Mount St. Vincent Home, Inc.

Financial Statements

December 31, 2018 and 2017

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Mount Saint Vincent Home, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2018 and 2017, 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.

Board of Directors
Mount St. Vincent Home, Inc.

Emphasis of Matter

As discussed in note 1(r), the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively for all years presented. Our opinion is not modified with respect to this matter.

Kundinger, Corder & Engle, P.C.

February 21, 2019

Mount St. Vincent Home, Inc.

Statements of Financial Position

December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 364,043	350,109
Investments (notes 3, 4, and 11)	12,347,015	13,158,739
Accounts receivable, less allowance for doubtful accounts of $5,000 in 2018 and $14,300 in 2017	776,578	527,598
Contributions receivable (note 8)	57,716	152,012
Related party receivable (note 5)	100,000	50,000
Prepaid expenses and other current assets	29,981	122,856
Property and equipment		
Land and improvements	15,079,755	15,079,755
Buildings and improvements	9,880,081	8,993,359
Furnishings and equipment	452,311	452,051
Vehicles	181,314	193,910
Construction in progress	–	829,951
	25,593,461	25,549,026
Less accumulated depreciation	5,607,277	5,268,164
Net property and equipment	19,986,184	20,280,862
Total assets	$ 33,661,517	34,642,176
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 453,920	89,897
Accrued liabilities and deferred revenue	251,164	250,172
Related party payable (note 5)	20,771	158,030
Total liabilities	725,855	498,099
Net assets		
Without donor restrictions		
Undesignated	7,916,786	8,862,650
Invested in property and equipment	19,986,184	20,280,862
Board designated (note 9)	4,427,244	4,507,724
Total net assets without donor restrictions	32,330,214	33,651,236
With donor restrictions (note 10)	605,448	492,841
Total net assets	32,935,662	34,144,077
Commitments and contingency (notes 6 and 12)		
Total liabilities and net assets	$ 33,661,517	34,642,176

See the accompanying notes to the financial statements.

Mount St. Vincent Home, Inc.
Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue			
Residential Treatment	$ 2,012,935	–	2,012,935
School and Educational Therapeutic Treatment	1,494,735	–	1,494,735
Foster Care, In-Home Therapy, and NMT	1,145,718	–	1,145,718
Early Learning Center	522,152	–	522,152
Other revenue	2,036	–	2,036
Total operating revenue	5,177,576	–	5,177,576
Expenses			
Program services			
Residential Treatment	2,878,191	–	2,878,191
School and Educational Therapeutic Treatment	2,078,998	–	2,078,998
Foster Care, In-Home Therapy, and NMT	1,252,603	–	1,252,603
Early Learning Center	660,095	–	660,095
Total program services	6,869,887	–	6,869,887
Supporting services			
Management and general	882,825	–	882,825
Total supporting services	882,825	–	882,825
Total operating expenses	7,752,712	–	7,752,712
Total operating net loss	(2,575,136)	–	(2,575,136)
Non-operating revenue and expenses			
Contributions	1,016,558	453,016	1,469,574
Contributions from related parties (note 5)	852,553	–	852,553
In-kind contributions (note 1(1))	74,656	–	74,656
Special events revenue	100,719	–	100,719
Special events expenses	(49,069)	–	(49,069)
Investment return (note 3)	(277,693)	2,249	(275,444)
Gain on insurance settlement (note 7)	25,558	–	25,558
Rental income	19,200	–	19,200
Fund raising expenses	(480,895)	–	(480,895)
Building assessment expense	(370,131)	–	(370,131)
Net assets released from restrictions (note 10)	342,658	(342,658)	–
Total non-operating revenue and expenses	1,254,114	112,607	1,366,721
Change in net assets	(1,321,022)	112,607	(1,208,415)
Net assets at beginning of year	33,651,236	492,841	34,144,077
Net assets at end of year	$ 32,330,214	605,448	32,935,662

See the accompanying notes to the financial statements.

Mount St. Vincent Home, Inc.
Statement of Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue			
Residential Treatment	$ 1,901,826	–	1,901,826
School and Educational Therapeutic Treatment	1,083,252	–	1,083,252
Foster Care, In-Home Therapy, and NMT	703,883	–	703,883
Early Learning Center	484,600	–	484,600
Other revenue	2,764	–	2,764
Total operating revenue	4,176,325	–	4,176,325
Expenses			
Program services			
Residential Treatment	2,882,817	–	2,882,817
School and Educational Therapeutic Treatment	1,982,622	–	1,982,622
Foster Care, In-Home Therapy, and NMT	932,083	–	932,083
Early Learning Center	530,429	–	530,429
Total program services	6,327,951	–	6,327,951
Supporting services			
Management and general	851,328	–	851,328
Total supporting services	851,328	–	851,328
Total operating expenses	7,179,279	–	7,179,279
Total operating net loss	(3,002,954)	–	(3,002,954)
Non-operating revenue and expenses			
Contributions	984,358	224,000	1,208,358
Contributions from related parties (note 5)	652,780	–	652,780
In-kind contributions (note 1(l))	130,110	–	130,110
Special events revenue	459,323	–	459,323
Special events expenses	(103,574)	–	(103,574)
Fund raising expenses	(455,353)	–	(455,353)
Investment return (note 3)	1,796,578	5,227	1,801,805
Gain on insurance settlement (note 7)	744,916	–	744,916
Rental income	19,500	–	19,500
Net assets released from restrictions (note 10)	311,385	(311,385)	–
Total non-operating revenue and expenses	4,540,023	(82,158)	4,457,865
Change in net assets	1,537,069	(82,158)	1,454,911
Net assets at beginning of year	32,114,167	574,999	32,689,166
Net assets at end of year	$ 33,651,236	492,841	34,144,077

See the accompanying notes to the financial statements.

Mount St. Vincent Home, Inc.
Statement of Functional Expenses
Year Ended December 31, 2018

	Program services					Supporting services			
	Residential Treatment	School and Educational Therapeutic Treatment	Foster Care, In-Home Therapy, and NMT	Early Learning Center	Total program services	Manage-ment and general	Fund raising	Total supporting services	Total expenses
Salaries	$ 2,006,122	1,388,721	606,151	393,658	4,394,652	541,688	291,840	833,528	5,228,180
Payroll taxes	148,883	103,671	43,346	29,339	325,239	39,181	21,549	60,730	385,969
Benefits	251,055	159,417	100,063	51,698	562,233	65,093	32,868	97,961	660,194
Insurance	10,913	517	479	622	12,531	28,510	–	28,510	41,041
Office expense	49,831	44,006	48,601	13,433	155,871	36,822	10,892	47,714	203,585
Occupancy	120,209	107,565	13,072	58,199	299,045	68,299	12,926	81,225	380,270
Professional fees	56,947	66,668	3,267	5,182	132,064	54,371	11,748	66,119	198,183
Direct services	86,623	93,537	423,653	48,248	652,061	–	–	–	652,061
Special events expenses	–	–	–	–	–	–	72,593	72,593	72,593
Investment fees	–	–	–	–	–	43,172	–	43,172	43,172
Depreciation	112,036	105,307	8,189	57,139	282,671	56,307	12,731	69,038	351,709
In-kind materials	27,352	7,886	2,451	1,295	38,984	401	35,271	35,672	74,656
Building assessment	113,803	112,741	8,505	60,971	296,020	60,443	13,668	74,111	370,131
Other expenses	8,220	1,703	3,331	1,282	14,536	(7,847)	27,546	19,699	34,235
Total functional expenses	2,991,994	2,191,739	1,261,108	721,066	7,165,907	986,440	543,632	1,530,072	8,695,979
Less expenses included with revenue in the statement of activities	–	–	–	–	–	43,172	49,069	92,241	92,241
Less non-operating expenses	113,803	112,741	8,505	60,971	296,020	60,443	13,668	74,111	370,131
Total expenses	$ 2,878,191	2,078,998	1,252,603	660,095	6,869,887	882,825	480,895	1,363,720	8,233,607

See the accompanying notes to the financial statements.

Mount St. Vincent Home, Inc.
Statement of Functional Expenses
Year Ended December 31, 2017

	Program services					Supporting services			
	Residential Treatment	School and Educational Therapeutic Treatment	Foster Care, In-Home Therapy, and NMT	Early Learning Center	Total program services	Manage-ment and general	Fund raising	Total supporting services	Total expenses
Salaries	$ 1,978,635	1,272,059	401,621	367,804	4,020,119	440,951	308,672	749,623	4,769,742
Payroll taxes	143,354	94,319	27,836	26,837	292,346	31,743	21,565	53,308	345,654
Benefits	239,184	151,733	58,235	37,616	486,768	66,858	36,047	102,905	589,673
Insurance	8,846	98	–	885	9,829	37,407	–	37,407	47,236
Office Expense	58,753	58,985	48,124	13,487	179,349	49,980	18,082	68,062	247,411
Occupancy	129,580	114,480	11,343	38,521	293,924	47,212	8,867	56,079	350,003
Professional fees	59,063	44,722	5,861	1,842	111,488	79,188	4,265	83,453	194,941
Direct services	91,240	49,272	361,434	17,313	519,259	–	–	–	519,259
Event expenses	–	–	4,915	–	4,915	–	144,924	144,924	149,839
Investment fees	–	–	–	–	–	33,813	–	33,813	33,813
Depreciation	130,954	166,584	2,241	15,448	315,227	32,084	7,250	39,334	354,561
In-kind materials	37,894	23,539	6,978	5,033	73,444	56,619	6,959	63,578	137,022
Other expenses	5,314	6,831	3,495	5,643	21,283	9,286	2,296	11,582	32,865
Total functional expenses	2,882,817	1,982,622	932,083	530,429	6,327,951	885,141	558,927	1,444,068	7,772,019
Less expenses included with revenue in the statement of activities	–	–	–	–	–	33,813	103,574	137,387	137,387
Total expenses	$ 2,882,817	1,982,622	932,083	530,429	6,327,951	851,328	455,353	1,306,681	7,634,632

See the accompanying notes to the financial statements.

Mount St. Vincent Home, Inc.
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ (1,208,415)	1,454,911
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	351,709	354,561
Loss on disposal of assets	–	85,035
Gain on insurance settlement	(25,558)	(829,951)
Net realized and unrealized (gains) losses on investments	485,684	(1,615,982)
Decrease (increase) in operating assets:		
Accounts receivable	(248,980)	(35,380)
Contributions receivable	94,296	78,007
Related party receivable	(50,000)	–
Prepaid expenses and other current assets	92,875	(12,527)
Increase (decrease) in operating liabilities:		
Accounts payable	364,023	43,706
Accrued liabilities and deferred revenue	992	19,882
Related party payable	(137,259)	104,220
Net cash used in operating activities	(280,633)	(353,518)
Cash flows from investing activities		
Sales of investments	326,040	285,453
Payments for purchases of property and equipment	(31,473)	(5,106)
Net cash provided by investing activities	294,567	280,347
Net increase (decrease) in cash and cash equivalents	13,934	(73,171)
Cash and cash equivalents at beginning of year	350,109	423,280
Cash and cash equivalents at end of year	$ 364,043	350,109

See the accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies

(a) General

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

The Organization, 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. In addition, the Organization provides in-home therapy, foster care services, and a community early learning center. The Organization’s activities are supported primarily through contributions and program service fees received from various state and local government agencies.

The Organization’s programs include:

Residential Treatment Program: The Organization offers residential treatment services to children ages five to 12 years old who face emotional and psychological challenges due to severe physical or sexual abuse, chronic neglect, trauma, or mental illness. The program includes a 24-hour therapeutic treatment environment, housing in three cottages; individual, group and family therapy; recreational therapy; psychiatric/medication consultations; and creative arts therapies in music, art and dance/movement. Recreational activities include biking, swimming, basketball, flag football, and soccer.

Sister Daniel Stefani School and Educational Therapeutic Day Treatment: This K–8 school is unique in that it can accommodate the educational needs of the Organization’s residential students while also offering educational and therapeutic treatment services for additional non-residential children who come from local area school districts. In addition to excellent education opportunities, each child receives an Individualized Educational Plan; support services such as speech and occupational therapy as needed; and creative arts therapies. This program also utilizes an Adjunct Therapy Program (ATP) including Animal-assisted therapy and Creative Arts Therapy which have been shown to be an effective intervention for individuals who have experienced childhood trauma by providing the opportunity for children to form trusting relationships with animals that can ultimately play a major part in their healing process. It also provides children with the opportunity to participate in self-regulating activities such as petting a guinea pig, throwing a ball for a dog, or therapeutic riding movement with horses.

Foster Care Services, In-Home Program, and NMT: The Organization received a state license to begin a foster care program in January 2016, and opened its doors in March 2016. The Organization places children in caring, nurturing, and safe homes.

Therapists and behavior coaches help ease the transition back into the home by providing specialized care. They create individualized treatment plans for each family by using developmentally appropriate interventions that are strengths-based and solutions-focused. Therapists and behavior coaches focus on providing a safe, confidential and encouraging environment to help strengthen the inner workings of the family.

(1) Summary of Significant Accounting Policies, Continued

(a) General, Continued

Foster Care Services, In-Home Program, and NMT, Continued: The Organization is one of a few child-welfare agencies applying the Neurosequential Model of Therapeutics (NMT) framework. The NMT framework is a developmentally sensitive, neurobiological-informed framework that allows clinicians to use a set of assessment tools to examine both past and current experiences and functioning. By completing this assessment, clinicians can study the severity of trauma affecting brain development, evaluate their current problems and strengths, and identify various areas in the brain that appear to have functional or developmental problems. During the course of treatment, clinicians perform continuous assessments to reevaluate treatment effectiveness and measure progress. From this, clinicians create a treatment plan of appropriate evidence-based treatments. In 2012, Dr. Bruce Perry's ChildTrauma Academy (the creator of NMT) named the Organization a NMT Flagship Site which is one of only seven in the United States.

Early Learning Center: The community-based, affordable preschool respects and supports each child's individual needs and actively promotes their success. The early learning center provides an environment rich in meaningful opportunities that encourage exploration, creativity, and growth.

(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 Organization is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

(d) Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing treatment and education activities which generate service fee income. Non-operating activities are limited to grants, contributions, special events, resources that generate return from investments, rental income, and other activities considered to be of a more unusual or nonrecurring nature.

(1) Summary of Significant Accounting Policies, Continued

(e) Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less, and which are net held as part of an investment pool, to be cash equivalents.

(f) Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities. Fair value is determined as more fully described under the fair value measurements policy below.

(g) Accounts Receivable

Accounts receivable consist of amounts due for program fees and are stated at unpaid balances, less an allowance for doubtful accounts. Management uses the allowance method to determine uncollectable amounts. The allowance is based on past experience and management's analysis of subsequent collections. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible.

(h) Contributions and Contributions Receivable

Contributions are recognized when cash, securities, and unconditional promises to give are received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. The Organization considers all contributions receivable to be fully collectable; accordingly, no allowance for doubtful amounts is considered necessary.

(i) Related Party Receivable and Payable

Amounts reported in the accompanying statements of financial position as related party receivable or payable arise from contributions from SCL and reimbursement of expenses paid on behalf of the Organization by SCL Health.

(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 Organization 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) Recognition of Income

Program services revenue is deemed to be earned and is reported as revenue when the Organization 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.

(l) Contributed Property and Services

Contributed property and equipment are recorded as contributions and corresponding expenses at their estimated fair value at date of donation, or capitalized if they meet the capitalization criteria. For the years ended December 31, 2018 and 2017, in-kind contributions consisted of donated supplies and other materials and totaled $74,656 and $130,110, respectively.

A number of volunteers have donated time in connection with the Organization’s activities. These services are not recognized in the financial statements because they do not meet the criteria for recognition under generally accepted accounting principles.

(m) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(n) 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.

(1) Summary of Significant Accounting Policies, Continued

(o) Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, investments, and trade receivables. The Organization 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.

Investments are made and monitored by investment managers engaged by SCL Health pursuant to an investment policy established by SCL Health. 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 Organization.

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 Organization’s customer base.

The Organization 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 Organization's programs and activities.

(p) Income Tax Status

The Organization 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 activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. The Organization was not required to pay any income tax in 2018 or 2017.

The Organization follows the *Accounting for Uncertainty in Income Taxes* accounting standard which requires the Organization to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The Organization has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none. The three previous tax years remain subject to examination by the IRS.

(q) Subsequent Events

The Organization has evaluated subsequent events through February 21, 2019, the date the financial statements were available to be issued.

(1) Summary of Significant Accounting Policies, Continued

(r) Not-for-Profit Financial Statement Presentation

During 2018, the Organization adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets previously presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk.

(s) Reclassifications

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

(2) Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid, not convertible to cash within one year, or when restricted by donors for purposes more limited than general expenditures.

Financial assets at year-end:	
Cash and cash equivalents	$ 364,043
Investments	12,347,015
Accounts receivable, net	776,578
Contributions receivable	57,716
Related party receivable	100,000
Total financial assets at year-end	13,645,352
Less amounts unavailable to be used within one year:	
Net assets with purpose restrictions to be met in more than one year	(135,865)
Contributions receivable due in more than one year	(5,116)
Net assets with perpetual restrictions by donor	(80,000)
	(220,981)
Less amount unavailable without board approval:	
Board designated reserve for programs (note 9)	(4,427,244)
Financial assets available for general expenditures within one year	$ 8,997,127

The Organization's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and anticipated increases in program expenditures in the next year.

(2) Liquidity and Availability of Financial Assets, Continued

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. In addition, the Organization invests cash in excess of daily requirements in investments. The Organization’s board of directors has also established a designated reserve to provide funding for programs purposes that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

(3) Investments

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

	2018	2017
Pooled investments held and managed by SCL Health	$ 12,345,031	13,156,755
Stock held by U.S. Bank	1,984	1,984
Total investments	$ 12,347,015	13,158,739

Investment return is summarized below:

	2018	2017
Net realized and unrealized gains (losses)	$ (485,684)	1,615,982
Investment income	253,412	219,636
Investment fees	(43,172)	(33,813)
Investment return, net	$ (275,444)	1,801,805

(4) Fair Value Measurements

The carrying amount reported in the statements 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 Organization 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 Organization 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 Organization, Level 1 investments consist of stock held by U.S. Bank.

(4) Fair Value Measurements, Continued

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 Organization, Level 2 investments consist of its ownership interest in the pooled investment fund held and managed by SCL Health.

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 Organization 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 Organization's financial statements.

The following table summarizes the fair value hierarchy levels used by the Organization as of December 31, 2018:

	Fair Value	Level 1	Level 2	Level 3
Pooled investments	$ 12,345,031	–	12,345,031	–
Stock held by U.S. Bank	1,984	1,984	–	
Total	$ 12,347,015	1,984	12,345,031	–

The following table summarizes the fair value hierarchy levels used by the Organization as of December 31, 2017:

	Fair Value	Level 1	Level 2	Level 3
Pooled investments	$ 13,156,755	–	13,156,755	–
Stock held by U.S. Bank	1,984	1,984	–	–
Total	$ 13,158,739	1,984	13,156,755	–

(4) Fair Value Measurements, Continued

All assets have been valued using a market approach. The Organization 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 Organization can request redemptions at any time. There were no changes in valuation technique in the current year.

(5) Related Party Transactions

For the years ended December 31, 2018 and 2017, SCL reimbursed the Organization $19,200 and $19,500, respectively, for the sisters' rent and made contributions totaling $303,100 and $150,000, respectively.

For the years ended December 31, 2018 and 2017, SCL Health made contributions totaling $549,453 and $502,780, respectively, of which $0 and $2,714, respectively, was for improvement projects.

At December 31, 2018 and 2017, related party receivables from SCL totaled $100,000 and $50,000, respectively. At December 31, 2018 and 2017, related party payables owed to SCL Health totaled $20,771 and $158,030, respectively.

(6) Retirement Plan

Full-time employees become eligible for the Organization'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 Organization matches 100% of all eligible employee contributions up to 3% of salary. Effective April 1, 2011, the Organization'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 $59,297 and $62,182 for the years ended December 31, 2018 and 2017, respectively.

(7) Gain on Insurance Settlement

During 2017, a hail storm caused significant damage to the Organization's buildings. The Organization received insurance proceeds totaling $829,951 in 2017 and wrote-off the remaining net book value of the related property totaling $85,035 resulting in a gain on insurance settlement totaling $744,916. In 2018, the project was completed, and an additional $25,558 was recognized as a gain on insurance settlement.

(8) Contributions Receivable

Contributions receivable at December 31, 2018 and 2017, respectively, totaled $57,716 and $152,012. Contributions receivable totaling $52,600 is due in less than one year, and $5,116 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 collectable.

(8) Contributions Receivable, Continued

During 2018, the Organization received a $654,333 four-year grant for Expelled and At Risk Student Services, provided through the School program. The Organization received and recognized $154,427 in 2018, while the remaining $499,906 is conditioned upon the Organization achieving specific deliverables before payment will be made. Accordingly, the balance of the grant has not been recorded because the conditions have not been met.

(9) Board Designated Fund

The Organization's board of directors established board designated funds to be used for programmatic purposes and other unanticipated needs of the Organization. Following are the changes in board designated funds:

	Father Woody	NMT	Total
Balance December 31, 2016	$ 927,691	3,729,955	4,657,646
Designated fund spending	(133,275)	(16,647)	(149,922)
Balance December 31, 2017	794,416	3,713,308	4,507,724
Designated fund spending	(66,389)	(14,091)	(80,480)
Balance December 31, 2018	$ 728,027	3,699,217	4,427,244

(10) Net Assets With Donor Restrictions

At December 31, net assets with donor restrictions were restricted for the following purposes:

	2018	2017
Subject to expenditure for specified purpose:		
Programs	$ 221,100	57,730
Justin Fund	115,620	120,464
Sisters Fund	25,244	27,231
Passage of time:		
Contributions receivable	157,716	202,012
Total subject to purpose and time restrictions	519,680	407,437
Endowment:		
Tynan Fund (note 11)	80,000	80,000
Accumulated investment earnings on endowment fund with purpose restriction	5,768	5,404
Total endowments	85,768	85,404
Total net assets with donor restrictions	$ 605,448	492,841

Net assets were released from donor restrictions as follows for the years ended December 31:

	2018	2017
Satisfaction of purpose restrictions:		
Programs	$ 124,148	62,872
Justin Fund	4,844	5,664
Sisters Fund	1,986	4,500
Passage of time	209,796	234,008
Total purpose and time restrictions released	340,774	307,044
Endowment fund earnings appropriated for expenditure	1,884	4,341
Total net assets released from restrictions	$ 342,658	311,385

(11) Endowment

During fiscal 2000, the Organization received $80,000 from two donors to establish the Timothy Healy Tynan Fund (the Tynan Fund) with donor restrictions that the principal remain intact and the earnings be used for the maintenance and upkeep of the Organization's chapel.

The Organization's board has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization 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 Organization retains in perpetuity the original value of gifts donated for the endowment. The unspent accumulated earnings of the donor-restricted endowment fund are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the board in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

(1) The duration and preservation of the fund
(2) The purpose of the Organization 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 Organization
(7) The investment policies of the Organization.

As of December 31, 2018 and 2017, the endowment fund with donor restrictions totaled $85,768 and $85,404, respectively. Following are the changes in endowment net assets:

Endowment net assets, December 31, 2016	$ 84,518
Investment return	5,227
Appropriated for expenditure	(4,341)
Endowment net assets, December, 31 2017	85,404
Investment return	2,248
Appropriated for expenditure	(1,884)
Endowment net assets, December 31, 2018	$ 85,768

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 as of December 31, 2018 and 2017.

Return Objectives and Risk Parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for the Organization 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.

(11) Endowment, Continued

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation and investment income. To achieve its long-term return objectives within prudent risk constraints, the Organization 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 Organization 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 Organization considers the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 3 to 5% annually. This is consistent with the Organization'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.

(12) Conditional Asset Retirement Obligation

The Organization'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, 2018, the Organization's management does not have sufficient information to estimate the fair value of the asset retirement obligation for any potential required removal of asbestos. The building is expected to be maintained by repairs and maintenance activities and address the removal of the asbestos as it is identified. Also, the need for major renovations caused by technology changes, operational changes, or other factors has not been identified. Accordingly, at December 31, 2018, a liability has not been recognized for the potential need to remove asbestos because the fair value cannot be reasonably estimated.