

**BOULDER COUNTY AIDS PROJECT**

Financial Statements As Of December 31, 2018  
(With Summarized Comparative Financial Information  
As Of December 31, 2017)

Together With Independent Auditors' Report

**JDS** professional  
group  
certified public accountants, consultants and advisors

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Boulder County AIDS Project:

We have audited the accompanying financial statements of Boulder County AIDS Project, (“BCAP”), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 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 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.

Independent Auditors' Report, Continued

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boulder County AIDS Project as of December 31, 2018, 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.

**Effect of Adopting New Accounting Standard**

As discussed in Note 2, BCAP 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 to all periods presented. Our opinion is not modified with respect to this matter.

**Reporting on Summarized Comparative Information**

We have previously audited BCAP's December 31, 2017, financial statements, and we expressed an unmodified audit on those audited financial statements in our report dated June 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*JDS Professional Group*

July 17, 2019

# BOULDER COUNTY AIDS PROJECT

## Statement Of Financial Position

As Of December 31, 2018

(With Summarized Financial Information As Of December 31, 2017)

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<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 399,857	\$ 294,931
Grants receivable	70,587	93,985
Prepaid expenses	8,163	9,810
Total Current Assets	<u>478,607</u>	<u>398,726</u>
Property and Equipment:		
Equipment, vehicles, and furnishings	152,205	100,463
Lands and buildings	549,444	549,444
Leasehold improvements	334,134	334,134
	<u>1,035,783</u>	<u>984,041</u>
Less: Accumulated depreciation	(531,818)	(514,753)
Total Property and Equipment	<u>503,965</u>	<u>469,288</u>
Other Assets:		
Beneficial interest in asset held by The Community Foundation Serving Boulder County Endowment Fund	18,387	19,967
Deposits	600	600
Total Other Assets	<u>18,987</u>	<u>20,567</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,001,559</u>	<u>\$ 888,581</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 25,265	\$ 16,086
Accrued paid time off	29,767	27,424
Accrued payroll	13,171	16,884
Total Current Liabilities	<u>68,203</u>	<u>60,394</u>
Net Assets:		
Without donor restrictions -		
Board designated - operating reserve	346,956	309,147
Undesignated	483,247	459,117
Total without donor restrictions	<u>830,203</u>	<u>768,264</u>
With donor restrictions	103,153	59,923
Total Net Assets	<u>933,356</u>	<u>828,187</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,001,559</u>	<u>\$ 888,581</u>

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

## BOULDER COUNTY AIDS PROJECT

### Statement Of Activities

For The Year Ended December 31, 2018

(With Summarized Financial Information For The Year Ended December 31, 2017)

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	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
<b>Support And Revenue:</b>				
Federal, state and local government grants	\$ 959,492	\$	\$ 959,492	\$ 755,099
Other grants	155,650		155,650	155,169
Contributions	106,269	84,766	191,035	198,624
Contributions in-kind	229,889		229,889	253,588
Special events, net of direct expenses of \$25,371	80,728		80,728	76,583
Investment income (loss), net of fees of \$185	(235)		(235)	2,310
Rent income	17,020		17,020	17,800
Other income	5,879		5,879	9,430
Change in beneficial interest in trust Net assets released from restrictions- Satisfaction of program restrictions	1,580	(1,580)		
	39,956	(39,956)		
<b>Total Support And Revenue</b>	<u>1,596,228</u>	<u>43,230</u>	<u>1,639,458</u>	<u>1,468,603</u>
<b>Expenses:</b>				
Program Services	1,249,677		1,249,677	1,236,332
Supporting Services-				
Management and general	112,949		112,949	131,886
Fundraising	171,663		171,663	136,138
Total Supporting Services	284,612		284,612	268,024
Total Expenses	<u>1,534,289</u>		<u>1,534,289</u>	<u>1,504,356</u>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	61,939	43,230	105,169	(35,753)
Net Assets, Beginning Of Year	768,264	59,923	828,187	863,940
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 830,203</u>	<u>\$ 103,153</u>	<u>\$ 933,356</u>	<u>\$ 828,187</u>

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

# BOULDER COUNTY AIDS PROJECT

## Statement Of Functional Expenses

For The Year Ended December 31, 2018

(With Summarized Financial Information For The Year Ended December 31, 2017)

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	Program Services	Management and General	Fundraising	2018 Total Expenses	2017 Total Expenses
Direct client assistance	\$ 125,840	\$	\$	\$ 125,840	\$ 137,587
Indirect assistance	78,167			78,167	69,500
Eaton house	4,132			4,132	9,227
Longmont service center	11,034			11,034	11,175
Food assistance	11,679			11,679	16,392
Education/outreach/testing	12,053			12,053	7,385
Community outreach	5,311			5,311	6,720
Accounting/audit		33,435		33,435	33,156
Advertising/marketing	172	2,773	327	3,272	5,778
Agency vehicle	13,273	1,021	2,723	17,017	1,624
Bank and credit card fees		1,813		1,813	819
Building maintenance	3,245	250	666	4,161	3,370
Contract labor/consulting	13,802	639	1,705	16,146	23,047
Donor/volunteer relations	1,249	96	256	1,601	1,252
Employee benefits and payroll taxes	117,646	9,050	24,133	150,829	151,878
Governance		11,144		11,144	7,846
Insurance	11,082	3,156	2,273	16,511	15,372
Information technology/computers	11,562	889	2,372	14,823	14,608
Leases - equipment	6,435	495	1,320	8,250	7,776
Leases - facilities	10,502	808	2,154	13,464	12,170
Membership/dues/fees	4,853	346	924	6,123	6,347
Office/other supplies	2,940	227	605	3,772	7,936
Postage	780	60	1,072	1,912	1,827
Printing	650	50	2,707	3,407	4,601
Program evaluation	12,887			12,887	10,144
Repairs and maintenance	187	14	38	239	921
Salaries/wages	532,051	40,927	109,139	682,117	611,954
Special events			3,899	3,899	14,688
Telephone/internet	5,618	332	887	6,837	6,666
Training/conferences	3,628	183	488	4,299	4,803
Travel/mileage	6,162	17	45	6,224	4,659
Utilities	4,434	341	909	5,684	5,473
Website maintenance	4,333	301	803	5,437	978
Work-study interns	3,816			3,816	3,627
Total before depreciation and in-kind expenses	1,019,523	108,367	159,445	1,287,335	1,222,341
Depreciation	13,311	1,024	2,730	17,065	28,428
In-kind expenses	216,843	3,558	9,488	229,889	253,587
Total expenses	<u>\$ 1,249,677</u>	<u>\$ 112,949</u>	<u>\$ 171,663</u>	<u>\$ 1,534,289</u>	<u>\$ 1,504,356</u>

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

**BOULDER COUNTY AIDS PROJECT**

## Statement Of Cash Flows

For The Year Ended December 31, 2018

(With Summarized Financial Information For The Year Ended December 31, 2017)

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	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Changes in net assets from operations	\$ 105,169	\$ (35,753)
Adjustments to reconcile changes in net assets from operations to net cash provided by operating activities:		
Depreciation	17,065	28,428
Changes in assets and liabilities -		
Grants receivable	23,398	62,762
Other receivables		2,750
Prepaid expenses	1,647	2,500
Beneficial interest in trust	1,580	4,690
Accounts payable and current liabilities	7,809	(39,921)
Net cash provided by operating activities	<u>156,668</u>	<u>25,456</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(51,742)</u>	<u>(2,184)</u>
Net cash (used in) investing activities	<u>(51,742)</u>	<u>(2,184)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	104,926	23,272
Cash And Cash Equivalents, Beginning Of Year	<u>294,931</u>	<u>271,659</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 399,857</u>	<u>\$ 294,931</u>

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

# BOULDER COUNTY AIDS PROJECT

Notes To Financial Statements  
For The Year Ended December 31, 2018

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## (1) Organization And Summary Of Significant Accounting Policies

### Organization and Summary

Boulder County Health Network, Inc. was incorporated as a Colorado not-for-profit corporation in 1985, and changed its name to Boulder County AIDS Project (“BCAP”) in 1991. The mission of BCAP is to provide support, advocacy and education to individuals in the Boulder County community living with or affected by the Human Immunodeficiency Virus (HIV), and to serve as an outreach and information center to prevent further transmission of HIV and the resulting Acquired Immune Deficiency Syndrome (AIDS). To support its mission and programs, BCAP relies upon grants from federal, state, municipal, and private sources, and upon support from individuals, businesses, and organizations in the Boulder, Broomfield, Gilpin and Clear Creek counties in Colorado.

### Method Of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

### Basis Of Presentation

Financial statement presentation follows the recommendations of *Financial Statements for Not-for-Profit Organizations*. Under this standard, BCAP is required to report information regarding 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 BCAP’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 BCAP or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

### Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to BCAP’s ongoing program services and investment income. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.



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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 at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash And Cash Equivalents

For purpose of the statement of cash flows, cash and cash equivalents consists of demand deposits and all highly liquid investments with an original maturity of three months or less.

Contributions And Grants

BCAP follows the requirements of *Accounting for Contributions Received and Contributions Made*. In accordance with this standard, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending upon the existence and/or nature of donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. 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 statement of activities as net assets released from restrictions.

Promise To Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give 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. As of December 31, 2018, there were no promises to give.

Property And Equipment

Property and equipment is recorded at cost if purchased, or fair market value if donated. BCAP capitalizes property and equipment additions greater than \$500. Donated property and equipment are reported as unrestricted support unless the donor has restricted use of the donated asset to a specific purpose. Office equipment and furnishings are depreciated using the straight-line method over estimated useful lives of three to ten years. Leasehold improvements are depreciated using the straight-line basis over the term of the underlying lease. Buildings are depreciated using the straight-line basis over forty years.

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Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of BCAP. Costs not directly attributable to a function, including agency vehicle, building maintenance, contract labor & consulting, donor & volunteer relations, employee benefits & payroll taxes, information technology & computers, equipment leases, facility leases, membership dues & fees, office & other supplies, salaries & wages, telephone & internet, training & conferences, utilities, website maintenance, and depreciation are allocated to a functional region based on estimates of time and effort.

Fair Value Measurements

BCAP follows *Fair Value Measurements*, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

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*Beneficial interest in trust:* Valued as reported by the Organization holding the endowment.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the BCAP believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The carrying amount reported in the statement of financial position for cash and cash equivalents, grants receivable, accounts payable, and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

#### Contributed Services

Contributed services are recognized when the services create or enhance non-financial assets, or require specialized skills provided by individuals possessing those skills that would otherwise need to be purchased if not donated.

BCAP received 12,825 hours of donated services in 2018 from many unpaid volunteers who assist BCAP with its programs, fund raising and administration. No amounts have been recognized in the accompanying financial statements since these services do not meet the criteria for recognition.

#### Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, BCAP adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net

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assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

### Subsequent Events

BCAP has evaluated subsequent events through July 17, 2019, the date which the financial statements were available to be issued.

## (2) Tax Exempt Status

BCAP is a nonprofit organization that is exempt from income taxes under 501(c)(3) of the Internal Revenue Code. BCAP has also been classified as an entity that is not a private foundation within the meaning of section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). BCAP has no unrelated business income subject to income tax.

BCAP follows *Accounting for Uncertainty in Income Taxes* accounting standard which clarifies the accounting and reporting for uncertainties in income tax law and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in an impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming the tax position is examined by the appropriate taxing authority that has knowledge of all relevant information. During the year ended December 31, 2018, BCAP performed an evaluation of uncertain tax positions and did not note any matters that would require recognition or which may have an effect on its tax-exempt status.

BCAP is no longer subject to U.S. federal income tax audits on its Form 990 by taxing authorities for years prior to 2015. The years subsequent to these years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as it relates to the amount and/or timing of income, deductions, and tax credits. Although the outcome of tax audits is uncertain, BCAP believes no issues would arise.

## (3) Investments

Investments consist of BCAP's beneficial interest in the Community Foundation Serving Boulder County ("Community Foundation") which is considered as Level 3 investments and reflected at fair market value.

The changes in the investments for which BCAP has used Level 3 inputs to determine the fair values during the year ended December 31, 2018, are as follows:

## BOULDER COUNTY AIDS PROJECT

Notes To Financial Statements (Continued)

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Balance, January 1, 2018	\$ 19,967
Distributions	(1,345)
Total gains or losses (realized and unrealized)	(50)
Investment fees	(185)
Balance, December 31, 2018	<u>\$ 18,387</u>

The fair value is based on the value of BCAP's portion of the underlying investments in the beneficial interest using valuation methods that are appropriate for those investments as determined by the Community Foundation.

Quantitative information related to valuation inputs is not available since the value of which provided by the Community Foundation was used without adjustment. On an annual basis, BCAP's management evaluates the return received from the beneficial interest against the value of its portion of the beneficial interest for reasonableness as compared with current market returns. Management believes that the sensitivity in the fair value measurement of the beneficial interest is related to market fluctuations, as the investments held in the beneficial interest are primarily marketable securities.

#### (4) Concentrations Of Credit Risk

BCAP's cash demand deposits are held with one institution at which deposits are insured up to \$250,000 by the FDIC. As of December 31, 2018, such deposits exceeded the FDIC insurance limit by \$85,601.

BCAP received approximately 58% in 2018, of its support from the Federal and State government under the Ryan White Care Act, Housing Opportunities for People Living with AIDS, and the Colorado HIV/AIDS Prevention Program. If the programs were to be modified, reduced or eliminated, BCAP's finances could be materially adversely affected.

#### (5) Beneficial Interest In Assets Held By Community Foundation Endowment Fund

The Board of Directors established an agency endowment fund with the Community Foundation. The endowment is managed by the Community Foundation and is subject to the policies of the Community Foundation. It is BCAP's intention to build up the fund to provide a source of revenue in the future.

BCAP granted variance power to the Community Foundation which allows the Community Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of The Foundation's Board of Directors such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of BCAP. In accordance with the requirements of the Transfers of Assets to a Nonprofit Organization or Charitable Trust That Raises or Holds Contributions for Others accounting standard, the transfer was not considered to be a contribution from BCAP to the Endowment Fund, but rather was accounted

for as reciprocal transfer between BCAP and the Endowment Fund. Therefore, the transfers are reflected collectively in the Statement of Financial Position as Beneficial interest in assets held by Community Foundation Endowment Fund.

The Endowment Fund is held and invested by the Community Foundation for the benefit of BCAP. BCAP receives annual distributions of the lesser of five percent of the monthly average balance of the Fund during the preceding year, or the net investment income of the Fund, reduced by fees and investment management expense. Excess earnings, if any, are reinvested in the Fund. As of December 31, 2018, the fair value of the assets of the Endowment Fund was \$18,387. Distributions from the endowment fund are available to BCAP for its unrestricted use. A distribution of \$1,345 was received during the year ended December 31, 2018.

(6) **Endowment**

General

BCAP's endowment fund was established by action of the Board of Directors (the "Board") to be maintained in perpetuity. The endowment fund may include both donor-restricted endowment funds as well as funds designated by the Board to function as endowments. Endowment funds may be established for either specific purposes or general operating use. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

BCAP is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board has interpreted UPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, BCAP would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. BCAP has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater. The beneficial interest in trust amount reflected in net assets with donor restrictions is adjusted for the annual appreciation or depreciation and distribution of the funds held by Community Foundation.

In accordance with UPMIFA, BCAP 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 purposes of BCAP 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 BCAP
- (7) The investment policies of BCAP

Changes in endowment net assets during the year ended December 31, 2018

Endowment net assets, beginning of year	\$ 19,967
Investment income (loss), net of fees of \$185	(235)
Appropriation of endowment assets for expenditures	(1,345)
Endowment net assets, end of year	<u>\$ 18,387</u>

Return Objectives and Risk Parameters

BCAP follows the investment and spending policies adopted by Community Foundation for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Beneficial interest in trust include those assets of donor-restricted funds that the Foundation must hold in perpetuity.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, BCAP relies on the Community Foundation’s investment policy and strategy which strive to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The funds are held in a pooled investment portfolio which are invested with a long-term strategy with a balanced portfolio of equity, fixed-income, alternative assets, and cash.

Spending Policy and How the Investment Objectives Relate to Spending Policy

BCAP can receive annual distributions of the lessor of five percent of the monthly average balance of the Community Foundation Endowment Fund during the preceding year, or the net investment income of the Fund, reduced by fees and investment management expense, as discussed in Note 5. During the year ended December 31, 2018, BCAP followed it’s spending policy.

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Notes To Financial Statements (Continued)

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## (7) Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following purposes as of December 31, 2018:

<u>Subject to expenditure for specified purpose:</u>	
Care	\$ 47,553
Prevention	37,213
<u>Subject to spending policy and appropriation:</u>	
Investments held in perpetuity	18,387
Total	<u>\$ 103,153</u>

## (8) Operating Leases

BCAP rents office space at 2118 14<sup>th</sup> Street, Boulder, CO under a non-cancelable lease expiring in 2022. Rent payments totaled \$13,464 in 2018. The accompanying financial statements include an additional in-kind contribution of \$53,880 for 2018, representing donated market value of rent over actual rent charged. BCAP is responsible for specified insurance coverage, routine repairs and maintenance, and certain utilities. The lease provides for annual percentage rate increases bases upon the Consumer Price Index.

BCAP also rents office space at 515 Kimbark, Longmont, CO under a non-cancelable lease which expires September 30, 2020. Rent payments totaled \$8,820 for 2018.

Office equipment leases include two photocopier leases. Related lease payments for this equipment totaled \$8,250 for 2018.

Minimum annual payments required in monthly installments under these leases at current rates are as follows:

Year ending December 31,	
2019	\$ 24,977
2020	21,204
2021	14,004
2022	14,004
	<u>\$ 74,189</u>



# BOULDER COUNTY AIDS PROJECT

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(9) **Liquidity and Availability of Financial Assets**

BCAP's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 399,857
Grants receivable	70,587
Total financial assets at year end	<u>470,444</u>
Less amounts not available to be used for general expenditures within one year	
Cash subject to expenditure for a specific purpose	<u>10,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 460,444</u></u>

BCAP has an established policy to maintain financial assets to meet at least three months of operating expenses. As part of the BCAP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. BCAP can also receive minimal distributions from its beneficial interest in trust which is are not included above.

(10) **Employee Benefit Plans**

In 1997, BCAP established a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Eligible employees may make contributions to the plan up to a maximum amount allowed under the Internal Revenue Code. BCAP does not make employer contributions to this plan.

(11) **In-Kind Contributions**

In-kind goods and services consisted of the following as of December 31, 2018:

Materials	\$ 20,601
Services	155,349
Facilities rental	53,939
Total	<u><u>\$ 229,889</u></u>

Contributed services were used for program services.

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Notes To Financial Statements (Continued)

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## (12) Expenses

Total expenses incurred during the year ended December 31, 2018, are as follows:

Total expenses reported by function	\$ 1,534,289
Cost of direct benefit to donors	25,371
Total expenses	<u>\$ 1,559,660</u>

## (13) Adoption of Accounting Standards Update 2016-14

The following financial statement line items for the year ended December 31, 2017, were reclassified as a result of the adoption of FASB Accounting Standards Update No. 2014-16, *Presentation of Financial Statements of Not-For-Profit Entities*.

	As Previously Reported	Adoption of ASU No. 2016-14	As Reclassified
Unrestricted net assets	\$ 768,264	\$ (768,264)	\$
Temporarily restricted net assets	39,956	(39,956)	
Permanently restricted net assets	19,967	(19,967)	
Net assets without donor restrictions		768,264	768,264
Net assets with donor restrictions		59,923	59,923
Total	<u>\$ 828,187</u>	<u>\$</u>	<u>\$ 828,187</u>

## (14) New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers* (Topic 606), which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for BCAP for the year ended December 31, 2019. Early application is permitted for BCAP. BCAP is evaluating the effect that ASU No. 2015-14 will have on its financial statement and related disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies how entities will determine whether to account for a transfer of assets as an exchange transaction or

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a contribution. The distinction is important because contributions are accounted for under Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities - Revenue Recognition*, while exchange transactions are accounted for under other guidance such as ASC 606, *Revenue from Contracts with Customers*. The guidance also clarifies how entities will determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is conditional or unconditional. The new standard is effective for BCAP for the year ended December 31, 2019. Early adoption is permitted. BCAP is evaluating the effect that ASU No. 2018-08 will have on its financial statements and related disclosures.

In December of 2018, FASB issued ASU No. 2018-20, *Leases*. ASU No. 2018-20 which requires the Organization to recognize all leased assets on the statement of financial position with corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosure as to the nature and extend of leasing activities. The requirements of this statements are effective for BCAP's year ended December 31, 2020. BCAP has not evaluated the impact due to the timing of implementation of this standard.