Developmental Disabilities Resource Center

D D R C *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, 2013. 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
Independent Auditor's Report

Developmental Disabilities Resource Center and Affiliates

June 30, 2013

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Logan, Thomas & Johnson, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Developmental Disabilities Resource Center

We have audited the accompanying consolidated financial statements of Developmental Disabilities Resource Center and Affiliates (jointly, the Center), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Calvin Logan	Jan Thomas	Pauline Davis
Phone 303 532 1000	Phone 303 569 6030	Phone 719 937 4270
Fax 303 532 1080	Fax 303 569 6031	Fax 719 937 4271

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, 2013, 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.

Report on Summarized Comparative Information

We have previously audited the Center's 2012 consolidated financial statements, and our report dated November 13, 2012, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
November 25, 2013

Consolidated Financial Statements

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2013
(With summarized financial information as of June 30, 2012)

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,873,352	$ 9,785,816
Certificates of deposit	1,060,444	1,057,153
Accounts receivable		
Fees and grants from governmental agencies, net of allowance for uncollectible receivables of $50,904	3,237,961	3,918,136
Workshop contracts, net of allowance for uncollectible receivables of $4,126	40,359	53,835
Other	484,985	380,706
Prepaid expenses and other	395,236	309,423
Total current assets	15,092,337	15,505,069
Certificates of deposits - designated compensation reserve	346,768	344,995
Restricted cash	469,476	259,599
Deferred loan issuance costs, net of accumulated amortization of $186,610	47,507	57,008
Land, buildings and equipment, net	10,905,119	11,186,275
Total assets	$ 26,861,207	$ 27,352,946
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 1,717,182	$ 1,794,781
Accrued expenses	1,679,722	2,057,372
Funds held for others	469,476	259,599
Current portion of long-term debt	460,816	435,363
Total current liabilities	4,327,196	4,547,115
Long-term debt, net of current portion	2,218,960	2,679,775
Total liabilities	6,546,156	7,226,890
Net assets		
Unrestricted		
Designated for compensation reserve	346,768	344,995
Designated for program activities	672,205	672,205
Net investment in land, buildings and equipment	5,841,359	5,561,575
Undesignated	10,367,698	10,300,138
Total unrestricted	17,228,030	16,878,913
Temporarily restricted	655,530	680,573
Permanently restricted	2,431,491	2,566,570
Total net assets	20,315,051	20,126,056
Total liabilities and net assets	$ 26,861,207	$ 27,352,946

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2013
(With summarized financial information for the year ended June 30, 2012)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2013	Total 2012
Revenues and support					
Fees and grants from governmental agencies					
Fees for services					
State of Colorado					
State General Fund	$ 2,611,421	$ -	$ -	$ 2,611,421	$ 2,598,520
Medicaid	23,932,335	-	-	23,932,335	25,122,368
Part C	257,244	-	-	257,244	348,926
ARRA	-	-	-	-	53,754
Jefferson County	6,945,369	-	-	6,945,369	6,839,478
Grants and other					
Department of Housing and Urban Development	182,877	-	-	182,877	185,351
Total fees and grants from governmental agencies	33,929,246	-	-	33,929,246	35,148,397
Public support - contributions	11,040	54,946	-	65,986	191,801
In-kind contributions	14,800	-	-	14,800	-
Vocational - workshops	385,049	-	-	385,049	344,922
Residential room and board	1,270,054	-	-	1,270,054	1,318,684
Other client fees	179,599	-	-	179,599	200,695
Interest	4,873	654	-	5,527	11,400
Other revenue	1,086,204	-	-	1,086,204	908,736
Net assets released from restrictions					
Satisfaction of program restrictions	73,544	(80,643)	7,099	-	-
Depreciation of restricted assets	142,178	-	(142,178)	-	-
Total revenues and support	37,096,587	(25,043)	(135,079)	36,936,465	38,124,635

(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, 2013
(With summarized financial information for the year ended June 30, 2012)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2013	Total 2012
Expenses					
Program services					
Medicaid comprehensive	$ 20,726,397	$ -	$ -	$ 20,726,397	$ 21,578,410
State adult supported living	653,153	-	-	653,153	577,504
Medicaid adult supported living	4,147,491	-	-	4,147,491	4,180,626
Children's extensive support	370,136	-	-	370,136	452,291
Early intervention	1,692,747	-	-	1,692,747	1,686,952
Family support	308,230	-	-	308,230	341,022
Case management	3,246,704	-	-	3,246,704	3,349,471
Other program services	2,005,894	-	-	2,005,894	2,098,520
Total program services	33,150,752	-	-	33,150,752	34,264,796
Supporting services					
Management and general	3,427,809	-	-	3,427,809	3,481,197
Development	168,909	-	-	168,909	179,403
Total supporting services	3,596,718	-	-	3,596,718	3,660,600
Total expenses	36,747,470	-	-	36,747,470	37,925,396
CHANGE IN NET ASSETS	349,117	(25,043)	(135,079)	188,995	199,239
Net assets, beginning of year	16,878,913	680,573	2,566,570	20,126,056	19,926,817
Net assets, end of year	$ 17,228,030	$ 655,530	$ 2,431,491	$ 20,315,051	$ 20,126,056

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, 2013
(With summarized financial information for the year ended June 30, 2012)

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 188,995	$ 199,239
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	867,471	907,058
Gain on disposition of land, buildings and equipment	(210,806)	(7,491)
Change in assets and liabilities		
Decrease in accounts receivable	589,372	464,881
Decrease (increase) in prepaid expenses and other	(85,813)	384,554
Increase (decrease) in accounts payable and accrued expenses	(455,249)	144,344
Decrease in deferred revenue	-	(28,414)
Increase in funds held for others	209,877	259,599
Net cash provided by operating activities	1,103,847	2,323,770
Cash flows from investing activities		
Purchase of land, buildings and equipment	(663,007)	(384,048)
Proceeds from disposition of assets	296,999	35,250
Re-investment of interest in certificates of deposit	(5,064)	(10,956)
Increase in restricted cash	(209,877)	(259,599)
Net cash used in investing activities	(580,949)	(619,353)
Cash flows from financing activities		
Payments on notes payable	(435,362)	(1,044,237)
NET INCREASE IN CASH AND CASH EQUIVALENTS	87,536	660,180
Cash and cash equivalents, beginning of year	9,785,816	9,125,636
Cash and cash equivalents, end of year	$ 9,873,352	$ 9,785,816
Supplemental data		
Cash paid for interest	$ 55,763	$ 110,027

The accompanying notes are an integral part of this statement.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. *Summary of Business Activities*

Developmental Disabilities Resource Center, f.k.a. Jefferson County Community Center for Developmental Disabilities, Inc., a Colorado nonprofit corporation, 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.

2. *Principles of Consolidation*

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

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> (Medicaid) refers to residential services, adult day services or supports and transportation activities as specified in the eligible person's Individualized Plan (IP). 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 IP. For these purposes, "work schedule" is defined broadly to include adult and retirement activities such as education, training, community integration and employment.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

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

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 IP, and the evaluation of results identified in the IP.

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 Center, financial administration, general board activities and other related activities indispensable to the Center's corporate existence.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. *Description of Services Provided (Continued)*

Supporting Services (Continued)

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

4. *Basis of Accounting*

Financial statements of the Center have been prepared on the accrual basis, whereby revenues 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, support 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 25, 2013, 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.

7. *Cash and Cash Equivalents and Restricted Cash*

For purposes of the statement of cash flows, the Center considers cash to be cash on hand and cash on deposit, subject to immediate withdrawal, and considers cash equivalents to be money market funds, and certificates of deposit with an original maturity of three months or less. 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.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. *Cash and Cash Equivalents and Restricted Cash (Continued)*

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.

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 for uncollectible receivables 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 to bad debt expense when they become uncollectible. Payments subsequently received on such receivables, if any, are recorded as other revenue.

9. *Certificates of Deposit*

Certificates of deposit consist of four individual certificates with interest rates between 0.11% and 0.59% and maturity dates between September 2013 and June 2014.

Certificates of deposit – designated compensation reserve consist of two individual certificates, representing collateral for letters of credit (Note G), with interest rates of 0.58% and 0.50% 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. *Loan Issuance Costs*

Loan issuance costs are deferred and amortized to depreciation and amortization expense over the term of the respective loan using the straight-line method, which approximates the effective interest method.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. *Land, Buildings and Equipment*

Land, buildings and equipment are reported at cost for purchased assets and estimated value, at the date of receipt, for contributed property. Buildings and equipment items are capitalized if the cost or estimated value exceeds $5,000. 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

12. *Accounting for Contributions*

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as temporarily restricted net assets.

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as unrestricted revenue, rather than temporarily restricted revenue. Permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity, and only the income from investment thereof be expended for either general purposes or a purpose specified by the donor.

13. *In-kind Contributions*

Contributions of property, materials and personal services are known as in-kind contributions and are recorded at estimated fair value at the date of receipt. The amount recorded for these contributions (other than contributions of land, buildings and equipment) is also included as program costs to properly reflect the total cost of the particular program.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. *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, 2013. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. The Center believes it is no longer subject to income tax examinations for the years prior to the year ended June 30, 2010.

15. *Prior Year Summarized Information*

The consolidated 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 consolidated financial statements for the year ended June 30, 2012, from which the summarized information was derived.

NOTE B – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at June 30, 2013:

Buildings and improvements	$ 17,426,712
Administrative and program equipment	3,279,544
Transportation equipment	2,815,414
	23,521,670
Less accumulated depreciation and amortization	14,702,202
	8,819,468
Construction in progress	194,234
Land	1,891,417
	$ 10,905,119

Depreciation expense was $857,970 for the year ended June 30, 2013.

NOTE C – LONG-TERM DEBT

Long-term debt consists of the following notes payable at June 30, 2013:

Variable rate bond, interest payable monthly, principal payments due annually, until maturity on June 1, 2018, collateralized by a letter of credit (1)	$ 1,785,000
Variable rate tax-exempt bond, interest payable monthly, principal payable annually, until maturity on July 1, 2018, collateralized by a letter of credit (1)	685,000
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	209,776
	2,679,776
Less current portion	460,816
	$ 2,218,960

(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, 2013, of $1,785,000 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, 2013, the balance of the tax-exempt issue was $1,390,000, with an effective interest rate of approximately .25%. The taxable issue had a balance of $395,000, with an effective interest rate of approximately .38% as of June 30, 2013. 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, 2013, of $685,000 was used to refinance existing debt. This loan is entirely tax-exempt with an effective rate of approximately .55% at June 30, 2013.

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, 2013, net of accumulated amortization, are $47,507.

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, 2013.

NOTE C – LONG-TERM DEBT (CONTINUED)

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, 2013 was $63,317. Future maturities of notes payable at June 30, 2013, are as follows:

Year ending June 30,	
2014	$ 460,816
2015	491,306
2016	511,838
2017	537,415
2018	503,040
Thereafter	175,361
	$ 2,679,776

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 $346,768 for the purpose of an unemployment reserve and personal needs reserve. While the board currently has no intent to do so, it can remove or change designations of net assets at any time.

Net Investment in Land, Buildings and Equipment

Net investment in land, buildings and equipment is comprised of net deferred loan issuance costs and net land, buildings and equipment, less loans payable and permanently restricted net assets.

NOTE D – NET ASSETS (CONTINUED)

Temporarily Restricted

Temporarily restricted net assets consist of the following as of June 30, 2013:

Unexpended contributions	
Administration	$ 28,727
Adult	393,508
Grants	37,733
Other	77,485
Recreation	71,693
Resource coordination	46,384
	$ 655,530

Permanently Restricted

Permanently restricted net assets of $2,431,491 as of June 30, 2013 are restricted as to the use of two school buildings. In 1991, the Center recorded the contribution 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 buildings and improvements is $2,164,421 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 under operating lease arrangements. The leases expire over the next year. Future minimum rental payments for noncancelable operating leases are $86,921 at June 30, 2013.

Rental expense for the year ended June 30, 2013 was $272,421, 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 as of June 30, 2013:

Year ending June 30,	
2014	$ 72,953
2015	9,492
	$ 82,445

Rental income for the year ended June 30, 2013 totaled $110,871.

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, 2013, 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 $289,448 for the year ended June 30, 2013.

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 $203,250 as of June 30, 2013. Deferred compensation contributions for the year ended June 30, 2013 were $51,750. No withdrawals had been made as of the year ended June 30, 2013.

NOTE G – 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 $2,937,961 and the Center has a payable at June 30, 2013 to the State of Colorado in the amount of $177,898 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.