Mount St. Vincent Home, Inc.

Financial Statements

Years Ended December 31, 2016 and 2015

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Kundinger, Corder & Engle, P.C.

Certified Public Accountants
475 Lincoln Street, Suite 200
Denver, Colorado 80203

Phone (303) 534-5953
Fax (303) 892-7776
www.kcedenver.com

Independent Auditor's Report

Board of Directors
Mount St. Vincent Home, Inc.:

We have audited the accompanying financial statements of Mount Saint Vincent Home, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, 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 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 audits. We conducted our audits 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 from 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 present fairly, in all material respects, the financial position of Mount Saint Vincent Home, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KUNDINGER, CORDER & ENGLE, P.C.

March 22, 2017

Mount St. Vincent Home, Inc.
Statements of Financial Position
December 31, 2016 and 2015

		2016	2015
Assets:			
Cash and cash equivalents	$	423,280	544,265
Investments (notes 2 and 3)		6,875,584	6,552,074
Accounts receivable, less allowance for doubtful accounts of $14,300 in 2016 and $10,160 in 2015 (note 8)		492,218	499,686
Contributions receivable		230,019	207,923
Related party receivable (note 5)		50,000	50,000
Prepaid expenses and other current assets		110,329	129,320
Restricted and designated investments (notes 2, 3, 4 and 10)		4,952,626	5,214,691
Property and equipment:			
Land and improvements		15,079,755	15,079,755
Buildings and improvements		9,211,315	9,183,852
Furnishings and equipment		289,590	289,590
Vehicles		193,910	193,910
Construction in progress		157,355	–
		24,931,925	24,747,107
Less accumulated depreciation		5,046,524	4,697,265
Net property and equipment		19,885,401	20,049,842
Total assets	$	33,019,457	33,247,801
Liabilities and Net Assets:			
Liabilities:			
Accounts payable	$	46,191	74,958
Accrued liabilities and deferred revenue		230,290	187,170
Related party payable (note 5)		53,810	88,958
Total liabilities		330,291	351,086
Net assets:			
Unrestricted–undesignated		7,571,120	7,465,575
Unrestricted–invested in property and equipment		19,885,401	20,049,842
Unrestricted–board designated (note 10)		4,657,646	4,916,964
Total unrestricted net assets		32,114,167	32,432,381
Temporarily restricted (note 9)		494,999	384,334
Permanently restricted (note 10)		80,000	80,000
Total net assets		32,689,166	32,896,715
Commitments and contingency (notes 6, 11 and 12)			
Total liabilities and net assets	$	33,019,457	33,247,801

The accompanying notes are an integral part of the financial statements.

Mount St. Vincent Home, Inc.
Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Residential Treatment	$ 1,778,777	–	–	1,778,777
School, Early Learning Center, Foster Care	1,482,985	–	–	1,482,985
Day Treatment and In-Home	543,170	–	–	543,170
Other revenue	42,879	–	–	42,879
Total operating revenue	3,847,811	–	–	3,847,811
Expenses:				
Program services:				
Residential Treatment	2,809,619	–	–	2,809,619
School, Early Learning Center, Foster Care	2,359,833	–	–	2,359,833
Day Treatment and In-Home	698,606	–	–	698,606
Total program services	5,868,058	–	–	5,868,058
Supporting services:				
Management and general	914,536	–	–	914,536
Total supporting services	914,536	–	–	914,536
Total operating expenses	6,782,594	–	–	6,782,594
Total operating net loss	(2,934,783)	–	–	(2,934,783)
Non-operating revenue and expenses:				
Contributions	961,840	341,601	–	1,303,441
Contributions from related parties (note 5)	856,843	–	–	856,843
In-kind contributions (note 1(e))	131,165	–	–	131,165
United Way	152,964	–	–	152,964
Special events revenue	104,944	–	–	104,944
Special events expenses	(24,405)	–	–	(24,405)
Fund raising expenses	(466,072)	–	–	(466,072)
Investment return (note 2)	636,781	8,328	–	645,109
Rental income	23,245	–	–	23,245
Net assets released from restrictions (note 9)	239,264	(239,264)	–	–
Total non-operating revenue and expenses	2,616,569	110,665	–	2,727,234
Change in net assets	(318,214)	110,665	–	(207,549)
Net assets at beginning of year	32,432,381	384,334	80,000	32,896,715
Net assets at end of year	$ 32,114,167	494,999	80,000	32,689,166

The accompanying notes are an integral part of the financial statements.

Mount St. Vincent Home, Inc.

Statement of Activities

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Residential Treatment	$ 2,053,785	–	–	2,053,785
School, Early Learning Center, Foster Care	1,443,054	–	–	1,443,054
Day Treatment and In-Home	580,916	–	–	580,916
Other revenue	35,399	–	–	35,399
Total operating revenue	4,113,154	–	–	4,113,154
Expenses:				
Program services:				
Residential Treatment	2,727,461	–	–	2,727,461
School, Early Learning Center, Foster Care	2,247,360	–	–	2,247,360
Day Treatment and In-Home	610,287	–	–	610,287
Total program services	5,585,108	–	–	5,585,108
Supporting services:				
Management and general	939,811	–	–	939,811
Total supporting services	939,811	–	–	939,811
Total operating expenses	6,524,919	–	–	6,524,919
Total operating net loss	(2,411,765)	–	–	(2,411,765)
Non-operating revenue and expenses:				
Contributions	817,438	119,359	–	936,797
Contributions from related parties (note 5)	1,225,441	–	–	1,225,441
In-kind contributions (note 1(e))	63,453	–	–	63,453
United Way	184,327	–	–	184,327
Special events revenue	606,489	–	–	606,489
Special events expenses	(125,700)	–	–	(125,700)
Fund raising expenses	(473,870)	–	–	(473,870)
Investment return (note 2)	98,651	4,543	–	103,194
Rental income	25,095	–	–	25,095
Net assets released from restrictions (note 9)	249,732	(249,732)	–	–
Total non-operating revenue and expenses	2,671,056	(125,830)	–	2,545,226
Change in net assets	259,291	(125,830)	–	133,461
Net assets at beginning of year	32,173,090	510,164	80,000	32,763,254
Net assets at end of year	$ 32,432,381	384,334	80,000	32,896,715

The accompanying notes are an integral part of the financial statements.

Mount St. Vincent Home, Inc.
Statement of Functional Expenses
Year Ended December 31, 2016

	Program services				Supporting services			
	Residential Treatment	School, ELC, and Foster Care	Day Treatment and In-Home	Total program services	Manage-ment and general	Fund raising	Total supporting services	Total expenses
Salaries	$ 1,851,490	1,540,183	504,873	3,896,546	487,281	304,208	791,489	4,688,035
Payroll taxes	132,939	114,845	36,872	284,656	34,755	21,847	56,602	341,258
Benefits	189,191	163,203	52,981	405,375	78,266	33,264	111,530	516,905
Insurance	9,726	177	–	9,903	43,947	982	44,929	54,832
Office supplies	86,204	86,858	11,941	185,003	31,603	22,780	54,383	239,386
Occupancy	147,606	121,697	13,599	282,902	68,777	19,751	88,528	371,430
Transportation	14,678	10,752	22,876	48,306	1,552	640	2,192	50,498
Dues and subscriptions	2,632	6,313	339	9,284	28,289	4,545	32,834	42,118
Professional fees	36,722	54,526	22,672	113,920	65,277	135	65,412	179,332
Direct services	29,193	32,565	3,667	65,425	64	94	158	65,583
Food and household supplies	47,672	44,241	11,250	103,163	10,451	2,986	13,437	116,600
Special events expenses	–	–	–	–	–	26,483	26,483	26,483
Investment fees	–	–	–	–	37,825	–	37,825	37,825
Public relations	2,688	4,476	2,979	10,143	704	28,719	29,423	39,566
Depreciation	127,478	155,243	9,230	291,951	44,408	12,900	57,308	349,259
In-kind materials	92,988	13,510	5,111	111,609	6,534	11,143	17,677	129,286
Other	38,412	11,244	216	49,872	12,628	–	12,628	62,500
Total functional expenses	2,809,619	2,359,833	698,606	5,868,058	952,361	490,477	1,442,838	7,310,896
Less expenses included with revenue in the statement of activities	–	–	–	–	37,825	24,405	62,230	62,230
Total expenses	$ 2,809,619	2,359,833	698,606	5,868,058	914,536	466,072	1,380,608	7,248,666

The accompanying notes are an integral part of the financial statements.

Mount St. Vincent Home, Inc.
Statement of Functional Expenses
Year Ended December 31, 2015

	Program services				Supporting services			
	Residential Treatment	School and ELC	Day Treatment and In-Home	Total program services	Manage-ment and general	Fund raising	Total supporting services	Total expenses
Salaries	$ 1,844,738	1,443,488	425,501	3,713,727	468,250	309,637	777,887	4,491,614
Payroll taxes	134,966	105,702	31,130	271,798	29,816	22,634	52,450	324,248
Benefits	236,362	187,252	50,928	474,542	107,742	43,912	151,654	626,196
Insurance	10,324	173	–	10,497	51,250	1,042	52,292	62,789
Office supplies	43,088	54,287	7,704	105,079	48,539	13,908	62,447	167,526
Occupancy	126,892	135,194	15,991	278,077	78,372	22,506	100,878	378,955
Transportation	10,469	1,679	21,238	33,386	1,390	689	2,079	35,465
Dues and subscriptions	8,835	4,183	282	13,300	9,801	2,207	12,008	25,308
Professional fees	35,589	64,105	24,956	124,650	74,244	6,209	80,453	205,103
Direct services	48,292	40,305	3,340	91,937	37	88	125	92,062
Food and household supplies	42,807	38,996	9,867	91,670	9,196	2,630	11,826	103,496
Special events expenses	–	–	–	–	–	125,700	125,700	125,700
Investment fees	–	–	–	–	29,498	–	29,498	29,498
Public relations	4,839	784	5,300	10,923	3,474	34,474	37,948	48,871
Depreciation	126,117	156,364	8,428	290,909	50,156	12,821	62,977	353,886
In-kind materials	52,792	5,916	1,350	60,058	–	–	–	60,058
Other	1,351	8,932	4,272	14,555	7,544	1,113	8,657	23,212
Total functional expenses	2,727,461	2,247,360	610,287	5,585,108	969,309	599,570	1,568,879	7,153,987
Less expenses included with revenue in the statement of activities	–	–	–	–	29,498	125,700	155,198	155,198
Total expenses	$ 2,727,461	2,247,360	610,287	5,585,108	939,811	473,870	1,413,681	6,998,789

The accompanying notes are an integral part of the financial statements.

Mount St. Vincent Home, Inc.
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

		2016	2015
Cash flows from operating activities:			
Change in net assets	$	(207,549)	133,461
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation		349,259	353,886
Net realized and unrealized (gains) losses on investments		(484,373)	84,630
Non-cash contributions of property improvements		(184,818)	(577,363)
Decrease (increase) in operating assets:			
Accounts receivable		7,468	(10,073)
Contributions receivable		(22,096)	57,435
Related party receivable		–	95,053
Prepaid expenses and other current assets		18,991	(32,070)
Increase (decrease) in operating liabilities:			
Accounts payable		(28,767)	(51,142)
Accrued liabilities and deferred revenue		43,120	18,875
Related party payable		(35,148)	88,958
Net cash provided by (used in) operating activities		(543,913)	161,650
Cash flows from investing activities:			
Sales (purchases) of investments		422,928	(273,074)
Payments for purchases of property and equipment		–	(937)
Net cash provided by (used in) investing activities		422,928	(274,011)
Net decrease in cash and cash equivalents		(120,985)	(112,361)
Cash and cash equivalents at beginning of year		544,265	656,626
Cash and cash equivalents at end of year	$	423,280	544,265
Supplemental cash flow information:			
Non-cash investing activity - property improvements	$	184,818	577,363

The accompanying notes are an integral part of the financial statements.

(1) Summary of Significant Accounting Policies

(a) General

Mount St. Vincent Home, Inc. (the "Home") has been in operation since 1883. It was incorporated on December 16, 1994 as an operating entity of the Sisters of Charity of Leavenworth, Inc. ("SCL) and does not own title to land and fixed assets, but rather has the beneficial use thereof. The Home, which is located in Denver, provides residential and day treatment facilities for school-aged children who are experiencing social, emotional or academic difficulties, and also provides services to the families of such children. The Home's activities are supported primarily through contributions and program service fees received from various state and local government agencies.

Effective March 1, 2011, the Home became an operating entity of Sisters of Charity of Leavenworth Health System, Inc. ("SCL Health") pursuant to an agreement between SCL and SCL Health.

(b) Basis of Accounting

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

(c) Financial Statement Presentation

The Home reports 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.

(d) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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. Restrictions met in the same period in which the related contributions are received are recorded as unrestricted support.

(1) Summary of Significant Accounting Policies, Continued

(e) Contributed Property and Services

Contributed property and equipment are recorded as unrestricted support at its estimated fair value at date of donation. Donated goods and services are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. For the years ended December 31, 2016 and 2015, in-kind contributions consisted of donated supplies and other materials and totaled $131,165 and $63,453, respectively.

A number of volunteers have donated time in connection with the Home's activities. No amounts have been reflected in the accompanying financial statements for volunteers' donated services because they do not meet the criteria for recognition.

(f) Recognition of Income

Program services revenue is deemed to be earned and is reported as revenue when the Home has incurred expenditures or performed services in compliance with the provisions of the respective service agreements. Cash received for contracts in excess of allowable expenses incurred is recorded as unearned revenue, and allowable expenses incurred on contracts in excess of cash received are recorded as a receivable.

(g) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Home considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(h) Investments

The Home reports investments at fair value. Fair value is determined as more fully described under the fair value measurements policy below. The Home's management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the change in net assets in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

(i) Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The change in net assets is charged with an allowance for estimated uncollectible accounts based on past experience and on analysis of current accounts receivable collectibility. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible.

(1) Summary of Significant Accounting Policies, Continued

(j) Property and Equipment

Property and equipment is recorded at cost, or if donated, at fair value at date of donation. The Home capitalizes all expenditures for and donations of property and equipment in excess of $5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years.

(k) Concentrations of Credit Risk

Financial instruments that potentially subject the Home to concentrations of credit risk consist of cash and cash equivalents, investments, and trade receivables. The Home places its cash and cash equivalents with creditworthy, high quality financial institutions. At times, a portion of these cash balances may not be insured by the Federal Deposit Insurance Corporation or related entity. Investment managers engaged by SCL Health make investments and management of the Home monitors the investments. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Home. Credit risk with respect to trade receivables is generally diversified due to the large number of entities and credit-worthiness of the organizations that comprise the Home's customer base.

The Home is supported primarily through program service fees received from various state and local government agencies and contributions. If a significant reduction in the future level of this support occurs, it may have an effect on the Home's programs and activities.

(l) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure on contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(m) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(1) Summary of Significant Accounting Policies, Continued

(n) Income Tax Status

The Home is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. However, income from certain activities not directly related to the Home's tax-exempt purpose is subject to taxation as unrelated business income. During the years ended December 31, 2016 and 2015, the Home did not incur any unrelated business income tax.

Management is required to evaluate tax positions taken by the Home and to recognize a tax liability if the Home has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. The Home believes that it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements. The Home is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Home is no longer subject to income tax examinations for years prior to December 31, 2013.

(o) Subsequent Events

Management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Home's financial statements were available to be issued on March 22, 2017, and this is the date through which subsequent events were evaluated. The Home did not identify any subsequent events requiring disclosure.

(p) Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation. The reclassification had no effect on the change in net assets.

(2) Investments

The market value of the Home's investments at December 31 consisted of the following:

	2016	2015
Pooled investments held and managed by SCL Health	$ 11,826,227	11,764,781
Stock held by U.S. Bank	1,983	1,984
	11,828,210	11,766,765
Less restricted investments (see note 4)	(4,952,626)	(5,214,691)
Total investments	$ 6,875,584	6,552,074

The Home's investment return for the years ended December 31 consisted of the following:

	2016	2015
Net realized and unrealized gains (losses)	$ 484,373	(84,630)
Investment income	198,561	217,322
Investment fees	(37,825)	(29,498)
Total investment return	$ 645,109	103,194

(3) Fair Value Measurements

The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, and prepaid expenses approximate fair value because of the immediate or short term maturities of these financial instruments. The fair value of contributions receivable is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

The Home reports required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also require the Home to classify these financial instruments into a three-level hierarchy based on the priority of inputs to the valuation technique. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange, listed derivatives, cash and cash equivalents. For the Home, Level 1 investments consist of stock held by U.S. Bank.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives. For the Home, Level 2 investments consist of its ownership interest in the pooled investment fund held and managed by SCL Health.

(3) Fair Value Measurements, Continued

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt. The Home has no investments in this category.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Home's financial statements.

The following table summarizes the fair value hierarchy levels used by the Home as of December 31, 2016:

	Fair Value	Level 1	Level 2	Level 3
Pooled investments	$ 11,826,227	–	11,826,227	–
Stock held by U.S. Bank	1,983	1,983	–	
Total	$ 11,828,210	1,983	11,826,227	–

The following table summarizes the fair value hierarchy levels used by the Home as of December 31, 2015:

	Fair Value	Level 1	Level 2	Level 3
Pooled investments	$ 11,764,781	–	11,764,781	–
Stock held by U.S. Bank	1,984	1,984	–	–
Total	$ 11,766,765	1,984	11,764,781	–

All assets have been valued using a market approach. The Home pools its investments in a fund that is held and managed by SCL Health. Ownership interests are assigned to the pool participants based on the market value of the cash and securities placed in the pool by each participant. Current market value is used to determine the number of units allocated to additional assets placed in the pool and to value withdrawals from the pool. Investment income and realized and unrealized gains and losses are allocated equitably based on the number of units assigned to each participant. The underlying investments within the pooled fund include traditional equity and fixed-income investments and alternative investments. The Home can request redemptions at anytime. There were no changes in valuation technique in the current year.

(4) Restricted and Designated Investments

The Home's Board of Director's has designated certain monies to be retained and invested (see note 2). Investments related to board designated funds as well as investments to fund temporarily and permanently restricted net assets are shown as restricted investments. Restricted and designated investments at December 31 consisted of the following:

	2016	2015
Board designated fund (see note 10)	$ 4,657,646	4,916,964
Temporarily restricted funds (see note 9)	214,980	217,727
Permanently restricted funds (see note 10)	80,000	80,000
	$ 4,952,626	5,214,691

(5) Related Party Transactions

The Home has an agreement with the Sisters of Charity of Leavenworth (SCL) for services provided by the sisters. For the years ended December 31, 2016 and 2015, the Home reimbursed SCL for personnel costs of $0 and $74,354, respectively. For the years ended December 31, 2016 and 2015, respectively, SCL reimbursed the Home $23,245 and $22,800 for the sisters' rent. SCL made a $100,000 and a $125,000 gift to the Home for the years ended December 31, 2016 and 2015, respectively.

For the years ended December 31, 2016 and 2015, respectively, SCL Health made $756,843 and $1,100,441 gifts to the Home. Included in these gifts is the amount of payments made by SCL Health on behalf of the Home for improvement projects totaling $255,676 in 2016 and $577,363 in 2015.

At December 31, 2016 and 2015, related party receivables totaled $50,000 from SCL for each year. At December 31, 2016 and 2015, related party payables owed to SCL Health totaled $53,810 and $88,958, respectively.

(6) Retirement Plan

Full-time employees become eligible for the Home's 403(b) retirement plan after one year of service. Employee contributions are fully vested at the time of contribution and employer contributions vest over a period of three years. The Home matches 100% of all eligible employee contributions up to 3% of salary. Effective April 1, 2011, the Home's Plan merged with SCL Health's Retirement Savings Plan (the Plan). Employees beginning participation after April 1, 2011 become 50% vested after three years; 75% vested after four years; and 100% vested after five years. Pension expense for the Plan was $47,617 and $53,727 for the years ended December 31, 2016 and 2015, respectively.

(7) Expenditures of Federal Awards

The Home received federal funding from the U.S. Department of Agriculture during 2016 and 2015 totaling $58,027 and $82,665, respectively, and is included in operating revenue.

(8) Contributions Receivable

Contributions receivable at December 31, 2016 and 2015, respectively, totaled $230,019 and $207,923. Contributions receivable totaling $36,000 is due in less than one year, and $194,019 is due in one to five years. Contributions receivable that are due in more than one year have not been discounted because the effect is immaterial. All contributions receivable are considered to be collectible.

(9) Temporarily Restricted Net Assets

The Home's temporarily restricted net assets at December 31, 2016 and December 31, 2015 consisted of cash contributions collected but not yet expended (see note 4) totaling $214,980 and $217,727, respectively, a portion of contributions receivable totaling $230,019 and $116,607, respectively, and a portion of related party receivables totaling $50,000 and $50,000, respectively.

Net assets totaling $239,264 and $249,732 were released from restrictions during 2016 and 2015, respectively, by incurring expenses satisfying the related restricted purpose.

At December 31, temporarily restricted net assets were available for the following purposes:

	2016	2015
Justin Fund	$ 132,844	136,112
Programs	45,150	48,533
Time restricted	280,019	166,607
Other	36,986	33,082
	$ 494,999	384,334

(10) Endowments

The Home has one donor-restricted endowment fund and two board designated funds. The donor-restricted endowment was established during fiscal 2000 when the Home received $80,000 from two donors to establish the Timothy Healy Tynan Fund (the Tynan Fund) with the restriction that the principal remain intact and the earnings be used for the maintenance and upkeep of the Home's chapel. One of the Home's board designated funds consists of $1,000,000 set aside from unrestricted funds for a Father Woodrich Memorial Fund (Fr. Woody Fund) to be invested and used for certain future board determined purposes. The other board designated fund consists of $4,000,000, designated for specific program purposes. Net assets associated with all three of these funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Home's board has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Home to appropriate for expenditure or accumulate so much of an endowment fund as the Home determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, the Home classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the board in a manner consistent with the standard of prudence prescribed by UPMIFA.

(10) Endowments, Continued

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

(1) The duration and preservation of the fund
(2) The purpose of the Home and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Home
(7) The investment policies of the Home.

The Home's endowment net assets consisted of the following as of December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	$ –	–	80,000	80,000
Board designated funds	4,657,646	–	–	4,657,646
Total funds	$ 4,657,646	–	80,000	4,737,646

The Home's endowment net assets consisted of the following as of December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	$ –	–	80,000	80,000
Board designated funds	4,916,964	–	–	4,916,964
Total funds	$ 4,916,964	–	80,000	4,996,964

(10) Endowments, Continued

Following are the changes in the endowment net assets for 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at December 31, 2014	$ 5,011,704	–	80,000	5,091,704
Investment return:				
Investment income, net	–	383	–	383
Net appreciation (realized and unrealized)	–	4,160	–	4,160
Total investment return	–	4,543	–	4,543
Appropriated for expenditure	(94,740)	(4,543)	–	(99,283)
Endowment net assets at December 31, 2015	4,916,964	–	80,000	4,996,964
Investment return:				
Investment income, net	–	398	–	398
Net appreciation (realized and unrealized)	–	7,840	–	7,840
Total investment return	–	8,238	–	8,238
Appropriated for expenditure	(259,318)	(8,238)	–	(267,556)
Endowment net assets at December 31, 2016	$ 4,657,646	–	80,000	4,737,646

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original gift. There were no deficiencies of this nature reported in unrestricted net assets as of December 31, 2016 and 2015.

Return Objectives and Risk Parameters
The Home has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for the Home while maintaining purchasing power and growing endowment assets. Under this policy, as approved by the finance committee of the board, the endowment assets are invested in a manner that is intended to produce, on a five-year moving average, a minimum annualized total return of three percent over the rate of inflation as measured by the Consumer Price Index or eight percent, whichever is greater. Actual returns in any given year will vary.

(10) Endowments, Continued

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Home relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). To achieve its long-term return objectives within prudent risk constraints, the Home allocates its ownership units in the investment pool among diversified asset classes and investment managers.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Home has a policy of appropriating for distribution each quarter 1.25% of its endowment funds' fair value at that time. In establishing this policy, the Home considers the long-term expected return on its endowment. Accordingly, over the long term, the Home expects the current spending policy to allow its endowment to grow at an average of 3 to 5% annually. This is consistent with the Home's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through investment return. If a distribution would drop the corpus of the endowment below the original amounts donated or designated, no distribution will be made until investment earnings have returned the corpus above the original amount.

(11) Leases

The Home entered into non-cancelable operating leases for office equipment that expire through October 2017. Total rent expense was $9,291 in 2016 and $14,513 in 2015. At December 31, 2016, future minimum lease payments under these non-cancelable operating leases total $1,378 and are due in 2017.

(12) Conditional Asset Retirement Obligation

The Home's main building was constructed in 1903 and significant additions and renovation have occurred to the building since then. Materials containing asbestos are found throughout the building. There is existing federal legislation that addresses when the removal of asbestos is necessary. At such time that the building undergoes major renovation, it is probable that asbestos may be uncovered and will have to be removed.

At December 31, 2016, the Home's management does not have sufficient information to estimate the fair value of the asset retirement obligation for any potential required removal of asbestos since there are no plans or expectations of plans for the main building to undergo any major renovation. The building is expected to be maintained by repairs and maintenance activities that would not involve the removal of the asbestos. Also, the need for major renovations caused by technology changes, operational changes, or other factors has not been identified. Accordingly, at December 31, 2016, a liability has not been recognized for the potential need to remove asbestos because the fair value cannot be reasonably estimated.