Developmental Disabilities Resource Center

DDRC *www.ddrcco.com*

*Helping **PEOPLE** with mental retardation, cerebral palsy, Down syndrome, autism ….*

11177 W. 8th Avenue, Suite 300 Lakewood, CO 80215-5503 303.233.3363 FAX 303.233.4622

Dear Reader,

Attached you will find the Developmental Disabilities Resource Center (DDRC) Financial Statement Audit for the fiscal year ended June 30, 2012. DDRC is required to have an annual financial statement audit conducted by an independent certified public accountant. Their audit is conducted in accordance with auditing standards generally accepted in the United States of America as established by Auditing Standards Board of the American Institute of Certified Public Accountants. The audit has been reviewed by the Finance Committee of DDRC with a partner of Logan, Thomas & Johnson LLC, our independent certified public accounting firm. The audit has also been presented to the full Board of Directors.

In the interest of disclosure to the public, DDRC has voluntarily chosen to post our audit on our website.

Non-profit accounting can be a very complicated subject. If during your review of DDRC's audited financial statements there are questions please feel free to contact myself for additional clarification.

Sincerely,

Robert A. DeHerrera, CPA
DDRC CFO
robert.deherrera@ddrcco.com
(303) 462-6511

Consolidated Financial Statements and Report of
Independent Certified Public Accountants

Developmental Disabilities Resource Center and Affiliates

June 30, 2012

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Logan, Thomas & Johnson, LLC
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Developmental Disabilities Resource Center

We have audited the accompanying consolidated statement of financial position of Developmental Disabilities Resource Center and Affiliates (the Center) as of June 30, 2012, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's 2011 financial statements, and in our report dated November 28, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Developmental Disabilities Resource Center and Affiliates as of June 30, 2012, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
November 13, 2012

5023 W. 120th Ave., #165, Broomfield, CO 80020

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Consolidated Financial Statements

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2012
(With summarized financial information for June 30, 2011)

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,785,816	$ 9,125,636
Certificates of deposit	1,057,153	1,050,905
Accounts receivable		
Fees and grants from governmental agencies, net of allowances of $50,904	3,918,136	4,526,563
Workshop contracts, net of allowances of $4,126	53,835	44,320
Other	380,706	246,675
Prepaid expenses and other	309,423	693,977
Total current assets	15,505,069	15,688,076
Certificates of deposits - designated compensation reserve	344,995	340,287
Restricted cash	259,599	-
Deferred loan issuance costs, net of accumulated amortization of $177,109	57,008	66,509
Land, building and equipment, net	11,186,275	11,727,543
	$ 27,352,946	$ 27,822,415
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 1,794,781	$ 2,029,102
Accrued expenses	2,057,372	1,678,707
Deferred revenue	-	28,414
Funds held for others	259,599	-
Current portion of long-term debt	435,363	500,075
Total current liabilities	4,547,115	4,236,298
Long-term debt, net of current portion	2,679,775	3,659,300
Total liabilities	7,226,890	7,895,598
Net assets		
Unrestricted		
Designated for compensation reserve	344,995	340,287
Designated for program activities	672,205	672,172
Net investment in land, building and equipment	5,561,575	4,922,905
Undesignated	10,300,138	10,667,052
Total unrestricted	16,878,913	16,602,416
Temporarily restricted	680,573	612,629
Permanently restricted	2,566,570	2,711,772
	20,126,056	19,926,817
	$ 27,352,946	$ 27,822,415

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2012
(With summarized financial information for the year ended June 30, 2011)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2012	Total 2011
Fees and grants from governmental agencies					
Fees for services					
State of Colorado					
State General Fund	$ 2,598,520	$ -	$ -	$ 2,598,520	$ 2,565,147
Medicaid	25,122,368	-	-	25,122,368	24,601,705
Part C	348,926	-	-	348,926	134,772
ARRA	53,754	-	-	53,754	111,026
Jefferson County	6,839,478	-	-	6,839,478	7,083,247
Grants and other					
Department of Housing and Urban Development	185,351	-	-	185,351	193,797
Total fees and grants from governmental agencies	35,148,397	-	-	35,148,397	34,689,694
Public support - donations	100,001	91,800	-	191,801	59,997
Vocational - workshops	344,922	-	-	344,922	294,967
Residential room and board	1,318,684	-	-	1,318,684	1,286,040
Other client fees	200,695	-	-	200,695	282,427
Interest	4,662	6,738	-	11,400	14,319
Other revenue	908,736	-	-	908,736	1,041,163
Net assets released from restrictions					
Satisfaction of program restrictions	30,594	(30,594)	-	-	-
Depreciation of restricted assets	145,202	-	(145,202)	-	-
Total support and revenue	38,201,893	67,944	(145,202)	38,124,635	37,668,607

(Continued)

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
Year ended June 30, 2012
(With summarized financial information for the year ended June 30, 2011)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2012	Total 2011
Expenses					
Program services					
State comprehensive	$ -	$ -	$ -	$ -	$ 132,892
Medicaid comprehensive	21,578,410	-	-	21,578,410	20,605,402
State adult supported living	577,504	-	-	577,504	568,809
Medicaid adult supported living	4,180,626	-	-	4,180,626	4,310,747
Children's extensive support	452,291	-	-	452,291	395,909
Early intervention	1,686,952	-	-	1,686,952	1,609,685
Family support	341,022	-	-	341,022	433,158
Case management	3,349,471	-	-	3,349,471	3,393,119
Other program services	2,098,520	-	-	2,098,520	2,358,671
Total program services	34,264,796	-	-	34,264,796	33,808,392
Supporting services					
Management and general	3,481,197	-	-	3,481,197	3,461,607
Development	179,403	-	-	179,403	176,951
Total supporting services	3,660,600	-	-	3,660,600	3,638,558
Total expenses	37,925,396	-	-	37,925,396	37,446,950
CHANGE IN NET ASSETS	276,497	67,944	(145,202)	199,239	221,657
Net assets, beginning of year	16,602,416	612,629	2,711,772	19,926,817	19,705,160
Net assets, end of year	$ 16,878,913	$ 680,573	$ 2,566,570	$ 20,126,056	$ 19,926,817

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended June 30, 2012
(With summarized financial information for the year ended June 30, 2011)

	2012	2011
Cash flows from operating activities		
Change in net assets	$ 199,239	$ 221,657
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	907,058	868,411
Gain on disposition of land, building and equipment	(7,491)	(12,600)
Re-investment of interest in certificates of deposit	(10,956)	(12,310)
Change in assets and liabilities		
Decrease in accounts receivable	464,881	471,987
Decrease (increase) in prepaid expenses and other	384,554	(93,971)
Increase (decrease) in accounts payable and accrued expenses	144,344	(777,062)
Decrease in deferred revenue	(28,414)	(405,554)
Increase in funds held for others	259,599	-
Net cash provided by operating activities	2,312,814	260,558
Cash flows from investing activities		
Purchase of land, building and equipment	(384,048)	(357,730)
Proceeds from disposition of assets	35,250	12,600
Purchase of certificates of deposit	-	(60,000)
Proceeds from redemption of certificates of deposit	-	77,175
Increase in restricted cash	(259,599)	-
Net cash used in investing activities	(608,397)	(327,955)
Cash flows from financing activities		
Payments on notes payable	(1,044,237)	(474,662)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	660,180	(542,059)
Cash and cash equivalents, beginning of year	9,125,636	9,667,695
Cash and cash equivalents, end of year	$ 9,785,816	$ 9,125,636
Supplemental data		
Cash paid for interest	$ 110,027	$ 124,527

The accompanying notes are an integral part of this statement.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Developmental Disabilities Resource Center and Affiliates (the Center) is presented to assist in understanding the Center's financial statements.

1. *Principles of Consolidation*

   The consolidated financial statements of Developmental Disabilities Resource Center includes its affiliates, Jefferson County Community Center Housing Corporation (HUD I) and Jefferson County Community Center Housing Corporation II (HUD II). Significant intercompany accounts and transactions have been eliminated.

2. *Summary of Business Activities*

   Developmental Disabilities Resource Center, f.k.a. Jefferson County Community Center for Developmental Disabilities, Inc. was incorporated under the laws of the State of Colorado in 1964 for the purpose of providing a community center board to coordinate programs through interagency cooperation and local agencies to provide services to persons with developmental disabilities in Jefferson, Clear Creek, Summit and Gilpin Counties. The Center's revenue comes primarily from the State of Colorado for services provided and from mill levy revenue from Jefferson County.

3. *Description of Services Provided*

   The major program services or supports and functional activities directly provided or purchased by the organization are:

   Program Services or Supports

   <u>Comprehensive</u> (State and Medicaid) refers to residential services, adult day services or supports and transportation activities as specified in the Individualized Plan. Included are a number of different types of residential settings, which provide an array of training, learning, experiential and support activities provided in residential living alternatives designed to meet individual needs. Additionally, adult day services provide opportunities for individuals to experience and actively participate in valued roles in the community. These services and supports enable individuals to access and participate in typical community activities such as work, recreation, and senior citizen activities. Finally, transportation activities refer to "Home to Day Program transportation" services relevant to an individual's work schedule as specified in the Individualized Plan. For these purposes, "work schedule" is defined broadly to include adult and retirement activities such as education, training, community integration and employment.

   <u>Adult Supported Living</u> (State and Medicaid) provides individualized living services for persons who are responsible for their own living arrangements in the community.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

Children's Extensive Support is a deeming waiver (only the child's income is considered in determining eligibility) intended to provide needed services and supports to eligible children under the age of 18 years in order for the children to remain in or return to the family home. Waiver services are targeted to children having extensive support needs which require constant line-of-sight supervision due to significantly challenging behaviors and/or coexisting medical conditions. Available services include personal care, home modification, specialized medical equipment and supplies, professional services, community connections and respite.

Early Intervention is for children from birth through age two which offer infants and toddlers and their families services and supports to enhance child development in the areas of cognition, speech, communication, physical, motor, vision, hearing, social-emotional development, and self help skills; parent-child or family interaction; and early identification, screening and assessment services.

Family Support provides an array of supportive services to the person with a developmental disability and his/her family when the person remains within the family home, thereby preventing or delaying the need for out-of-home placement, which is unwanted by the person or the family.

Case Management is the determination of eligibility for services and supports, service and support coordination, and the monitoring of all services and supports delivered pursuant to the Individualized Plan, and the evaluation of results identified in the Individualized Plan.

Other Program Services include services provided under a number of different grants, as well as the operation of the Margaret Walter and Robert Weiland Centers.

Supporting Services

Management and General includes those activities necessary for planning, coordination and overall direction of the organization, financial administration, general board activities and other related activities indispensable to the Center's corporate existence.

Development helps diversify the resources available to the Center and to people with developmental disabilities by writing grants, encouraging donations, supporting fund-raising efforts, recruiting and managing volunteers, and building a variety of opportunities through connections in the communities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. *Basis of Accounting*

Financial statements of the Center have been prepared on the accrual basis, whereby support and revenue are recorded when services are performed and expenses are recognized when incurred.

5. *Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

6. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through November 13, 2012, the date on which the financial statements were issued. The Center did not identify any events or transactions that would have a material impact on the financial statements, except as identified in Note G.

7. *Cash and Cash Equivalents and Restricted Cash*

For purposes of the statement of cash flows, the Center considers all cash on hand and cash on deposit, subject to immediate withdrawal, money market funds, and certificates of deposit with an original maturity of three months or less, to be cash equivalents. Restricted cash represents monies held for individuals receiving the Center's services. These monies are required to be held in a separate account and specifically titled as monies for the Center's clients by the Social Security Administration.

The Center maintains some of its cash balances in several different financial institutions located in the Denver, Colorado metropolitan area, which at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. *Accounts Receivable*

The majority of the Center's accounts receivable are due from the State of Colorado. Accounts receivable are due according to contractual terms and are stated at the amounts management expects to collect from outstanding balances. The Center determines its allowance by considering a number of factors, including the length of time accounts receivable are past due and the Center's previous collection history. The Center writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are recorded as revenue.

9. *Certificates of Deposit*

Certificates of deposit consist of four individual certificates with interest rates between 0.40% and 1.33% and maturity dates between April 2013 and September 2013.

Designated certificates of deposit consist of two individual certificates, representing collateral for letters of credit (Note G), with interest rates of 1.29% and 1.38% and maturity dates of August 2014 and June 2014, respectively.

The Center maintains its certificates of deposit in two different financial institutions located in the Denver, Colorado metropolitan area, which at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on certificates of deposit.

10. *Land, Building and Equipment*

Land, building and equipment are reported at cost for purchased assets and estimated value, at date of receipt, for donated property. Depreciation and amortization are provided on the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	10 – 40
Administrative and program equipment	3 – 20
Transportation equipment	3 – 10

11. *Revenue Recognition*

Revenues are recognized when services are performed.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. *Temporarily Restricted Revenue*

Donor restricted revenue, whose restrictions are currently satisfied in the same fiscal year, are reported as unrestricted revenue rather than temporarily restricted. Donor restricted contributions, whose restrictions are not currently met, are reflected as an increase to temporarily restricted net assets.

13. *Income Taxes*

The Center is operated as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Center recognizes tax liabilities when, despite the Center's belief that its tax return positions are supportable, the Center believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The Center has concluded there is no tax liability or benefit required to be recorded as of June 30, 2012.

14. *Prior Year Summarized Information and Reclassifications*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2011, from which the summarized information was derived. Certain financial information as of and for the year ended June 30, 2011 has been reclassified to conform with the presentation for the current year.

NOTE B – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following at June 30, 2012:

Buildings and improvements	$	17,538,456
Administrative and program equipment		3,220,994
Transportation equipment		2,603,670
		23,363,120
Less accumulated depreciation and amortization		14,076,262
		9,286,858
Land		1,899,417
	$	11,186,275

Depreciation expense was $897,557 for the year ended June 30, 2012.

NOTE C – LONG-TERM DEBT

Long-term debt consists of the following notes payable at June 30, 2012:

Variable rate bond, interest payable monthly, principal payments due annually, until maturity on June 1, 2018, collateralized by a letter of credit (1)	$ 2,090,000
Variable rate tax-exempt bond, interest payable monthly, principal payable annually, until maturity on July 1, 2018, collateralized by a letter of credit (1)	810,000
8.125% mortgage note payable to the Department of Housing and Urban Development, payable in monthly installments of $1,887 including principal and interest, due at maturity on September 1, 2030, collateralized by a residential facility	215,138
	3,115,138
Less current portion	435,363
	$ 2,679,775

(1) The Center participated in a composite bond financing through the Colorado Health Facilities Authority (CoHFA). The Center has two loans under this arrangement.

The first loan with a total outstanding balance at June 30, 2012, of $2,090,000 was issued with taxable interest to its holders. This loan was used for the purchase, finishing and equipping of a new central administration site, as well as the purchase of some residential facilities. After the loan issuance date, a portion of this loan was converted to a tax-exempt issue. As of June 30, 2012, the balance of the tax-exempt issue was $1,630,000, with an effective interest rate of approximately .24%. The taxable issue had a balance of $460,000, with an effective interest rate of approximately .90% as of June 30, 2012. The taxable issue will remain taxable until the Center either leases the unoccupied portion of the administration building to another 501(c)(3) organization or occupies that space.

The second loan with an outstanding balance at June 30, 2012, of $810,000 was used to refinance existing debt. This loan is entirely tax-exempt with an effective rate of approximately .22% at June 30, 2012.

CoHFA funded the loans through issuance of revenue bonds and assessed the Center $234,117 for its pro rata share of deferred loan costs. Deferred loan costs at June 30, 2012, net of accumulated amortization, are $57,008, which are being amortized over the life of the bonds.

NOTE C – LONG-TERM DEBT (CONTINUED)

These loans contain various debt covenants among which are the requirements to maintain a minimum balance in unrestricted net assets, minimum debt coverage ratios, and a minimum current ratio. The Center met its covenants at June 30, 2012.

These loans are secured by a letter of credit, which is renewed each year for the life of the loan. The letter of credit is set with a face value equal to the remaining outstanding balance of the loan plus 45 days of accrued interest. The Center's land and building act as collateral for the letter of credit. The Center is also responsible for paying a fee to the issuing bank of 1.25% per annum of the face value of the letter of credit.

Interest expense for the year ended June 30, 2012 was $106,615. Future maturities of notes payable at June 30, 2012, are as follows:

Year ending June 30,	
2013	$ 435,363
2014	460,816
2015	491,306
2016	511,838
2017	537,415
Thereafter	678,400
	$ 3,115,138

NOTE D – NET ASSETS

Board Designated

The Center has designated part of its unrestricted net assets in the amount of $672,205 for the purpose of continued support and evolution of the New Opportunities that bring Valuable Alternatives (NOVA) program, additional Home and Community Based service living environments and $344,995 for the purpose of an unemployment reserve and personal needs reserve.

NOTE D – NET ASSETS (CONTINUED)

Temporarily Restricted

Temporarily restricted net assets consist of the following at June 30, 2012:

Unexpended donations	
Administration	$ 26,170
Adult	424,661
Grants	38,077
Other	73,715
Recreation	70,490
Resource coordination	47,460
	$ 680,573

Permanently Restricted

Permanently restricted net assets of $2,566,570 as of June 30, 2012 are restricted as to the use of two school buildings. In 1991, the Center recorded the donation of two school buildings and land to be used for education of the developmentally disabled. Any other uses or disposition must be approved by the school district. The net book value of school buildings included in the building and improvements is $2,299,500 and the recorded book value of the land is $267,070.

NOTE E – LEASES

Lessee

The Center conducts a portion of its operations from leased facilities. The leases expire over the next year and are classified as operating leases. Future minimum rental payments for noncancelable operating leases are $108,421 at June 30, 2012.

Rental expense for the year ended June 30, 2012 was $254,627 which includes expenses related to several residential operating leases with terms on a month-to-month basis.

Lessor

The Center leases a portion of land adjacent to the Bruno building to a commercial enterprise. The lease was effective August 24, 1994 and is for a term of 20 years. Annual rental payments increase by approximately $5,000 every five years. The lessee has the option for two five-year extensions.

The Center also leases a portion of the administration building to various tenants.

NOTE E – LEASES (CONTINUED)

Future minimum rental receipts are as follows at June 30, 2012:

Year ending June 30,	
2013	$ 80,953
2014	72,953
2015	9,492
	$ 163,398

Rental income for the year ended June 30, 2012 totaled $116,134.

NOTE F – RETIREMENT PLAN

Defined Contribution Plan

The Center has adopted a defined contribution cash or deferred profit-sharing 401(k) Retirement Plan (the Plan) covering employees of the Center. Employees are eligible to participate in the Plan after completion of 1,000 hours and 12 months of eligible service, and are 21 years of age. The Plan provides normal retirement benefits at the age of 65. The Center may make a discretionary match to each eligible Participant's account. The Center determines the match percentage prior to the end of the Plan year. For the year ended June 30, 2012, the Center elected to match up to 3% of the participant's compensation. Participants may contribute from 1% to 75% of their compensation not to exceed the dollar limit which is set by law. Participants become fully vested after two years of eligible service. The Center's matching contributions were $298,062 for the year ended June 30, 2012.

Deferred Compensation Plan

The Center has a deferred compensation plan for a select group of management and highly compensated employees. Participants contribute a certain percentage of their salary to the Plan and the Center can make contributions to the Plan.

The Center will distribute the balance of the participant's account following the first day of the third calendar month following the month in which the participant separates employment with the Center. The Center maintains accounts for the participants. The total amount in these accounts was $151,500 as of June 30, 2012. Deferred compensation contributions for the year ended June 30, 2012 were $50,250. No withdrawals had been made as of the year ended June 30, 2012.

NOTE G – COMMITMENTS AND CONTINGENCIES

The Center is contingently liable under the following letters of credit:

Letter of credit with an interest rate of 6.00% with a bank, dated June 2012, expiring June 2014, collateralized by a certificate of deposit, for unemployment reserve.	$ 275,711
Letter of credit with an interest rate of 6.00%, dated August 2012, expiring August 2014, collateralized by a certificate of deposit, in lieu of surety bond for the handling of personal needs funds.	$ 60,000

U.S. Department of Housing and Urban Development Capital Advance

The Center is contingently liable to the Department of Housing and Urban Development (HUD) for funds received on the HUD II residential facility. The HUD funds in the amount of $306,200 were used for the construction of the HUD II residential facility. Provided that the facility remains available until March 1, 2034 for occupancy by very low income elderly persons or very low income persons with disabilities, the funds do not have to be repaid. If any default occurs, such funds bear interest at 7.75% since inception of September 1, 1993, and become immediately payable.

NOTE H – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue and related cash flows from the State of Colorado. The amount of receivables the Center has from the State of Colorado is $3,918,136 and the Center has a payable at June 30, 2012 to the State of Colorado in the amount of $228,878 which is netted against the Medicaid accounts receivable. These transactions are considered to be transactions with a related party by virtue of the significant management influence, including timing of payments; exercised by the State of Colorado through contract provisions.