,195	4,245	353	8,793
Staff training	1,265	1,200	549	3,014
Advertising	-	-	40	40
Total	$ 1,261,686	$ 132,516	$ 170,595	$ 1,564,797

See notes to consolidated financial statements.

DENVER CHILDREN'S ADVOCACY CENTER

Consolidated Statements of Cash Flows

	For the Years Ended December 31, 2015	For the Years Ended December 31, 2014
Cash flows from operating activities		
Change in net assets	$ 180,084	$ 217,270
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	110,713	101,587
Bad debt expense	6,271	-
Amortization of debt issuance costs	1,291	-
Changes in assets and liabilities		
Accounts receivable	(125)	28,489
Grants and contributions receivable, net	67,047	(162,676)
Prepaid expenses	315	(5,350)
Accounts payable	(83)	(19,603)
Accrued expenses	6,978	(8,436)
	192,407	(65,989)
Net cash provided by operating activities	372,491	151,281
Cash flows from investing activities		
Purchases of property and equipment	(87,788)	(169,385)
Interest income on certificates of deposit	(1,945)	(1,126)
Maturity of certificates of deposit	151,574	-
Net cash provided by (used in) investing activities	61,841	(170,511)
Cash flows from financing activities		
Payments on note payable	(26,696)	(25,550)
Net cash used in financing activities	(26,696)	(25,550)
Net increase (decrease) in cash	407,636	(44,780)
Cash at beginning of year	539,672	584,452
Cash at end of year	$ 947,308	$ 539,672

Supplemental disclosure of cash flow information:

Cash paid for interest for the years ended December 31, 2015 and 2014 was $18,546 and $19,591, respectively.

See notes to consolidated financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The Denver Children's Advocacy Center (the "Organization") is a not-for-profit organization whose mission is to prevent abuse, strengthen families, and restore childhood. The Organization strives to ensure that every child in the Denver metro area who has been traumatized by sexual abuse or by witnessing homicide or domestic violence receives immediate, compassionate, and effective forensic interviewing; assessment; and, if needed, mental health and medical treatment.

The Advocacy Center Foundation ("ACF"), a supporting 501(c)(3) organization, was formed in May 2005 to administer the proceeds from donations of clothing and household articles given on behalf of the Organization. As a supporting organization, ACF is incorporated as a separate legal entity. The activities of ACF are required to be consolidated under generally accepted accounting principles ("U.S. GAAP"). All significant inter-entity transactions have been eliminated.

The Organization supports the following programmatic activities:

The Treatment and Integrated Services Program provides assessment and mental health services for children ages 1 to 17 who have been sexually abused or who have experienced other trauma. The Organization strengthens vulnerable families by ensuring their access to a wide range of supportive services.

The Rapid Response Program provides child forensic interviews and medical exams, which are of vital importance to the investigation and prosecution of child sexual assault and other crimes against children. Bilingual victim advocacy services are available to every client at the Organization.

The Community Outreach Program operates with the goal of providing effective tools to prevent abuse. When working with a school through the Denver Safe from the Start prevention program, the Organization educates parents, caregivers, and teachers on healthy sexual development, signs of abuse and neglect, and the resources to respond to abuse. Additional education is also offered in the form of trainings, workshops, and seminars for professionals, non-offending family members, and the service community involved with child abuse and neglect.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*, which generally requires contributions received or made, including unconditional promises to give, to be recognized in the period received or made, respectively, at fair value. It also requires the presentation of a statement of cash flows and requires that amounts be classified based on the presence or absence of donor-imposed restrictions. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the Organization's operations and those resources invested in property and equipment.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes, or programs.

Permanently restricted amounts are assets that must be maintained permanently by the Organization as required by the donor. The Organization did not have any permanently restricted net assets as of December 31, 2015 and 2014.

Cash

Cash includes cash on hand, amounts held in banks, and highly liquid investments purchased with an original maturity of three months or less. At December 31, 2015 and 2014, the Organization had cash in excess of federally insured limits.

Certificates of Deposit

Certificates of deposit are interest bearing and held at financial institutions with maturities ranging from 1 to 15 months. Certificates of deposit are carried at cost plus accrued interest.

Accounts Receivable

Accounts receivable represent amounts due from performance of services by ACF to third parties. The Organization considers all amounts to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary for the years ended December 31, 2015 and 2014.

Grants and Contributions Receivable

Grants and contributions receivable consist of amounts due from grantors from performance of services provided to customers, clients, and third parties and unconditional pledges recognized as revenue in the period the pledge is received. Pledges are recorded at the net realizable value if expected to be collected in one year and at fair value based on the present value of the future cash flows if expected to be collected in more than one year. As of December 31, 2015 and 2014, no discount has been recorded as the amount is insignificant to the consolidated financial statements.

The Organization provides an allowance for doubtful accounts based on historical collection experiences and a review of the current status of grants and contributions receivable. The allowance for doubtful accounts was $1,870 and $0 as of December 31, 2015 and 2014, respectively.

For the year ended December 31, 2015, contributions by two contributors to the Organization accounted for 23% of total revenues and support. At December 31, 2015, two contributors accounted for 64% of total grants and contributions receivable. For the year ended December 31, 2014, there were no significant concentrations other than those discussed in Note 4.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Organization. Amounts of temporarily restricted contributions are subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those restrictions. Restrictions met in the same period in which the related contributions are received are recorded as unrestricted support.

Property and Equipment

Land, buildings and improvements, and equipment purchased by the Organization are recorded at cost. Depreciation is computed using the straight-line method over a period of five to seven years for equipment, ten years for building improvements, and thirty years for buildings.

Website development costs are included in property and equipment and are accounted for in accordance with U.S. GAAP, which requires all costs in the planning stage to be expensed as incurred and costs incurred in the website application and infrastructure development stage to be capitalized until the website is substantially complete and ready for its intended use. The capitalized costs are amortized on a straight-line basis over the expected benefit period of five years.

Long-Lived Assets

The Organization periodically evaluates the carrying value of long-lived assets for possible impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the years ended December 31, 2015 and 2014.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Debt Issuance Costs

In April 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-03, *Interest—Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. The amended guidance requires that debt issuance costs related to a recognized debt liability be presented in the consolidated statement of financial position as a direct deduction from the carrying value of the related debt. ASU No. 2015-03 is effective for fiscal years, and interim periods, beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been issued, and application can be retrospective. The Organization early adopted ASU No. 2015-03 and, as a result, reclassified debt issuance costs for all years presented. As a result of the adoption, the Organization reclassified for the year ended December 31, 2014 from non-current assets $3,120 and presented this amount as a direct deduction from the carrying value of debt. The Organization has determined that the current portion of the debt issuance costs is de minimis; therefore, the unamortized debt issuance costs are reflected as a direct deduction from long-term debt on the accompanying consolidated statements of financial position. The debt issuance costs are amortized on a straight-line basis over the term of the debt, which approximates the effective interest method. Amortization expense for each of the years ended December 31, 2015 and 2014 was $1,291.

Functional Expenses

Expenses that are not specifically attributable to program services or supporting services are allocated by management based on various allocation factors.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code").

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2015 or 2014.

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as miscellaneous administrative expense. No interest or penalties have been assessed as of December 31, 2015 and 2014.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2014 consolidated financial statements have been reclassified to conform to the 2015 presentation.

Agency Agreement

The Organization receives and distributes assets under an agency arrangement. FASB ASC Topic 958-605, *Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others*, establishes standards for transactions in which a recipient organization accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. For agency transactions, no revenue or expense is recognized for the portion of the award designated for a third party.

Subsequent Events

The Organization has evaluated all significant subsequent events through the auditors' report date, which is the date the consolidated financial statements were available for issuance, and noted one item requiring disclosure (see Note 3).

Note 2 - Property and Equipment

Property and equipment consist of the following:

	December 31, 2015	December 31, 2014
Buildings	$ 1,875,123	$ 1,875,123
Building improvements	414,916	414,916
Land	343,066	343,066
Furniture, fixtures, and equipment	241,382	230,251
Software	76,655	-
	2,951,142	2,863,356
Less accumulated depreciation and amortization	(696,102)	(585,391)
	$ 2,255,040	$ 2,277,965

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 was $110,713 and $101,587, respectively.

Note 3 - Note Payable

The Organization has a loan agreement with a bank. The agreement provides for an interest rate of 4.33%. Principal and interest are due in 59 monthly payments of $3,770 through May 2017, and a final balloon payment is due in June 2017, which is estimated at $367,973. The loan is collateralized by the building located at 2139 Federal Boulevard. The balance outstanding as of December 31, 2015 and 2014 was $407,787 and $434,483, respectively, and is reflected net of unamortized debt issuance costs of $1,829 and $3,210, respectively, on the accompanying consolidated statements of financial position.

Maturities of the loan are as follows:

For the Year Ending December 31,	
2016	$ 27,841
2017	379,946
	407,787
Less unamortized debt issuance costs	(1,829)
	$ 405,958

In April 2016, the Organization refinanced the loan agreement with a different bank to extend the maturity date to March 2031. The refinanced agreement provides for an interest rate of 4.30% and calls for 180 monthly payments of $3,110.

Note 4 - Related Party Transactions

Individual Board of Directors members and related parties made contributions in the amount of $119,000 and $372,125 to the Organization for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, there was $0 and $5,000 recorded in accounts receivable from related parties, respectively. As of December 31, 2015, there was approximately $11,500 of related party payables recorded in accounts payable primarily due to employee expense reimbursements.

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets represent the net proceeds of donations, which have been restricted by the donors to be used only for the following purposes:

	December 31,	
	2015	2014
Programs	$ 20,782	$ 126,381
Time restrictions	272,433	310,674
	$ 293,215	$ 437,055

Note 6 - Retirement Plan

The Organization sponsors a defined contribution tax deferred annuity plan (the "Plan") as outlined in Section 403(b) of the Code. Employees are eligible to participate in the Plan once they have satisfied the age and service requirements. The Organization matches the employee's deferral up to the lesser of $5,200 or 25% of the employee's deferral. The Organization contributed $10,882 and $8,957 to the Plan on behalf of participating employees during the years ended December 31, 2015 and 2014, respectively. The Organization also provides employees the opportunity to contribute additional amounts on a pre-tax basis to the Plan. The Plan allows employees to defer a discretionary amount of their salaries, not to exceed the limit defined by the Plan.

Note 7 - Commitments and Contingencies

In 2015, the Organization entered into a non-cancelable operating lease for office equipment, which expires in June 2020. Future minimum lease payments under this lease are approximately $4,300 per year. Rent expense under this lease for the year ended December 31, 2015 was approximately $2,200.

Note 8 - Donated Goods and Services

Donated services are provided to the Organization by individuals possessing skills that would typically be purchased if not provided by donation. Donated services are recorded at their fair value in the period received. The Organization recorded in-kind revenue and expense of $38,993 and $31,504 as of December 31, 2015 and 2014, respectively.

The Organization also receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized on the consolidated statements of activities because the criteria for recognition have not been satisfied.

Note 9 - Advocacy Center Foundation

In May 2005, the Organization formed ACF, a not-for-profit Colorado corporation, as a supporting organization to the Organization. The Organization is the sole voting member of ACF. ACF was formed to handle the proceeds from the conversion of donated clothing and household goods to cash in order to help support the Organization's exempt purpose. ACF is contracted with a third party for the maintenance duties of donation drop boxes as well as the pickup and delivery of the donated goods to the contracted purchaser. The contracted purchaser then pays ACF for the goods received, and ACF pays the third party for the maintenance duties.

For the years ended December 31, 2015 and 2014, the Organization received $112,863 and $137,322, respectively, in fees earned on donated goods and incurred no costs relating to this activity.