DDRC

Developmental Disabilities Resource Center

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Dear Reader,

Attached you will find the Developmental Disabilities Resource Center (DDRC) Financial Statement Audit for the fiscal year ended June 30, 2019. 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.

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 6/30/2019

A new accounting pronouncement became effective requiring a change in the presentation for Net Assets and adding a core financial statement for expenses by function. The changes made were all under ASU 2016-14.

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
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Consolidated Financial Statements and
Independent Auditor's Report

Developmental Disabilities Resource Center and Affiliates

June 30, 2019

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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, 2019, and the related consolidated statements of activities, functional expenses 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.

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, 2019, 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 2018 consolidated financial statements, and our report dated December 19, 2018, 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, 2018, 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 30, 2019

Consolidated Financial Statements

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With summarized financial information as of June 30, 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 15,171,724	$ 15,501,755
Certificates of deposit	1,079,138	1,071,063
Accounts receivable		
Fees and grants from governmental agencies, net of allowance for uncollectible receivables of $50,904	4,572,552	3,845,467
Workshop contracts, net of allowance for uncollectible receivables of $4,126	12,836	11,049
Other	472,210	614,350
Prepaid expenses and other	679,664	543,690
Total current assets	21,988,124	21,587,374
Certificates of deposit - designated for letter of credit contingencies	162,449	159,745
Restricted cash	517,686	474,521
Land, buildings and equipment, net	8,489,117	8,771,813
Total assets	$ 31,157,376	$ 30,993,453
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 1,813,259	$ 1,874,344
Accrued expenses	1,717,020	2,068,347
Funds held for others	466,385	474,521
Current portion of long-term debt	9,453	8,718
Deferred revenue	-	29,322
Total current liabilities	4,006,117	4,455,252
Long-term debt, net of current portion	157,188	166,642
Total liabilities	4,163,305	4,621,894
Net assets		
Without donor restrictions		
Board designation for letter of credit contingencies	162,449	159,745
Board designation for program activities I	684,141	676,419
Board designation for program activities II	428,000	428,000
Net investment in land, buildings and equipment	8,322,476	8,596,453
Undesignated	16,556,606	15,632,603
Total without donor restrictions	26,153,672	25,493,220
With donor restrictions - purpose restrictions	840,399	878,339
Total net assets	26,994,071	26,371,559
Total liabilities and net assets	$ 31,157,376	$ 30,993,453

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2019
(With summarized financial information for the year ended June 30, 2018)

	Without donor restrictions	With donor restrictions	Total 2019	Total 2018
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	$ 6,518,694	$ -	$ 6,518,694	$ 5,224,090
Medicaid	20,028,378	-	20,028,378	20,119,849
Jefferson County	9,232,064	-	9,232,064	8,601,298
Grants and other	663,349	-	663,349	745,993
Total fees and grants from governmental agencies	36,442,485	-	36,442,485	34,691,230
Public support - contributions	9,848	65,497	75,345	269,409
In-kind contributions	11,150	-	11,150	4,782
Vocational - workshops	98,623	-	98,623	109,727
Residential room and board	1,099,248	-	1,099,248	1,130,595
Interest	25,405	-	25,405	5,115
Other revenue	1,778,365	-	1,778,365	1,751,220
Net assets released from restrictions				
Satisfaction of program restrictions	103,437	(103,437)	-	-
Total revenues and support	39,568,561	(37,940)	39,530,621	37,962,078

(Continued)

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
Year ended June 30, 2019
(With summarized financial information for the year ended June 30, 2018)

	Without donor restrictions	With donor restrictions	Total 2019	Total 2018
Expenses				
Program services				
Residential	$ 12,073,755	$ -	$ 12,073,755	$ 11,912,727
Day and transportation	8,069,660	-	8,069,660	6,710,242
Personal care	2,711,729	-	2,711,729	4,015,490
Early intervention	3,852,961	-	3,852,961	3,214,603
Family support	978,362	-	978,362	957,839
Case management	4,978,930	-	4,978,930	4,474,166
Other program services	1,965,238	-	1,965,238	1,942,297
Total program services	34,630,635	-	34,630,635	33,227,364
Supporting services				
Management and general	4,085,826	-	4,085,826	4,100,131
Development	191,648	-	191,648	204,460
Total supporting services	4,277,474	-	4,277,474	4,304,591
Total expenses	38,908,109	-	38,908,109	37,531,955
CHANGE IN NET ASSETS	660,452	(37,940)	622,512	430,123
Net assets, beginning of year	25,493,220	878,339	26,371,559	24,950,614
Net assets, end of year	$ 26,153,672	$ 840,399	$ 26,994,071	$ 25,380,737

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2019
(With summarized financial information for the year ended June 30, 2018)

	Program Services			
	Residential	Day and transportation	Personal care	Early intervention
Expenses				
Salaries, benefits and taxes	$ 6,561,297	$ 4,710,503	$ 1,411,258	$ 1,736,613
Professional services	289,922	450,777	1,077,705	1,982,457
Host home services	1,310,112	-	-	-
Staff development and travel	35,122	33,505	9,411	47,123
Vehicles	58,114	162,201	-	-
Occupancy and equipment	718,239	443,775	179,500	31,689
Supplies	209,981	149,397	4,247	10,429
Other	111,113	350,088	9,050	19,917
Food	303,066	44,008	44	-
Insurance	93,429	127,544	11,877	10,352
Interest	13,869	-	-	-
In-kind contributions	-	-	-	-
Other purchased services	2,127,957	1,256,128	-	-
Depreciation	241,534	341,734	8,637	14,381
Total expenses	$ 12,073,755	$ 8,069,660	$ 2,711,729	$ 3,852,961

The accompanying notes are an integral part of this statement.

Program Services					Total	
Family support	Case management	Other program services	Management and general	Development	2019	2018
$ 242,566	$ 4,461,825	$ 899,846	$ 3,205,943	$ 141,734	$ 23,371,585	$ 22,326,991
2,499	49,472	148,497	238,145	2,968	4,242,442	3,820,564
-	-	-	-	-	1,310,112	1,321,734
3,523	74,629	13,020	67,972	1,817	286,122	255,633
-	-	8,277	6,952	-	235,544	325,388
935	131,552	88,245	215,711	15,803	1,825,449	1,803,389
54,366	41,072	46,786	47,372	14,724	578,374	504,443
671,492	48,541	647,161	157,174	7,687	2,022,223	2,039,097
-	5	-	290	-	347,413	341,293
2,981	36,625	29,636	65,560	3,022	381,026	352,477
-	-	-	-	-	13,869	14,552
-	-	389	10,761	-	11,150	4,782
-	105,844	-	-	-	3,489,929	3,583,836
-	29,365	83,381	69,946	3,893	792,871	837,776
$ 978,362	$ 4,978,930	$ 1,965,238	$ 4,085,826	$ 191,648	$ 38,908,109	$ 37,531,955

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, 2019
(With summarized financial information for the year ended June 30, 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 622,512	$ 430,123
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	792,871	837,776
Gain on disposition of land, buildings and equipment	(59,922)	(405,830)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(586,732)	161,298
Increase in prepaid expenses and other	(135,974)	(49,422)
(Decrease) increase in accounts payable and accrued expenses	(412,412)	128,065
(Decrease) increase in funds held for others	(8,136)	59,878
Decrease in deferred revenue	(29,322)	(201,476)
Net cash provided by operating activities	182,885	960,412
Cash flows from investing activities		
Purchase of land, buildings and equipment	(516,001)	(689,035)
Proceeds from disposition of assets	65,748	1,025,897
Re-investment of interest in certificates of deposit	(10,779)	(2,682)
Increase in restricted cash	(43,165)	(59,878)
Net cash provided by (used in) investing activities	(504,197)	274,302
Cash flows from financing activities		
Payments on notes payable	(8,719)	(8,040)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(330,031)	1,226,674
Cash and cash equivalents, beginning of year	15,501,755	14,275,081
Cash and cash equivalents, end of year	$ 15,171,724	$ 15,501,755
Supplemental data		
Cash paid for interest	$ 13,928	$ 14,606

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 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

Residential offers a variety of residential settings which provide an array of training, learning and experiential, support activities and community access options provided in residential living alternatives designed to meet individual needs. Residential settings include host homes, group homes, apartment settings and family caregivers along with nursing and financial supports.

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

3. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

Day and Transportation offers adult day services which provide opportunities for social, vocational and educational growth 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 employment, recreation and senior citizen activities. There is an emphasis on attaining the skills necessary for employment. Once employment is accessible, individuals are supported in both crew and individual employment. The transportation activities refer to "Home to Day Program transportation" services relevant to an individual's work schedule. For these purposes, "work schedule" is defined broadly to include adult and retirement activities such as education, training, community integration and employment.

Personal Care offers individualized living services for adults who are living in the community as well as needed services and supports to eligible children under the age of 18 years who live in the family home. Services for both adult and children 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 Service Plan (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.

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

3. *Description of Services Provided (Continued)*

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.

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 30, 2019, the date on which the financial statements were issued. Other than the transaction in Note F, 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

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

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

maturity of three months or less. Restricted cash consists of monies held for individuals receiving the Center's services in the amount of $466,385. These monies are required to be held in a separate account and specifically titled as monies held for individuals enrolled in the Center's Residential Program. $51,301 of restricted cash is restricted in accordance with HUD regulations. 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 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 1.24% and maturity dates between September 2019 and June 2020.

Certificates of deposit – designated for letter of credit contingencies consist of two individual certificates (Note H), with interest rates of 1.57% and 1.73% and maturity dates of August 2020 and July 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

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

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

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:

	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 without donor restrictions 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 increase in net assets with donor restrictions. 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 net assets with donor restrictions.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 an increase to restricted support at the time of receipt and as net assets released from restrictions.

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,

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

13. *Income Taxes (Continued)*

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, 2019. 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, 2016.

14. *Functional Allocation of Expenses*

The costs of supporting various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated to program and management and general based on estimates of number of employees, historical utilization percentages or square-footage.

15. *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, 2018, from which the summarized information was derived. Certain financial information as of and for the year ended June 30, 2018 has been reclassified to conform with the presentation for the current year.

16. *Recent Accounting Pronouncements*

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. For the year ended June 30, 2019, the Center has implemented ASU No. 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented and no adjustments were needed to the financial statements.

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

16. *Recent Accounting Pronouncements (Continued)*

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 believes adoption of this standard will not have a material effect 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 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 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.

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

16. *Recent Accounting Pronouncements (Continued)*

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.

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 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 16,250,862
Accounts receivable	5,057,598
	$ 21,308,460

As a part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE C – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at June 30, 2019:

Buildings and improvements	$ 16,602,345
Administrative and program equipment	3,328,763
Transportation equipment	2,829,182
	22,760,290
Less accumulated depreciation and amortization	15,931,180
	6,829,110
Construction in progress	37,730
Land	1,622,277
	$ 8,489,117

Depreciation expense was $792,871 for the year ended June 30, 2019.

NOTE D – LONG-TERM DEBT

Long-term debt consists of the following notes payable at June 30, 2019:

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	$ 166,641
Less current portion	9,453
	$ 157,188

Interest expense for the year ended June 30, 2019 was $13,869.

Future maturities of notes payable at June 30, 2019, are as follows:

Year ending June 30,	
2020	$ 9,453
2021	10,251
2022	11,116
2023	12,053
2024	13,070
Thereafter	110,698
	$ 166,641

NOTE E – NET ASSETS

Board Designated

The Center has designated part of its net assets without donor restrictions in the amount of $1,112,141 for the purpose of DDRC's Home and Community based service living environments and $162,449 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.

Net Assets with Donor Restrictions

As of June 30, 2019, net assets with donor restrictions consist of $840,399 and consists of the following:

Unexpended contributions	
Administration	$ 178,342
Adult	405,954
Grants	37,045
Other	100,994
Recreation	86,468
Resource coordination	31,596
	$ 840,399

NOTE F – 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 $152,531 at June 30, 2019.

Rental expense for the year ended June 30, 2019 was $360,161, which includes expenses related to several residential operating leases with terms on a month-to-month basis.

NOTE F – LEASES (CONTINUED)

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. In December 2019, the commercial enterprise exercised the second option.

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

Future minimum rental receipts are $90,172 for the year ending June 30, 2020.

Rental income for the year ended June 30, 2019 totaled $211,818.

NOTE G – 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, 2019, 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 $333,372 for the year ended June 30, 2019.

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 $429,038 as of June 30, 2019. Deferred compensation contributions for the year ended June 30, 2019 were $37,000.

NOTE H – 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.

Jefferson County School District R-1

In June 1990, the Board of Education for Jefferson County School District R-1 transferred titles for the Margaret Walters and Robert Weiland Schools to the Center. The titles could revert back to the district if the Center discontinues using the facilities for the education of individuals with intellectual and developmental disabilities, or if for any reason the Center is dissolved. The net book value of the properties for the year ended June 30, 2019, is $2,712,760.

NOTE I – FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated included computer equipment, software, data processing and some insurance expenses are allocated based on number of employees per program. Property insurance, supplies, repairs and maintenance, utilities, telephone and depreciation are allocated based on square-footage used. Some facility costs are allocated based on a historical percentage.

NOTE J – 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 the Center has from the State of Colorado is $4,572,552. The Center has a payable at June 30, 2019 to the State of Colorado in the amount of $43,949 which is netted with 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.