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, 2017. 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.

In fiscal year 2016 and 2017, a few one-time transactions occurred that had significant effect on the financial statements.

It is also helpful to review prior year audits as events have occurred over the past few years that have influenced decisions made in subsequent years. An example of this is in the fiscal year ended June 30, 2014 the Board of Directors approved to pay-off $2.5 million of debt to save the agency approximately $50,000 annually in recurring operating costs. This transaction had a significant impact on cash at the time and has since been replenished by the sale of two major facilities in 6/30/2015 and 6/30/2016.

<u>FYE 6/30/2016</u>
In February of 2016, DDRC sold a property it had owned since December 1992 that resulted in a gain of $2.3 million dollars. In addition DDRC received an unrestricted donation of one hundred and twenty thousand dollars from the estate of an individual who received services from DDRC.

<u>FYE 6/30/2017</u>
In September 2016 DDRC sold a residential property that had been donated, by the family of a person DDRC serves, for $300,000. In addition, we received a significant In-Kind donation of computer licenses and software valued at $405,000. Lastly, DDRC had a gain on the disposition of fixed assets of $311,000 for proceeds received related to a major hailstorm that occurred in May 2017.

In general, non-profit accounting can be a very complicated subject. With the occurrence of the transactions noted above, it can be complex to evaluate their impact. If during your review of DDRC's audited financial statements there are questions please feel free to contact myself for additional clarification.

The audit has been reviewed and approved by the Board of Directors with a partner from Logan, Thomas & Johnson LLC, our independent certified public accounting firm.

Sincerely,

Robert DeHerrera, CPA, CGMA
Deputy Director & CFO
11177 West 8th Ave. Suite 300
Lakewood CO. 80215
robert.deherrera@ddrcco.com

Consolidated Financial Statements and
Independent Auditor’s Report

Developmental Disabilities Resource Center and Affiliates

June 30, 2017

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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, 2017, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence 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 consolidated financial position of Developmental Disabilities Resource Center and Affiliates as of June 30, 2017, and the changes in its consolidated net assets and its consolidated 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 2016 consolidated financial statements, and our report dated December 12, 2016, 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, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
December 11, 2017

Consolidated Financial Statements

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2017
(With summarized financial information as of June 30, 2016)

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 14,275,081	$ 11,623,618
Certificates of deposit	1,068,859	1,067,490
Accounts receivable		
Fees and grants from governmental agencies, net of allowance for uncollectible receivables of $50,904	4,198,347	5,036,762
Workshop contracts, net of allowance for uncollectible receivables of $4,126	23,076	13,575
Other	939,053	742,072
Prepaid expenses and other	494,268	365,587
Total current assets	20,998,684	18,849,104
Certificates of deposit - designated for letter of credit contingencies	159,267	158,781
Restricted cash	414,643	348,569
Land, buildings and equipment, net	9,012,309	9,426,596
Total assets	$ 30,584,903	$ 28,783,050
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 1,660,666	$ 1,640,955
Accrued expenses	2,153,960	1,652,097
Funds held for others	414,643	348,569
Current portion of long-term debt	8,040	7,415
Deferred revenue	230,798	-
Total current liabilities	4,468,107	3,649,036
Long-term debt, net of current portion	175,360	183,400
Total liabilities	4,643,467	3,832,436
Net assets		
Unrestricted		
Designated for letter of credit contingencies	159,267	158,781
Designated for program activities	672,827	672,326
Net investment in land, buildings and equipment	5,627,754	6,136,450
Undesignated	15,588,582	14,214,875
Total unrestricted	22,048,430	21,182,432
Temporarily restricted	691,851	668,851
Permanently restricted	3,201,155	3,099,331
Total net assets	25,941,436	24,950,614
Total liabilities and net assets	$ 30,584,903	$ 28,783,050

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2017
(With summarized financial information for the year ended June 30, 2016)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2017	Total 2016
Revenues and support					
Fees and grants from governmental agencies					
Fees for services					
State of Colorado					
State General Fund	$ 4,698,026	$ -	$ -	$ 4,698,026	$ 4,014,848
Medicaid	20,887,994	-	-	20,887,994	21,975,109
Jefferson County	7,942,965	-	-	7,942,965	7,367,336
Grants and other	1,128,735			1,128,735	848,415
Total fees and grants from governmental agencies	34,657,720	-	-	34,657,720	34,205,708
Public support - contributions	2,340	73,880	-	76,220	251,432
In-kind contributions	907,357	-	-	907,357	-
Vocational - workshops	149,031	-	-	149,031	149,547
Residential room and board	1,170,834	-	-	1,170,834	1,182,325
Other fees	111,874	-	-	111,874	119,728
Interest	2,323	-	-	2,323	2,849
Other revenue	1,536,665	-	-	1,536,665	3,580,150
Net assets released from restrictions					
Satisfaction of program restrictions	(297,061)	(50,880)	347,941	-	-
Depreciation of restricted assets	246,117	-	(246,117)	-	-
Total revenues and support	38,487,200	23,000	101,824	38,612,024	39,491,739

(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, 2017
(With summarized financial information for the year ended June 30, 2016)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2017	Total 2016
Expenses					
Program services					
Medicaid comprehensive	$ 18,723,973	$ -	$ -	$ 18,723,973	$ 19,497,592
State adult supported living	674,781	-	-	674,781	632,086
Medicaid adult supported living	3,188,824	-	-	3,188,824	2,962,364
Children's extensive support	558,599	-	-	558,599	483,595
Early intervention	3,018,052	-	-	3,018,052	2,442,686
Family support	785,288	-	-	785,288	884,530
Case management	4,513,486	-	-	4,513,486	3,961,057
Other program services	1,908,887	-	-	1,908,887	1,824,322
Total program services	33,371,890	-	-	33,371,890	32,688,232
Supporting services					
Management and general	4,048,885	-	-	4,048,885	3,734,761
Development	200,427	-	-	200,427	216,400
Total supporting services	4,249,312	-	-	4,249,312	3,951,161
Total expenses	37,621,202	-	-	37,621,202	36,639,393
CHANGE IN NET ASSETS	865,998	23,000	101,824	990,822	2,852,346
Net assets, beginning of year	21,182,432	668,851	3,099,331	24,950,614	22,098,268
Net assets, end of year	$ 22,048,430	$ 691,851	$ 3,201,155	$ 25,941,436	$ 24,950,614

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, 2017
(With summarized financial information for the year ended June 30, 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 990,822	$ 2,852,346
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	968,229	989,626
Gain on sale of assets held for sale	-	(2,348,600)
Gain on disposition of land, buildings and equipment	(425,993)	(287,079)
In-kind contributions	(478,153)	-
Change in assets and liabilities		
(Increase) decrease in accounts receivable	1,160,245	(1,781,877)
(Increase) decrease in prepaid expenses and other	(128,681)	10,455
Increase in accounts payable and accrued expenses	521,574	128,883
Increase (decrease) in funds held for others	66,074	(5,915)
Increase (decrease) in deferred revenue	230,798	(113,102)
Net cash provided by (used in) operating activities	2,904,915	(555,263)
Cash flows from investing activities		
Purchase of land, buildings and equipment	(599,820)	(1,095,734)
Proceeds from disposition of assets held for sale	-	3,100,000
Proceeds from disposition of assets	421,712	686,327
Re-investment of interest in certificates of deposit	(1,855)	(2,351)
(Increase) decrease in restricted cash	(66,074)	5,915
Net cash provided by (used in) investing activities	(246,037)	2,694,157
Cash flows from financing activities		
Payments on notes payable	(7,415)	(6,838)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,651,463	2,132,056
Cash and cash equivalents, beginning of year	11,623,618	9,491,562
Cash and cash equivalents, end of year	$ 14,275,081	$ 11,623,618
Supplemental data		
Cash paid for interest	$ 15,232	$ 15,808
Noncash investing activities		
In-kind contributions of fixed assets	$ 478,153	$ -
Dispositions of assets included in accounts receivable	528,312	-

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 consolidated 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 include 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

Comprehensive (Medicaid) refers to residential services, adult day services or supports and transportation activities as specified in the eligible person's Service Plan (SP). 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 SP. 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 SP, and the evaluation of results identified in the SP.

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)

Development 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 December 11, 2017, the date on which the financial statements were issued, and 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 held for individuals enrolled in the Center's Comprehensive Program.

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 0.02% and 0.30% and maturity dates between September 2017 and June 2018.

Certificates of deposit – designated for letter of credit contingencies consist of two individual certificates (Note G), with interest rates of 0.31% and 0.30% and maturity dates of August 2018 and July 2018, 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, Buildings and Equipment*

Land, buildings and equipment are reported at cost for purchased assets and estimated fair value, at the date of receipt, for contributed property. Buildings and equipment items are capitalized if the cost or estimated fair value exceeds $5,000. Depreciation and amortization are provided on the straight-line method over the following estimated useful lives:

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

10. *Land, Buildings and Equipment (Continued)*

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

11. *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. 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.

12. *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.

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.

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

13. *Income Taxes (Continued)*

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, 2017. 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, 2014.

14. *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, 2016, from which the summarized information was derived.

15. *Recent Accounting Pronouncements*

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (US GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Center has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Changes to the lessor accounting model include: (a) synchronizing key aspects of the model with the new revenue recognition guidance, such as basing whether a lease is similar to a sale or

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

15. *Recent Accounting Pronouncements (Continued)*

whether control of the underlying asset has transferred to the lessee and (b) prospectively eliminating the specialized accounting for leveraged leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2020, with early adoption permitted. The Center is in the process of evaluating the impact of this new guidance.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit organization's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Center is in the process of evaluating this new guidance.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this update clarify the guidance regarding the classification of operating, investing and financing activities for certain types of cash receipts and payments. The amendments in this update are effective for the annual periods, and the interim periods within those years, beginning after December 15, 2018, and should be applied using a retrospective transition method to each period presented. Early adoption is permitted. The Center is evaluating the impact of adoption, if any, to the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU will be effective for fiscal years beginning after December 15, 2018. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Center is in the process of evaluating this new guidance.

NOTE B – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at June 30, 2017:

Buildings and improvements	$ 16,207,546
Administrative and program equipment	3,324,782
Transportation equipment	2,864,603
	22,396,931
Less accumulated depreciation and amortization	15,027,894
	7,369,037
Construction in progress	6,355
Land	1,636,917
	$ 9,012,309

Depreciation expense was $968,229 for the year ended June 30, 2017.

NOTE C – LONG-TERM DEBT

Long-term debt consists of the following notes payable at June 30, 2017:

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	$ 183,400
Less current portion	8,040
	$ 175,360

Interest expense for the year ended June 30, 2017 was $15,181.

Future maturities of notes payable at June 30, 2017, are as follows:

Year ending June 30,	
2018	$ 8,040
2019	8,718
2020	9,454
2021	10,251
2022	11,116
Thereafter	135,821
	$ 183,400

NOTE D – NET ASSETS

Board Designated

The Center has designated part of its unrestricted net assets in the amount of $672,827 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 $159,267 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 land, buildings and equipment, less loans payable and permanently restricted net assets.

Temporarily Restricted

Temporarily restricted net assets consist of the following as of June 30, 2017:

Unexpended contributions	
Administration	$ 19,909
Adult	401,623
Grants	38,271
Other	86,518
Recreation	85,212
Resource coordination	60,318
	$ 691,851

Permanently Restricted

Permanently restricted net assets of $3,201,155 as of June 30, 2017 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 $2,934,085 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 $113,957 at June 30, 2017.

Rental expense for the year ended June 30, 2017 was $310,863, which includes expenses related to several residential operating leases with terms on a month-to-month basis.

Lessor

The Center leases a piece of land 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 commercial enterprise elected to exercise one of the five year extensions in 2014.

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

Future minimum rental receipts are as follows as of June 30, 2017:

Year ending June 30,	
2018	$ 135,830
2019	137,064
2020	90,172
	$ 363,066

Rental income for the year ended June 30, 2017 totaled $163,550.

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, 2017, the Center elected to match up to 3% of the participant's compensation.

NOTE F – RETIREMENT PLAN (CONTINUED)

Defined Contribution Plan (Continued)

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 $305,547 for the year ended June 30, 2017.

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 $293,020 as of June 30, 2017. Deferred compensation contributions for the year ended June 30, 2017 were $36,000.

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 2016, expiring June 2018, collateralized by a certificate of deposit, for unemployment reserve.	$ 95,000
Letter of credit with an interest rate of 6.00%, dated August 2016, expiring August 2018, 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 net amount of receivables and deferred revenue the Center has from the State of Colorado is $4,198,347 and $230,798, respectively. The Center has a payable at June 30, 2017 to the State of Colorado in the amount of $5,289 recorded in accounts payable and accrued expenses. 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.