

Sense of Security, Inc.

Financial Statements and Independent Auditor's Report

December 31, 2015

SENSE OF SECURITY, INC.

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To the Board of Directors of
Sense of Security, Inc.
Denver, Colorado

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Sense of Security, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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 misstatements.

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.

Artesian CPA, LLC

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sense of Security, Inc. as of December 31, 2015, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 8 to the financial statements, the December 31, 2014 financial statements have been restated to correct misstatements discovered during our audit. Our opinion is not modified with respect to this matter.

/s/ Artesian CPA, LLC

Denver, Colorado
March 29, 2016

Artesian CPA, LLC

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SENSE OF SECURITY, INC.
STATEMENT OF FINANCIAL POSITION
As of December 31, 2015

ASSETS

Current Assets:

Cash and cash equivalents:

Unrestricted	\$ 110,450
Board designated operating reserves (Note 3)	16,913
Board designated grantee assistance (Note 3)	37,738
Total cash and cash equivalents	<u>165,101</u>

Prepaid expenses	761
Total Current Assets	<u>165,862</u>

Property and Equipment:

Property and equipment	7,280
Less accumulated depreciation	(4,457)
Total Property and Equipment	<u>2,823</u>

TOTAL ASSETS	<u>\$ 168,685</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 2,339
Accrued expenses	4,170
Payroll liabilities	4,627
Total Liabilities	<u>11,136</u>

Net Assets:

Unrestricted Net Assets:

Undesignated	69,843
Board designated operating reserve (Note 3)	16,913
Board designated reserve for grantee assistance (Note 3)	37,738
Temporarily Restricted Net Assets	33,055
Total Net Assets	<u>157,549</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 168,685</u>
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See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

SENSE OF SECURITY, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Foundation Grants	\$ 23,000	\$ 73,178	\$ 96,178
In-kind contributions (Note 7)	87,464	-	87,464
Special events, net of direct costs of \$42,349	39,929	-	39,929
Contributions - corporate	35,916	-	35,916
Contributions - individuals	32,723	-	32,723
Other revenues	6,310	-	6,310
Investment income	28	-	28
Satisfaction of program restrictions (Note 6)	92,080	(92,080)	-
Total revenue and support	<u>317,450</u>	<u>(18,902)</u>	<u>298,548</u>
Expenses:			
Program services	240,407	-	240,407
Management & general	83,572	-	83,572
Fundraising	28,207	-	28,207
Total expenses	<u>352,186</u>	<u>-</u>	<u>352,186</u>
Change in net assets	(34,736)	(18,902)	(53,638)
Net assets at beginning of year - as restated (Note 8)	<u>159,230</u>	<u>51,957</u>	<u>211,187</u>
Net assets at end of year	<u>\$ 124,494</u>	<u>\$ 33,055</u>	<u>\$ 157,549</u>

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

SENSE OF SECURITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2015

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Grantee assistance	\$ 104,848	\$ -	\$ -	\$ 104,848
Salaries	73,406	17,297	14,147	104,850
Donated professional services	32,508	46,422	6,734	85,664
Payroll taxes and benefits	8,039	1,894	1,549	11,482
Rent	6,990	1,647	1,347	9,984
Accounting services	6,654	1,568	1,282	9,504
Other expenses	-	6,074	-	6,074
Bank and credit card fees	-	3,908	-	3,908
Telephone	1,928	454	372	2,754
Equipment	1,639	386	316	2,341
Office supplies	1,522	359	293	2,174
Software	1,213	286	234	1,733
Promotions	-	-	1,692	1,692
Insurance	-	1,477	-	1,477
Postage	963	227	186	1,376
Contract services	414	421	-	835
Travel	-	770	-	770
Depreciation	283	67	55	405
Dues	-	315	-	315
TOTAL	<u>\$ 240,407</u>	<u>\$ 83,572</u>	<u>\$ 28,207</u>	<u>\$ 352,186</u>

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

SENSE OF SECURITY, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (53,638)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	405
Change in assets and liabilities	
(Increase) decrease in grants receivable	22,487
Increase (decrease) in accounts payable	2,054
Increase (decrease) in accrued expenses	(2,765)
Increase (decrease) in other liabilities	4,627
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Net cash used in operating activities	(26,830)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(2,989)
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Net cash used in investing activities	(2,989)
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Net decrease in cash and cash equivalents	(29,819)
Cash and cash equivalents at beginning of year	194,920
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Cash and cash equivalents at end of year	<u><u>\$ 165,101</u></u>

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

SENSE OF SECURITY, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the year ended December 31, 2015

NOTE 1: NATURE OF ACTIVITIES

Sense of Security, Inc. (the “Organization”) is a non-profit organization incorporated on March 14, 2000 in the state of Colorado. The Organization was founded to assist people in Colorado recently diagnosed with chronically debilitating or life threatening illnesses with basic living expenses such as mortgage/rent payments, food, and other life necessities. The Organization is primarily funded by special events, foundation grants, and contributions (corporate and individual).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Presentation

The financial statements are presented using the accrual method of accounting. Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization. Expenses are reported when costs are incurred. Net assets represent the cumulative balance of the operations of the Organization from inception.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets and \$33,055 of temporarily restricted net assets as of December 31, 2015.

Revenue recognition

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor- restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of equipment as unrestricted support unless explicit stipulations specify how the donated assets must be used. 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 restricted support. Absent explicit stipulations about how long those long-lived assets must be maintained, The Organization reports expirations of restrictions when the assets are placed in service. The Organization reports qualifying contributions of services, in-kind contributions, as revenue and expense when received. Qualifying in-kind contributions are for professional services that would otherwise have to be purchased.

Cash and cash equivalents and financial risk

The Organization considers cash deposits, money market funds, and financial instruments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are held with FDIC insured banks and the Company assesses its cash and cash equivalents to ensure funds do not exceed FDIC insured amounts.

See accompanying Independent Auditor’s Report

SENSE OF SECURITY, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the year ended December 31, 2015

Accounts and contributions receivable

Receivables, representing amounts due from customers and contributions pledged by donors, are stated at amounts estimated by management to be the net realizable value. The Organization periodically evaluates the collectability of accounts receivable and establishes a reserve for uncollectible accounts based on an evaluation of the specific unpaid account balances. There are no accounts or contributions receivable as of December 31, 2015.

Property and equipment and depreciation

Property and equipment are recorded at cost. Donated property and equipment are recorded at the fair value at date of donation. Depreciation is provided over the useful lives of the assets estimated to be three years for existing property and equipment. The Organization capitalizes all property and equipment purchased with a cost in excess of \$500 and an estimated useful life greater than one year.

Functional allocation of expenses

The costs of providing various programs and other activities of the Organization have been summarized on a functional basis in these financial statements. Costs that can be identified with particular programs or support functions are charged directly to that program or function. Salaries and related costs have been allocated among the programs and supporting services based upon management's best estimates of the proportion of these costs applicable to each program. Other allocable costs have been allocated to program services and to supporting services based upon management's estimates.

Income taxes

No provision has been made for income taxes as the Organization is exempt from Federal income tax pursuant to Internal Revenue Code Section 501(c)(3). There was no unrelated business taxable income during the year. The Organization's information return filings are subject to examination by the Internal Revenue Service generally for three years after filing. The Organization has no uncertain tax positions as of December 31, 2015.

Use of estimates

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

NOTE 3: BOARD DESIGNATED RESERVES

The Organization's board of directors has designated certain cash accounts for operating reserves in the amount of \$16,913 and future grantee assistance in the amount of \$37,738, both as of December 31, 2015.

SENSE OF SECURITY, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the year ended December 31, 2015

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2015:

Computer equipment	\$ 5,789
Furniture & equipment	1,491
Total property and equipment	<u>7,280</u>
Less: accumulated depreciation	<u>(4,457)</u>
Net property and equipment	<u>\$ 2,823</u>
Depreciation Expense	<u>\$ 405</u>

NOTE 5: LEASE COMMITMENTS

In July 2014, the Organization entered into an operating lease agreement for its office space. The lease has a 36 month term and requires rent of \$761 per month for the first year, \$774 per month for the second year, and \$783 per month for the third year. Future rent obligations under this agreement are as follows as of December 31, 2015:

2016	\$ 9,342
2017	<u>4,698</u>
Total	<u>\$ 14,040</u>

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

In 2005, a fund was created by Angela Ricker called the Ricker/Bartkowiak Fund intended for use in administrative expenses and salaries. These funds are to remain in interest bearing accounts until expended. The balance of this fund as of December 31, 2015 was \$29,470 and is recognized in temporarily restricted net assets until these funds are spent for the directed purpose.

The annual grants from the Susan G. Komen Colorado and Colorado South Affiliate of Susan G. Komen are granted for expenditure on specified purposes during the grant period beginning April 1 of each year through March 31 of the following year. These grants pledged and recognized as revenues during the year ended December 31, 2015 totaled \$73,178. Unexpended portions of such grants as of December 31, 2015 are recognized as temporarily restricted net assets in the amount of \$3,585. During the year ended December 31, 2015, the Organization expended \$92,080 under these grants' requirements, inclusive of \$22,487 of temporarily restricted net assets from December 31, 2014, which are recognized in the Statement of Activities as satisfaction of program restrictions.

NOTE 7: IN-KIND CONTRIBUTIONS

Donated services are reflected in these financial statements at their estimated fair value at the date of service. Donated assets are recorded at their estimated fair value at the grant date. The fair value of donated services and assets recognized during the year ended December 31, 2015 are as follows:

See accompanying Independent Auditor's Report

SENSE OF SECURITY, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the year ended December 31, 2015

Computer equipment	\$	1,000
Assets directly contributed to beneficiaries		800
Services related to special events		4,614
Media		50,000
Other professional services		31,050
	\$	<u>87,464</u>

NOTE 8: PRIOR PERIOD RESTATEMENTS

Our auditors discovered the Ricker/Bartkowiak Fund temporarily restricted net assets discussed in Note 6 were recognized as unrestricted net assets subject to board designations in the December 31, 2014 audited financial statements. The terms of this grant qualified as temporarily restricted net assets at the grant date, and accordingly, the beginning net assets in the Statement of Activities were reclassified to decrease unrestricted net assets and increase temporarily restricted net assets by \$29,470.

NOTE 9: SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions that occurred after the balance sheet date through **March 29**, 2015, the date the financial statements were available to be issued, and has determined that no subsequent events occurred that require recognition or disclosure in the financial statements.