STOCKMAN KAST RYAN + COMPANY

INSIDE/OUT YOUTH SERVICES

Financial Statements

For The Year Ended December 31, 2018

And

Independent Auditors' Report

INSIDE/OUT YOUTH SERVICES

TABLE OF CONTENTS

skr+co
STOCKMAN KAST RYAN + COMPANY

102 N. Cascade Avenue, Suite 400
Colorado Springs, CO 80903
T: 719.630.1186
F: 719.630.1187
skrco.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Inside/Out Youth Services
Colorado Springs, Colorado

We have audited the accompanying financial statements of Inside/Out Youth Services, 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.

Auditors' 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 of 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 auditors' 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 Inside/Out Youth Services 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018 Inside/Out Youth Services 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. Our opinion is not modified with respect to this matter.

Stockman Kast Ryan + Co, LLP

December 18, 2019

INSIDE/OUT YOUTH SERVICES

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	115,921
Grants receivable		21,389
Contributions receivable		19,755
Prepaid expenses		1,835
Total current assets		158,900
INVESTMENTS		67,731
PROPERTY AND EQUIPMENT, NET		2,167
TOTAL ASSETS	$	228,798
LIABILITIES AND NET ASSETS		
ACCRUED LIABILITIES	$	7,110
NET ASSETS		
Net assets without donor restrictions		129,958
Net assets with donor restrictions		91,730
Total net assets		221,688
TOTAL LIABILITIES AND NET ASSETS	$	228,798

See notes to financial statements.

INSIDE/OUT YOUTH SERVICES

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Government grants	$ 77,842	$ 80,349	$ 158,191
Contributions	65,497	19,901	85,398
Fundraising revenue	79,187	1,348	80,535
In-kind contributions	4,149		4,149
Investment loss, net	(3,730)		(3,730)
Other revenue	646		646
Net assets released from restriction	30,856	(30,856)	—
Total	254,447	70,742	325,189
EXPENSES			
Program services	165,955		165,955
General and administrative	55,554		55,554
Fundraising	10,685		10,685
Total expenses	232,194	—	232,194
CHANGE IN NET ASSETS	22,253	70,742	92,995
NET ASSETS, Beginning of year	107,705	20,988	128,693
NET ASSETS, End of year	$ 129,958	$ 91,730	$ 221,688

See notes to financial statements.

INSIDE/OUT YOUTH SERVICES

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	General and Administrative	Fundraising	Total
Salaries and employee expenses	$ 94,469	$ 35,597	$ 6,845	$ 136,911
Occupancy	19,689	7,419	1,427	28,535
Special event expenses	16,519			16,519
Fundraising expenses	6,053	2,280	439	8,772
Insurance	4,287	1,616	311	6,214
Youth activities	4,040	1,522	293	5,855
Office supplies	2,872	1,083	208	4,163
In-kind services and donations	2,863	1,079	207	4,149
Information technology	2,792	1,053	202	4,047
Meals and entertainment	2,032	766	147	2,945
Conferences	1,958	738	142	2,838
Contracted services	2,010			2,010
Advertising	546	205	40	791
Depreciation and amortization	301	114	22	437
Other	5,524	2,082	402	8,008
TOTAL	$ 165,955	$ 55,554	$ 10,685	$ 232,194
Percent of total	71%	24%	5%	100%

See notes to financial statements

INSIDE/OUT YOUTH SERVICES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATING ACTIVITIES	
Change in net assets	$ 92,995
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	437
Net realized and unrealized loss on investments	3,783
Change in operating assets and liabilities:	
Accounts receivable	(13,606)
Prepaid expenses	4,248
Accrued liabilities	6,718
Net cash provided by operating activities	94,575
INVESTING ACTIVITIES	
Net cash used in investing activities—	
Purchases of property and equipment	(1,100)
NET INCREASE IN CASH AND CASH EQUIVALENTS	93,475
Cash and cash equivalents, beginning of year	22,446
Cash and cash equivalents, end of year	$ 115,921

See notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inside/Out Youth Services (the Organization) was incorporated in January of 1997. The Organization was established for the purpose of providing a safe place where lesbian, gay, transgender, intersex and questioning youth can express their feelings, build their self-reliance and connect to trusted adults for support and advocacy. The Organization's mission is to educate, empower and advocate for lesbian, gay, transgender, intersex and questioning youth. The Organization has one location in Colorado Springs, Colorado.

Basis of Accounting — The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation — The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represent the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represent resources restricted by donors as to purpose or by the passage of time.

Cash and Equivalents — For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. These accounts may, at times, exceed federally insured limits; however, the Organization has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk.

Contributions and Grants Receivable — Contributions and grants receivable are stated at the invoice amount. Management provides for probable uncollectible amounts through a provision for bad debts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. As of December 31, 2018, management believes all contributions and grants receivable are fully collectible and accordingly, no allowance for doubtful accounts has been recorded.

Investments and Investment Return — Investments are carried at fair value in the statement of financial position. Net investment return consists of interest and dividend income, and the realized and unrealized gains and losses on the investments, less investment management and custodial fees. See Note 6 for additional information on fair value measurements.

Property and Equipment — Property and equipment are recorded at cost or, if donated, at the estimated fair value at the date of donation. The Organization's policy is to capitalize acquisitions of property and equipment costing in excess of $500 and having a useful life exceeding one year. Depreciation is provided using the straight-line method over estimated useful lives as follows:

Automobiles	3 – 5 years
Leasehold improvements	10 – 40 years
Office furniture and equipment	3 – 7 years

Contributions — Contributions are recognized as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restriction depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without restriction and reported in the statement of activities as net assets released from restrictions.

Contributed Services — Contributed services and materials are recorded as both a revenue and expenditure in the accompanying statements of activities at their estimated values. Contributions of services are recognized if the services received create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

A substantial number of volunteers donated time to the Organization's program services and its fundraising activities; however, the estimated value was not recorded because it did not meet the criteria for recognition.

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

Tax Status — The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

Change in Accounting Principle — On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The 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. During 2018, management implemented ASU 2016-14 and adjusted the presentation in these financial statements accordingly.

Subsequent Events — Management has evaluated subsequent events through the date of the Independent Auditor's Report, the date on which the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

The Organization's financial assets available with one year of the balance sheet date for general expenditure were as follows at December 31, 2018:

Cash and cash equivalents	$ 115,921
Grants receivable	21,389
Contributions receivable	19,755
Investments	67,731
Total financial assets	224,796
Less amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	71,975
Total financial assets available to management to meet cash needs for general expenditures within one year	$ 152,821

As part of the Organization'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. The Organization's policy to manage an emergency cash flow need is evaluate monthly expenses and compare with amounts forecasted to determine if other measures should be taken, including obtaining outside financing and sale of assets. The Organization manages its cash flow for a one-year cycle from the balance sheet date.

3. FUNCTIONAL EXPENSES ALLOCATION METHODS

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and employee expenses, occupancy, supplies, and insurance, which are allocated on the basis of usage, square footage, or estimates of time and effort.

4. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions are available for the following purposes at December 31, 2018:

Subject to expenditure for a specified purpose:	
Increasing capacity	$ 45,289
Increasing public safety	25,000
Reducing tobacco usage	1,343
Queer Prom and Youth Leadership	343
Total	71,975
Subject to the passage of time:	
Contributions receivable	19,755
Total net assets with donor restriction	$ 91,730

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2018:

Automobiles	$ 11,500
Office furniture and equipment	6,385
Leasehold improvements	1,880
Total	19,765
Less accumulated depreciation	(17,598)
Property and equipment, net	$ 2,167

6. INVESTMENTS

The Organization's investments of $67,731 consist of a pooled investment vehicle held by the Pikes Peak Community Foundation (PPCF). The investments are valued at fair value using the net asset value of the portfolio provided by the PPCF. The investments underlying the pooled investment vehicle consist primarily of actively traded debt and equity securities. There are no redemption restrictions.

7. OPERATING LEASE COMMITMENTS

The Organization leases an office building and a printer under operating leases. The leases require monthly payments of $2,200 and $80, respectively, and expire in July 2022 and August 2023, respectively. Rent expense under these leases for the year ended December 31, 2018 was $26,558.

As of December 31, 2018, future minimum payments under the operating leases are as follows:

2019	$	27,678
2020		28,480
2021		29,306
2022		17,776
2023		632
Total	$	103,872

8. CONCENTRATIONS, RISKS AND UNCERTAINTIES

The Organization received grants from the State of Colorado comprising 48% of revenue during the year ended December 31, 2018.

As of December 31, 2018, all grants receivable are due from the State of Colorado and all accounts receivable are due from one organization.

The Organization invests in a pooled investment fund of PPCF. The pooled investment fund holds investment securities which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the recorded amount of investments in the Organization's financial statements.