Denver Kids, Inc.

Ten Months Ended June 30, 2019
with
Independent Auditors' Report

Denver Kids, Inc.

Ten Months Ended June 30, 2019
(See Independent Auditors' Report)

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stratagem
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Denver Kids, Inc.
Denver, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Denver Kids, Inc. which comprise the statement of financial position as of June 30, 2019 and the related statements of activities and change in net assets, functional expenses and cash flows for the ten months then ended and the related notes to 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 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver Kids, Inc. as of June 30, 2019 and the change in its net assets and its cash flows for the ten months then ended in accordance with accounting principles generally accepted in the United States of America.

Stratagem PC
Certified Public Accountants

Lakewood, Colorado

November 20, 2019

Denver Kids, Inc.

Statement of Financial Position
June 30, 2019
(See Independent Auditors' Report)

Assets

Current assets:	
Cash and cash equivalents:	
Operating:	
General	$ 244,598
Temporarily restricted	115,691
Current portion of unconditional promises to give, net of allowance for doubtful accounts	367,076
Investments:	
Cash, unrestricted	15,685
Cash, board designated	82,724
Securities, unrestricted	1,266
Securities, board designated	963,822
Total current assets	1,790,862
Property and equipment, at cost:	
Office equipment	128,399
Less accumulated depreciation	114,437
Total property and equipment, net	13,962
Other assets:	
Unconditional promises to give, net of current portion	490,018
Investments, Board restricted:	
Cash and securities	452,669
Total other assets	942,687
Total assets	$ 2,747,511

Denver Kids, Inc.

Statement of Financial Position
June 30, 2019
(See Independent Auditors' Report)

Liabilities and Net Assets

Current and total liabilities:	
Accounts payable	$ 10,050
Accrued expenses	107,645
Total liabilities	117,695
Net assets:	
Without donor restrictions:	
Operating	574,135
Net investment in property and equipment	13,962
Board designated	1,046,546
Board designated - restricted endowment funds	452,669
Total without donor restrictions	2,087,312
With donor restrictions:	
Purpose restrictions	52,486
Time restrictions	490,018
Total with donor restrictions	542,504
Total net assets	2,629,816
Total liabilities and net assets	$ 2,747,511

Denver Kids, Inc.

Statement of Activities and Change in Net Assets
Ten Months Ended June 30, 2019
(See Independent Auditors' Report)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Sponsors	$ 695,901	$ 92,559	$ 788,460
Corporations and foundations	470,198	112,854	583,052
Individuals:			
General	392,881	15,182	408,063
Pledges	-	209,549	209,549
Special events, net	41,990	-	41,990
In-kind contributions	457,461	-	457,461
Investment income	25,271	-	25,271
Realized and unrealized gains on investments	7,249	-	7,249
Net assets released from restrictions:			
Satisfaction of:			
Program restrictions	221,814	(221,814)	-
Time restrictions	225,503	(225,503)	-
Total revenues	2,538,268	(17,173)	2,521,095
Expenses:			
Program	1,883,948	-	1,883,948
General and administrative	156,697	-	156,697
Fundraising	316,947	-	316,947
Total expenses	2,357,592	-	2,357,592
Change in net assets from operations	180,676	(17,173)	163,503
Other expense:			
Non-recurring acquisition costs	65,383	-	65,383
Change in net assets	115,293	(17,173)	98,120
Net assets, beginning of period	1,972,019	559,677	2,531,696
Net assets, end of period	$ 2,087,312	$ 542,504	$ 2,629,816

(See Notes to Financial Statements)

Denver Kids, Inc.

Statement of Functional Expenses
Ten Months Ended June 30, 2019
(See Independent Auditors' Report)

	Program	General and Administrative	Fund - Raising	Total	Percentage of Total Revenue - $2,521,095
Bad debts	$ -	$ -	$ 5,244	$ 5,244	0.2 %
Consulting services	5,000	-	-	5,000	0.2
Counselor and program expense	45,285	-	-	45,285	1.8
Depreciation	5,684	687	1,571	7,942	0.3
Development and events	10,135	1,323	79,668	91,126	3.6
Employee benefits	135,411	19,751	9,271	164,433	6.5
Insurance	13,840	1,880	1,367	17,087	0.7
In-kind expense:					
Goods and services	159,325	5,311	12,392	177,028	7.0
Information technology support	7,931	264	617	8,812	0.4
Rent	138,455	4,615	10,769	153,839	6.1
Salaries and wages	69,974	-	-	69,974	2.8
Legal and accounting	6,884	885	689	8,458	0.3
Mileage expense	35,824	666	262	36,752	1.5
Miscellaneous	6,322	2,296	202	8,820	0.3
Office expense	7,600	13,050	16,838	37,488	1.5
Payroll taxes	78,116	5,223	12,080	95,419	3.8
Salaries and wages	1,087,792	92,301	161,791	1,341,884	53.2
Student activities and expense	23,335	-	-	23,335	0.9
Technology expense	47,035	8,445	4,186	59,666	2.4
	$ 1,883,948	$ 156,697	$ 316,947	$ 2,357,592	93.5 %
Percentage of Total Expenses	79.9%	6.7%	13.4%	100.0%	

(See Notes to Financial Statements)

Denver Kids, Inc.

Statement of Cash Flows
Ten Months Ended June 30, 2019
(See Independent Auditors' Report)

Cash flows from operating activities:	
Cash received from sponsors, donors and others	$ 2,072,919
Cash paid to suppliers and employees	(1,841,935)
Interest received	25,271
Net cash provided by operating activities	256,255
Cash flows from investing activities:	
Investments:	
Proceeds from sales	198,791
Purchases	(111,554)
Deposits, net of withdrawals	(97,674)
Net cash used by investing activities	(10,437)
Net increase in cash and cash equivalents	245,818
Cash and cash equivalents, beginning	114,471
Cash and cash equivalents, ending	$ 360,289

(continued)
(See Notes to Financial Statements)

Denver Kids, Inc.

Statement of Cash Flows (continued)
Ten Months Ended June 30, 2019
(See Independent Auditors' Report)

Cash flows from operating activities:		
Change in net assets	$	98,120
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		7,942
Bad debts		5,244
Unrealized gain on investments		(13,251)
Realized loss on investments		6,002
Decrease in:		
Unconditional promises to give, net		31,243
Accounts receivable		36,561
Prepaid expenses		4,213
Increase in:		
Accounts payable		6,082
Accrued expenses		74,099
Net cash provided by operating activities	$	256,255

(See Notes to Financial Statements)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

Denver Kids, Inc. (the "Organization") is a 501(c)(3) nonprofit organization formed in September 1993 as a result of the merger between Denver Girls, Inc. and Denver Boys, Inc. The Organization provides educational counseling services for referred students enrolled in third through twelfth grade in Denver Public Schools ("DPS"). The Organization and DPS work together to offer daily activities to students which are provided by educational counselors. In addition to the counselors, the Organization provides administrative support and other resources as needed with a significant number of volunteers providing additional support and assistance.

The Organization operates numerous programs which include the following:

- Educational Counseling: Provides one-to-one support and guidance to students in grades third through twelve that attend DPS. Students are referred to the Organization by school personnel and then assigned to a specific counselor who then meets with the student on a weekly to semi-monthly basis for a period of, on average, 6-8 years. In addition, the Organization promotes parent engagement along with personnel of both the Organization and DPS providing a link between parents and external agencies. The program offers parents group support, training on relevant topics, referrals, counseling and other resources. Referrals and resources include medical care, legal assistance and housing along with consultations on the special education process.

- Mentoring: The Organization recruits and trains adult volunteers to serve as mentors to the students. Mentor and student matches typically average 4.5 years with meetings twice per month. Professional educational counseling personnel work closely with each volunteer providing expertise and guidance.

- Future Options: Provides post-secondary guidance and career explorations to students in grades 8 through 12 which include identifying appropriate colleges and universities and assistance with applying for financial aid. Workshops, campus and industry tours and internship opportunities engage students in both career exploration and job readiness exercises.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Nature of operations (continued)

The Organization operates numerous programs which include the following (continued):

- Student Enrichment Opportunities: Planned events that are organized in a manner that is fun and teachable, and aligns with the mission of the Organization. All student activities meet the following criteria - provides students an opportunity to think about the importance of education and a high school diploma, provides students an opportunity to think about or explore post-secondary options, and encourages, motivates or inspires students to become contributing/participating members of the community. Even though there is frequent overlap, there are usually four types of Denver Kids, Inc. activities: Program-related, Development-related, Stand-alone or Community-related, and Summer.

During 2019, the Organization changed its fiscal year-end from August 31st to June 30th and, as such, these financial statements are presented for the ten months ended June 30, 2019.

Basis of presentation

The financial statements are prepared using the accrual method of accounting under accounting principles generally accepted in the United States of America (‘U.S. GAAP”) whereby income is reported as earned and expenses reported as incurred.

The financial statements of the Organization have been prepared in accordance with U.S. GAAP, which requires the Organization to report 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 in accordance with the limitations of its charter and bylaws. These net assets may be used at the discretion of the Organization’s management and the Board of Directors. Decreases in net assets without donor restrictions generally result from expenses incurred for program and supporting services conducted by the Organization.

- 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. The Organization had no amounts held in perpetuity as of June 30, 2019.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Use of estimates in the preparation of financial statements

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

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains cash in bank deposit accounts at a financial institution in bank deposit accounts in which the deposits are guaranteed by the Federal Deposit Insurance Corporation ("FDIC").

The operating accounts of the Organization are held at an institution that is provided insurance up to $250,000 per FDIC-insured depository institution. The Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 825, *Financial Instruments,* identifies such accounts as a concentration of credit risk requiring disclosure regardless of the degree of risk. Risk related to deposits held outside of institutions participating in the above program is managed by maintaining deposits with high quality financial institutions and monitoring cash such that balances are rarely, if ever, in excess of any applicable FDIC insurance limits that may be in place. In addition, management does not believe that the Organization is exposed to any significant risk related to cash and cash equivalents.

Promises to give

Unconditional promises to give are recognized as revenues in the period pledged 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.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to record uncollectible accounts. The allowance is based on past experience and on specific analysis of the collectability of individual account balances. As of June 30, 2019, the estimated allowance for doubtful accounts was $25,594.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Property and equipment

The Organization capitalizes the cost of expenditures in excess of $3,500 for property and equipment. Property and equipment are recorded at acquisition cost with donated property and equipment recorded at estimated fair market value. When items are disposed, the cost and related depreciation are removed from the accounts, with gains or losses on disposal recorded. Depreciation is computed by the straight-line method, over the estimated useful lives of the assets ranging from three to five years. Expenditures for maintenance, repairs and minor replacements are charged to operations.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities and change in net assets. Donated investments are reflected as contributions at their market values at date of receipt.

Contributions

Under FASB ASC Topic 958, Subtopic 605, *Not-For-Profit Entities*, contributions received are recorded as net assets with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions.

All contributions are considered to be available without donor restrictions unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. When a donor 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.

Contributions also qualify for various state tax credits to the individual donors.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

<u>In-kind contributions</u>

DPS contributed office space, equipment and other assistance along with related costs of the Organization’s program of approximately $233,000 for the ten months ended June 30, 2019, which are recorded as contributed services in the statement of activities and change in net assets. These amounts represent the Organization's estimate of what it would cost the Organization to replace DPS assistance in order to maintain the current level of service provided to DPS students. The contributed services are allocated on a functional basis in the statement of activities and change in net assets.

In addition, the Organization receives in-kind donations of clothing, school supplies and legal services from businesses and individuals. Where possible, these donations are valued at cost (if readily available) or at a conservative amount based on market value. Management of the Organization has estimated the value of these donations to be approximately $225,000 for the ten months ended June 30, 2019.

Also, many other individuals volunteer their time and perform a variety of tasks that assist the Organization in its programs and general operations throughout the year; however, the value of these services do not meet the recognition criteria under FASB ASC Topic 958-605. Management of the Organization has estimated the hours contributed to be approximately 16,100 for the ten months ended June 30, 2019.

<u>Functional allocation of expenses</u>

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The statement of functional expenses provide a detail of the natural classifications of those functional expenses and are determined on an equitable and rational basis.

<u>Income taxes</u>

No provision for income taxes has been made in these financial statements as the Organization has been granted non-for-profit status with the Internal Revenue Service under Section 501(c)(3). As such, the Organization is only subject to taxes on unrelated business income. During the ten months ended June 30, 2019, the Organization had no unrelated business income.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

New accounting pronouncement

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("FASB ASU") No. 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. The Organization adopted FASB ASU 2016-14 as of June 30, 2019.

2. Availability and Liquidity

The following represents the Organization's financial assets at June 30, 2019:

Financial assets:	
Cash and cash equivalents	$ 360,289
Investments	1,516,166
Unconditional promises to give, net of allowance for doubtful accounts	857,094
Total financial assets	2,733,549
Less amounts not available to be used within one year:	
Net assets with donor restrictions	542,504
Financial assets available to meet general expenditures over the next twelve months	$ 2,191,045

The Organization's goal is generally to maintain financial assets to meet two months of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including cash and money market accounts.

3. Promises to Give

Unconditional promises to give

Unconditional promises to give for years ending after June 30, 2019 are reflected as either current or non-current assets based on the terms of the commitment by the individual donors. The allowance for uncollectible amounts is determined by management based on the evaluation of collectability of the promises outstanding.

The following is a summary of unconditional promises to give at June 30, 2019:

Amounts due in:		
Less than one year	$	392,670
One to five years		490,018
	$	882,688
Promises to give	$	882,688
Less allowance for uncollectible amounts		25,594
Net promises to give	$	857,094

Amounts due in more than one year in the future have not been discounted to present value because the effect on the financial statements would not be significant.

4. Investments

Fair value measurements

The Organization records its investments at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based on the level of judgment associated with the inputs used to measure their value. The hierarchy for measuring fair value prioritizes the inputs to valuation techniques used to measure fair value and gives the highest priority to unadjusted quoted prices for securities traded in active markets (level 1) and the lowest priority to unobservable inputs (level 3). The asset 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.

4. Investments (continued)

The three levels of the fair value hierarchy are as follows:

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

Level 2 – Inputs to the valuation methodology include a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; and d) 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 Organization's portfolio managed investments as of June 30, 2019 were classified as follows on a recurring basis, based on the lowest level of input that is significant to the fair value measurement:

Description	Level 1	Level 2	Level 3	Totals
Investments:				
Equities	$ 649,473	$ -	$ -	$ 649,473
Fixed income investments	561,938	-	-	561,938
Mutual funds:				
Bonds	71,099	-	-	71,099
Equities	28,373	-	-	28,373
Exchange traded funds	71,774	-	-	71,774
Cash, not subject to fair value measurement	-	-	-	133,509
	$ 1,382,657	$ -	$ -	$ 1,516,166

In accordance with FASB ASC topic 820, *Fair Value Measurements and Disclosures*, cash has not been classified in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

Valuation techniques used to measure assets at fair value are based on the closing prices reported on the active markets in which securities held by the Organization are traded.

4. Investments (continued)

Investments are carried at fair value and are presented in the financial statements as follows as of June 30, 2019:

Description	Unrestricted (Reserve)	Board Designated	Board Restricted (Endowment)	Totals
Investments:				
Equities	$ 1,266	$ 486,123	$ 162,084	$ 649,473
Fixed income investments	-	358,050	203,888	561,938
Mutual funds:				
Bonds	-	71,099	-	71,099
Equities	-	10,004	18,369	28,373
Exchange traded funds	-	38,546	33,228	71,774
Cash, not subject to fair value measurement	15,685	82,724	35,100	133,509
	$ 16,951	$ 1,046,546	$ 452,669	$ 1,516,166

Included in investment income for the ten months ended June 30, 2019 were investment management fees of approximately $8,400.

5. Net Assets without Donor Restrictions, Board Designated

During the year ended August 31, 2004, the Board of Directors resolved to establish a quasi-endowment account to set aside funds to cover future operating expenses of the Organization. The board initially designated a transfer of $600,000 to this account from net assets without donor restrictions and since that time all investment income and investment gains have been retained as well.

6. Net Assets without Donor Restrictions, Board Designated – Restricted Endowment Funds

Board restricted endowment funds consist of contributed endowment assets plus the related investment income, as well as realized and unrealized gains and losses. The endowment allows the Board to approve an annual distribution from the account of no more than 5% per year to be used towards general operations. The annual distribution is based on the combined funds available using a three year rolling average of the market value. The Board approved no distributions from the Board restricted net assets for the ten months ended June 30, 2019.

7. Net Assets With Donor Restrictions, Time and Purpose Restrictions

Net assets with donor restrictions that are time and purpose restricted consist of unconditional promises to give and donations restricted by the donors and are available for the following purposes as of June 30, 2019:

Unconditional promises to give that are due in more than one year	$ 490,018
Programs:	
Ambers Fund	4,208
Denver Kids University	14,531
DKI Wishlist	12,077
Girls with Dreams	2,096
Scholarship	19,574
Total programs	52,486
	$ 542,504

8. Employee Retirement and Deferred Compensation Plans

In September 2007, the Organization established a Simple/IRA Plan which allows employees to participate immediately upon hire. The Plan includes a matching provision whereby the Organization will match employee contributions up to a maximum of 3% of compensation.

The Organization's matching contributions totaled approximately $23,300 for the ten months ended June 30, 2019.

9. Concentration of Credit Risk

The Organization is required by FASB ASC Topic 825, *Financial Instruments,* to disclose significant concentrations of credit risk regardless of the degree of such risk. At June 30, 2019, the financial instruments that potentially subject the Organization to a concentration of credit risk consist principally of investments.

Investment securities, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility risk. Due to the level of risk associated with investment securities, it is reasonably possible that changes in value of investment securities will occur in the near term and that such change could materially affect account balances and the amount presented in the statement of financial position.

U.S. and international markets continue to experience significant fluctuations and volatility. The Organization is monitoring investment market conditions and the impact such fluctuations and volatility are having on the Organization's investment portfolio. Due to the volatility in the financial markets as of the date of this report, the Organization is unable to determine the impact which continued volatility may have on the Organization's investment portfolio.

10. Income Taxes

FASB ASC Topic 740, *Income Taxes*, clarifies the accounting for uncertainty in income tax positions and defines the threshold for recognizing the tax benefits of tax return filing positions in the financial statements as "more likely than not" to be sustained upon examination, based on the technical merits of the positions. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized. Tax positions which previously would have failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which the threshold is met. Conversely, previously recognized tax positions which no longer meet the more-likely-than-not recognition should be derecognized in the first subsequent financial reporting period in which the threshold is no longer met.

As the Organization is qualified as a nonprofit under the Internal Revenue Code, any income tax position would be primarily related to unrelated business activities outside the core mission of the Organization. Based on prior examinations of contractual arrangements of the Organization and correspondence received from the Internal Revenue Service, management believes there to be no potential income tax positions that would result in related tax liability for the Organization. Management will continue to evaluate any future contractual arrangements with respect to potential income tax positions under this guidance.

11. Subsequent Events

Denver Kids, Inc. and Denver Urban Scholars have long shared a common mission to improve outcomes and opportunities for youth in Denver. The Denver Kids, Inc. Board voted to acquire Denver Urban Scholars to combine and operate as one entity, Denver Kids, Inc., which was effective July 1, 2019. Collectively, Denver Urban Scholars and Denver Kids, Inc. have nearly 100 years of youth development experience and can do more for youth together. Guided by decades of shared experience and strong student outcomes, Denver Kids, Inc. will serve 1,250 students in more than 150 Denver Public Schools. Together, Denver Kids, Inc. can offer more programmatic efficiency and specialized staff which play a pivotal role in achieving positive student outcomes. The transaction included $1,488,047 of total assets and $43,087 of total liabilities, resulting in an increase in total net assets of $1,444,960, combining into Denver Kids, Inc. on July 1, 2019.

For the ten months ended June 30, 2019, Denver Kids, Inc. incurred $17,575 of consulting expenses and received $47,808 of in-kind legal services related to the acquisition, which is reflected on the Statement of Activities and Change in Net Assets as non-recurring acquisition costs.

Subsequent events have been evaluated by management as of the date of the financial statements. This date represents the date the financial statements were available to be issued.