



Developmental Disabilities Resource Center

Quality • Dignity • Choice

Dear Reader,

Attached you will find the Developmental Disabilities Resource Center (DDRC) Financial Statement Audit for the fiscal year ended June 30, 2018. 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 2017 and 2018, 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.

FYE 6/30/2017

In September 2016 DDRC sold a residential property that had been donated, by the family of a person DDRC serves, earlier in the year 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.

FYE 6/30/2018

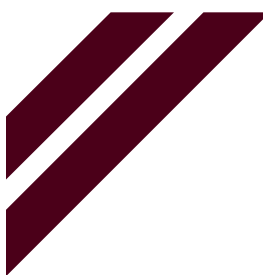
In December 2017 DDRC sold a residential property it had owned since June 1987 that resulted in a gain of \$420,000.

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](mailto:robert.deherrera@ddrcco.com)



Consolidated Financial Statements and  
Independent Auditor's Report

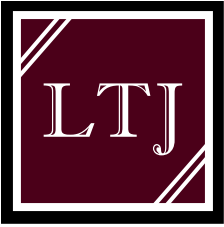
**Developmental Disabilities Resource Center  
and Affiliates**

June 30, 2018



## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONSOLIDATED STATEMENT OF ACTIVITIES	7
CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10



# 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, 2018, 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. 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. 120<sup>th</sup> Ave., #165, Broomfield, CO 80020

Calvin Logan  
Phone 303 532 1000  
Fax 303 532 1080

Jan Thomas  
Phone 303 569 6030  
Fax 303 569 6031

Pauline Davis  
Phone 719 937 4270  
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, 2018, 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 2017 consolidated financial statements, and our report dated December 11, 2017, 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, 2017, 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 19, 2018

*Consolidated Financial Statements*

Developmental Disabilities Resource Center and Affiliates  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
June 30, 2018  
(With summarized financial information as of June 30, 2017)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 15,501,755	\$ 14,275,081
Certificates of deposit	1,071,063	1,068,859
Accounts receivable		
Fees and grants from governmental agencies, net of allowance for uncollectible receivables of \$50,904	3,845,467	4,198,347
Workshop contracts, net of allowance for uncollectible receivables of \$4,126	11,049	23,076
Other	614,350	939,053
Prepaid expenses and other	543,690	494,268
Total current assets	21,587,374	20,998,684
Certificates of deposit - designated for letter of credit contingencies	159,745	159,267
Restricted cash	474,521	414,643
Land, buildings and equipment, net	8,771,813	9,012,309
Total assets	\$ 30,993,453	\$ 30,584,903
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,874,344	\$ 1,660,666
Accrued expenses	2,068,347	2,153,960
Funds held for others	474,521	414,643
Current portion of long-term debt	8,718	8,040
Deferred revenue	29,322	230,798
Total current liabilities	4,455,252	4,468,107
Long-term debt, net of current portion	166,642	175,360
Total liabilities	4,621,894	4,643,467
Net assets		
Unrestricted		
Designated for letter of credit contingencies	159,745	159,267
Designated for program activities	676,419	672,827
Net investment in land, buildings and equipment	5,642,306	5,627,754
Undesignated	16,060,603	15,588,582
Total unrestricted	22,539,073	22,048,430
Temporarily restricted	878,339	691,851
Permanently restricted	2,954,147	3,201,155
Total net assets	26,371,559	25,941,436
Total liabilities and net assets	\$ 30,993,453	\$ 30,584,903

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates  
CONSOLIDATED STATEMENT OF ACTIVITIES  
Year ended June 30, 2018  
(With summarized financial information for the year ended June 30, 2017)

	Unrestricted	Temporarily restricted	Permanently restricted	Total	
				2018	2017
Revenues and support					
Fees and grants from governmental agencies					
Fees for services					
State of Colorado					
State General Fund	\$ 5,224,090	\$ -	\$ -	\$ 5,224,090	\$ 4,698,026
Medicaid	20,119,849	-	-	20,119,849	20,887,994
Jefferson County	8,601,298	-	-	8,601,298	7,942,965
Grants and other	745,993			745,993	1,128,735
Total fees and grants from governmental agencies	34,691,230	-	-	34,691,230	34,657,720
Public support - contributions	4,645	264,764	-	269,409	76,220
In-kind contributions	4,782	-	-	4,782	907,357
Vocational - workshops	109,727	-	-	109,727	149,031
Residential room and board	1,130,595	-	-	1,130,595	1,170,834
Interest	5,115	-	-	5,115	2,323
Other revenue	1,751,220	-	-	1,751,220	1,648,539
Net assets released from restrictions					
Satisfaction of program restrictions	64,576	(78,276)	13,700	-	-
Depreciation of restricted assets	260,708	-	(260,708)	-	-
Total revenues and support	38,022,598	186,488	(247,008)	37,962,078	38,612,024

(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, 2018

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total	
				2018	2017
Expenses					
Program services					
Medicaid comprehensive	\$ 17,551,215	\$ -	\$ -	\$ 17,551,215	\$ 18,261,455
Adult supported living	4,494,863	-	-	4,494,863	4,517,366
Children's extensive support	592,380	-	-	592,380	558,599
Early intervention	3,214,604	-	-	3,214,604	3,018,052
Family support	957,839	-	-	957,839	785,320
Case management	4,474,166	-	-	4,474,166	4,513,454
Other program services	1,942,297	-	-	1,942,297	1,717,644
Total program services	33,227,364	-	-	33,227,364	33,371,890
Supporting services					
Management and general	4,100,131	-	-	4,100,131	4,048,878
Development	204,460	-	-	204,460	200,434
Total supporting services	4,304,591	-	-	4,304,591	4,249,312
Total expenses	37,531,955	-	-	37,531,955	37,621,202
CHANGE IN NET ASSETS	490,643	186,488	(247,008)	430,123	990,822
Net assets, beginning of year	22,048,430	691,851	3,201,155	25,941,436	24,950,614
Net assets, end of year	\$ 22,539,073	\$ 878,339	\$ 2,954,147	\$ 26,371,559	\$ 25,941,436

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, 2018  
(With summarized financial information for the year ended June 30, 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 430,123	\$ 990,822
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	837,776	968,229
Gain on disposition of land, buildings and equipment	(405,830)	(425,993)
In-kind contributions	-	(478,153)
Change in assets and liabilities		
Decrease in accounts receivable	161,298	1,160,245
Increase in prepaid expenses and other	(49,422)	(128,681)
Increase in accounts payable and accrued expenses	128,065	521,574
Increase in funds held for others	59,878	66,074
Increase (decrease) in deferred revenue	(201,476)	230,798
Net cash provided by operating activities	960,412	2,904,915
Cash flows from investing activities		
Purchase of land, buildings and equipment	(689,035)	(599,820)
Proceeds from disposition of assets	1,025,897	421,712
Re-investment of interest in certificates of deposit	(2,682)	(1,855)
Increase in restricted cash	(59,878)	(66,074)
Net cash provided by (used in) investing activities	274,302	(246,037)
Cash flows from financing activities		
Payments on notes payable	(8,040)	(7,415)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,226,674	2,651,463
Cash and cash equivalents, beginning of year	14,275,081	11,623,618
Cash and cash equivalents, end of year	\$ 15,501,755	\$ 14,275,081
Supplemental data		
Cash paid for interest	\$ 14,606	\$ 15,232
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.

Developmental Disabilities Resource Center and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2018

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 intellectual and 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.

Developmental Disabilities Resource Center and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2018

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 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 Therapeutic Learning Connections, Behavioral Health Team, Self Determination, Volunteers and Jefferson County Children and Family Services Unmet Need Fund.

**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.

Developmental Disabilities Resource Center and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2018

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 intellectual and 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 19, 2018, 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.

Developmental Disabilities Resource Center and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2018

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 0.15% and 0.37% and maturity dates between September 2018 and June 2020.

Certificates of deposit – designated for letter of credit contingencies consist of two individual certificates (Note G), with interest rates of 0.30% and 0.30% and maturity dates of August 2020 and June 2020, 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:

Developmental Disabilities Resource Center and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2018

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

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

	<u>Years</u>
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.

Developmental Disabilities Resource Center and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2018

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, 2018. 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, 2015.

14. *Prior Year Summarized Information and Reclassifications*

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, 2017, from which the summarized information was derived. Certain financial information as of and for the year ended June 30, 2017 has been reclassified to conform with the presentation for the current year.

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



Developmental Disabilities Resource Center and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2018

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

15. *Recent Accounting Pronouncements (Continued)*

revenue recognition guidance, such as basing whether a lease is similar to a sale or 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.

Developmental Disabilities Resource Center and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2018

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

15. *Recent Accounting Pronouncements (Continued)*

In June 2018, the FASB issued ASU No. 2018-08 *Not-for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve the scope and the accounting guidance for contributions received and contributions made. The ASU will be effective for all entities that have issued, or is a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market services as a resource recipient, for fiscal years beginning after December 15, 2018. The ASU will be effective for all entities that have not issued or is a conduit bond obligor for securities that are traded, listed or quoted on an exchange or an over-the-counter market services as a resource provider, for fiscal years beginning after December 15, 2019. The Center is in the process of evaluating the impact of this new guidance.

NOTE B – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at June 30, 2018:

Buildings and improvements	\$ 16,515,507
Administrative and program equipment	3,328,760
Transportation equipment	<u>2,816,482</u>
	22,660,749
Less accumulated depreciation and amortization	<u>15,511,213</u>
	7,149,536
Land	<u>1,622,277</u>
	\$ <u>8,771,813</u>

Depreciation expense was \$837,776 for the year ended June 30, 2018.

Developmental Disabilities Resource Center and Affiliates  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2018

NOTE C – LONG-TERM DEBT

Long-term debt consists of the following notes payable at June 30, 2018:

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	\$ 175,360
Less current portion	<u>8,718</u>
	\$ <u>166,642</u>

Interest expense for the year ended June 30, 2018 was \$14,552.

Future maturities of notes payable at June 30, 2018, are as follows:

Year ending June 30,	
2019	\$ 8,718
2020	9,454
2021	10,251
2022	11,116
2023	12,053
Thereafter	<u>123,768</u>
	<u>\$ 175,360</u>

NOTE D – NET ASSETS

Board Designated

The Center has designated part of its unrestricted net assets in the amount of \$676,419 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 \$159,745 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.

Developmental Disabilities Resource Center and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2018

NOTE D – NET ASSETS (CONTINUED)

Temporarily Restricted

Temporarily restricted net assets consist of the following as of June 30, 2018:

Unexpended contributions	
Administration	\$ 159,942
Adult	432,126
Grants	36,644
Other	93,585
Recreation	86,831
Resource coordination	<u>69,211</u>
	<u>\$ 878,339</u>

Permanently Restricted

Permanently restricted net assets of \$2,954,147 as of June 30, 2018 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 \$2,687,077 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 \$107,301 at June 30, 2018.

Rental expense for the year ended June 30, 2018 was \$316,438, 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.

Developmental Disabilities Resource Center and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2018

NOTE E – LEASES (CONTINUED)

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

Future minimum rental receipts are as follows as of June 30, 2018:

Year ending June 30,	
2019	\$ 168,444
2020	<u>90,172</u>
	\$ <u>258,616</u>

Rental income for the year ended June 30, 2018 totaled \$225,636.

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, 2018, 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 \$322,264 for the year ended June 30, 2018.

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 \$375,642 as of June 30, 2018. Deferred compensation contributions for the year ended June 30, 2018 were \$36,500.

Developmental Disabilities Resource Center and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2018

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 2018, expiring June 2020, collateralized by a certificate of deposit, for unemployment reserve.	\$ 95,000
Letter of credit with an interest rate of 6.00%, dated August 2018, expiring August 2020, 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 \$3,845,467 and \$29,322, respectively. The Center has a payable at June 30, 2018 to the State of Colorado in the amount of \$145,435 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.