DDRC

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, 2021. 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.

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

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,

Gena Colbert, CPA, CGMA
Chief Financial Officer
11177 West 8th Ave. Suite 300
Lakewood, CO 80215
gena.colbert@ddrcco.com

Consolidated Financial Statements and
Independent Auditor's Report

Developmental Disabilities Resource Center
and Affiliates

June 30, 2021

TABLE OF CONTENTS

LTJ LLC
Certified Public Accountants

email: info@ltjcpa.com
web: ltjcpa.com
main phone/fax: 303-663-1400
toll-free phone/fax: 888-959-9640

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, 2021, 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.

413 Wilcox St., Suite 204
Castle Rock, CO 80104

7375 W 52nd Ave., Suite 240
Arvada, CO 80002

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

5585 Erindale Dr., Suite 207
Colorado Springs, CO 80918

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, 2021, 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 2020 consolidated financial statements, and our report dated December 14, 2020, 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, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
February 1, 2022

Consolidated Financial Statements

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2021
(With summarized financial information as of June 30, 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 14,694,440	$ 12,383,140
Certificates of deposit	390,758	390,154
Accounts receivable		
Fees and grants from governmental agencies, net of allowance for uncollectible receivables of $50,904	5,121,832	4,966,568
Other, net of allowance for uncollectible receivables of $4,126	398,930	624,634
Contributions receivable	77,446	353,485
Prepaid expenses and other	1,139,103	790,262
Total current assets	21,822,509	19,508,243
Certificates of deposit - designated for letter of credit contingencies	165,780	165,325
Restricted cash	457,966	621,171
Investments	3,961,519	3,391,008
Land, buildings and equipment, net	7,310,892	8,135,044
Total assets	$ 33,718,666	$ 31,820,791
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 1,914,929	$ 2,165,917
Accrued expenses	1,887,312	1,892,029
Deferred revenue	277,868	-
Funds held for others	400,001	569,039
Current portion of long-term debt	11,116	10,251
Total current liabilities	4,491,226	4,637,236
Long-term debt, net of current portion	135,821	146,937
Total liabilities	4,627,047	4,784,173
Net assets		
Without donor restrictions		
Board designation for letter of credit contingencies	165,780	165,325
Board designation for program activities I	689,162	689,131
Board designation for program activities II	406,281	428,000
Reserved for HUD regulation compliance	55,188	52,132
Net investment in land, buildings and equipment	7,163,955	7,977,856
Undesignated	19,235,980	16,481,779
Total without donor restrictions	27,716,346	25,794,223
With donor restrictions	1,375,273	1,242,395
Total net assets	29,091,619	27,036,618
Total liabilities and net assets	$ 33,718,666	$ 31,820,791

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2021
(With summarized financial information for the year ended June 30, 2020)

	Without donor restrictions	With donor restrictions	Total 2021	Total 2020
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	$ 6,556,212	$ -	$ 6,556,212	$ 7,343,463
Medicaid	16,105,438	-	16,105,438	18,668,185
Jefferson County	10,359,532	-	10,359,532	9,812,828
Grants and other	1,316,063	-	1,316,063	444,324
Total fees and grants from governmental agencies	34,337,245	-	34,337,245	36,268,800
Public support - contributions	163,324	172,585	335,909	487,298
In-kind contributions	4,200	-	4,200	4,491
Vocational - workshops	9,051	-	9,051	86,706
Residential room and board	1,112,716	-	1,112,716	1,103,652
Interest	2,698	-	2,698	52,013
Investment return, net	740,824	-	740,824	(38,395)
Other revenue	1,393,490	-	1,393,490	1,506,199
Net assets released from restrictions				
Satisfaction of purpose restrictions	39,707	(39,707)	-	-
Total revenues and support	37,803,255	132,878	37,936,133	39,470,764
Expenses				
Program services				
Residential	11,076,776	-	11,076,776	12,067,405
Day and transportation	6,004,295	-	6,004,295	7,823,530
Personal care	1,949,061	-	1,949,061	2,266,714
Early intervention	4,185,399	-	4,185,399	4,432,165
Family support	1,225,765	-	1,225,765	1,069,483
Case management	5,352,564	-	5,352,564	5,401,764
Other program services	1,730,528	-	1,730,528	1,933,316
Total program services	31,524,388	-	31,524,388	34,994,377
Supporting services				
Management and general	4,190,365	-	4,190,365	4,269,641
Development	166,379	-	166,379	164,199
Total supporting services	4,356,744	-	4,356,744	4,433,840
Total expenses	35,881,132	-	35,881,132	39,428,217
CHANGE IN NET ASSETS	1,922,123	132,878	2,055,001	42,547
Net assets, beginning of year	25,794,223	1,242,395	27,036,618	26,994,071
Net assets, end of year	$ 27,716,346	$ 1,375,273	$ 29,091,619	$ 27,036,618

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, 2021
(With summarized financial information for the year ended June 30, 2020)

	Program Services			
	Residential	Day and transportation	Personal care	Early intervention
Expenses				
Salaries, benefits and taxes	$ 7,085,383	$ 3,782,464	$ 1,467,504	$ 2,176,393
Professional services	223,203	134,977	293,121	1,899,953
Host home services	1,626,978	-	-	-
Staff development and travel	20,299	22,243	2,578	15,254
Vehicles	42,726	93,388	-	-
Occupancy and equipment	707,807	497,505	124,853	36,940
Supplies	248,583	52,506	3,091	7,401
Other	134,197	257,745	32,950	20,771
Food	222,572	19	-	-
Insurance	121,825	156,594	16,442	14,430
Interest	12,326	-	-	-
In-kind contributions	-	-	-	-
Other purchased services	435,084	551,210	-	-
Depreciation	195,793	455,644	8,522	14,257
Total expenses	$ 11,076,776	$ 6,004,295	$ 1,949,061	$ 4,185,399

The accompanying notes are an integral part of this statement.

Program Services						
Family support	Case manage-ment	Other program services	Management and general	Develop-ment	Total 2021	Total 2020
$ 321,109	$ 4,855,825	$ 924,383	$ 3,341,818	$ 132,102	$ 24,086,981	$ 25,240,034
2,149	191,738	155,158	284,660	688	3,185,647	3,959,724
-	-	-	-	-	1,626,978	1,488,317
208	3,940	6,260	27,507	289	98,578	233,113
-	-	3,536	3,490	-	143,140	177,396
2,831	149,354	102,712	194,615	15,443	1,832,060	2,017,395
35,140	12,124	5,801	17,813	2,613	385,072	457,437
860,382	58,201	424,341	175,543	7,767	1,971,897	1,998,101
-	58	-	-	-	222,649	331,831
3,946	52,349	34,575	77,584	3,636	481,381	421,024
-	-	-	-	-	12,326	13,129
-	-	-	4,200	-	4,200	4,491
-	-	-	-	-	986,294	2,238,793
-	28,975	73,762	63,135	3,841	843,929	847,432
$ 1,225,765	$ 5,352,564	$ 1,730,528	$ 4,190,365	$ 166,379	$ 35,881,132	$ 39,428,217

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, 2021
(With summarized financial information for the year ended June 30, 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 2,055,001	$ 42,547
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	843,929	847,432
Gain on disposition of land, buildings and equipment	-	(37,754)
Gain on insurance proceeds for damage to vehicles	(8,313)	(13,750)
Realized/unrealized (gain) loss on investments	(676,670)	69,055
Change in assets and liabilities		
Decrease (increase) in accounts receivable	70,440	(533,604)
Decrease (increase) in contributions receivable	276,039	(353,485)
Increase in prepaid expenses and other	(348,841)	(110,598)
(Decrease) increase in accounts payable and accrued expenses	(255,705)	527,667
(Decrease) increase in funds held for others	(169,038)	102,654
Increase in deferred revenue	277,868	-
Net cash provided by operating activities	2,064,710	540,164
Cash flows from investing activities		
Purchase of land, buildings and equipment	(19,777)	(493,359)
Proceeds from disposition of assets	-	37,754
Insurance proceeds received for damage to vehicles	8,313	13,750
Re-investment of interest in certificates of deposit	(1,059)	(11,369)
Proceeds from sale of certificates of deposit	-	697,477
Purchase of investments	(374,286)	(4,022,964)
Proceeds from sale of investments	480,445	562,901
Net cash provided by (used in) investing activities	93,636	(3,215,810)
Cash flows from financing activities		
Payments on notes payable	(10,251)	(9,453)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	2,148,095	(2,685,099)
Cash, cash equivalents, and restricted cash at beginning of year	13,004,311	15,689,410
Cash, cash equivalents, and restricted cash at end of year	$ 15,152,406	$ 13,004,311
Supplemental data		
Cash paid for interest	$ 12,395	$ 13,129

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

   <u>Residential</u> 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 and supporting the skills necessary for 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 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 February 1, 2022, 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*

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 consists of monies held for individuals receiving the Center's services in the amount of $400,001.

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

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

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. $55,188 of restricted cash is restricted in accordance with HUD regulations. $2,777 of restricted cash is tenant deposits. 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 three individual certificates with interest rates between 0.10% and 0.20% and maturity dates between September 2021 and June 2022.

Certificates of deposit – designated for letter of credit contingencies consist of two individual certificates (Note K), with interest rates of 0.38% and 0.20% and maturity dates of August 2022 and July 2022, 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. *Investments*

The Center records investments in mutual funds at fair value in the statement of financial position as determined by quoted market prices. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such

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

10. *Investments (Continued)*

changes could materially affect the amounts reported in the statement of financial position.

11. *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:

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

12. *Revenue Recognition*

Revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing services. Program revenue consists primarily of funds received from the State of Colorado for Medicaid and other services, miscellaneous smaller grants and awards from federal, state, county and municipal sources. Billings for services are billed after the services are performed. As performance obligations are satisfied, revenue is recognized.

Performance obligations are determined based on the nature of the services provided. As performance obligations are satisfied over time, revenue is recognized based on when related services are performed. This method provides for the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligations. Revenue received in advance is deferred to the applicable period in which the related program services are performed and at which time will be recognized in the period in which the related services are performed. Transaction price is based on standard charges for services provided, which is set by the State of Colorado. Rent income is recognized in the month in which it is earned rather than received.

Program revenue received in advance is deferred to the applicable period in which the related services are performed at which time the deferred revenue will be recognized in that period.

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

13. *Accounting for Contributions*

Contributions receivables represent unconditional contributions that are due from funding sources and are recognized as a receivable and revenue, at fair value, when the contribution commitment is received. Contribution receivables that are expected to be collected in less than one year are measured at net realizable value. Contribution receivables expected to be collected over periods in excess of one year from the time of the contribution commitment is received are measured using a risk-adjusted discount rate. In subsequent periods, accruals of the interest element are accounted for as contribution revenue. As of June 30, 2021, the Center had $77,446 of contributions receivable which will be received within one year.

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 contributions 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 contribution 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.

14. *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.

15. *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

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

15. *Income Taxes (Continued)*

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, 2021. 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, 2018.

16. *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, utilization percentages or square-footage.

17. *Fair Value Measurements*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established under generally accepted accounting principles, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and mutual funds that are traded in an active exchange market.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. This category generally includes certain U.S. Government agency debt securities and corporate debt securities.

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

17. *Fair Value Measurements (Continued)*

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. The disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

18. *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, 2020, from which the summarized information was derived. Certain financial information as of and for the year ended June 30, 2020 has been reclassified to conform with the presentation for the current year.

19. *Recent Accounting Pronouncements*

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

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

19. *Recent Accounting Pronouncements (Continued)*

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 ASU will be effective for fiscal years beginning after December 15, 2019, with early adoption permitted. In November 2019, the FASB issued ASU 2019-10, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05, which allows certain entities the option to delay the adoption by one year, making it effective for annual reporting periods beginning after December 15, 2021. The Center is in the process of evaluating the impact of this new guidance.

NOTE B – CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

Cash and cash equivalents	$ 14,694,440
Restricted cash	457,966
	$ 15,152,406

NOTE C – 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	$ 14,694,440
Accounts receivable	5,520,762
Contributions receivable	77,446
Total financial assets	20,292,648
Less:	
Donor restricted net assets time restricted	(77,446)
Donor restricted net assets purpose restricted	(1,297,827)
Amounts unavailable without Board approval	(220,968)
Total amounts restricted	(1,596,241)
Amount available for general expenditures	$ 18,696,407

NOTE C – LIQUIDITY AND AVAILABILITY (CONTINUED)

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 D – INVESTMENTS

The following table presents the Center's fair value hierarchy for those assets measured at fair value as of June 30, 2021:

	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Mutual funds - Equity	$ 2,052,012	$ 2,052,012	$ -	$ -
Mutual funds - Fixed	1,556,766	1,556,766	-	-
Mutual funds - Alternative	352,741	352,741	-	-
	$ 3,961,519	$ 3,961,519	$ -	$ -

NOTE E – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at June 30, 2021:

Buildings and improvements	$ 16,949,763
Administrative and program equipment	3,303,994
Transportation equipment	2,718,361
	22,972,118
Less accumulated depreciation and amortization	17,299,745
	5,672,373
Construction in progress	16,242
Land	1,622,277
	$ 7,310,892

Depreciation expense was $843,929 for the year ended June 30, 2021.

NOTE F – DEFERRED REVENUE

Deferred revenue of $277,868 at June 30, 2021, consists of unspent funds from the CARES Act Provider Relief Fund.

NOTE G – LONG-TERM DEBT

Long-term debt consists of the following notes payable at June 30, 2021:

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	$ 146,937
Less current portion	11,116
	$ 135,821

Interest expense for the year ended June 30, 2021 was $12,326.

Future maturities of notes payable at June 30, 2021, are as follows:

Year ending June 30,	
2022	$ 11,116
2023	12,053
2024	13,070
2025	14,172
2026	15,368
Thereafter	81,158
	$ 146,937

NOTE H – NET ASSETS

Board Designated

The Center has designated part of its net assets without donor restrictions in the amount of $1,095,443 for the purpose of DDRC's Home and Community based service living environments and $165,780 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.

NOTE H – NET ASSETS (CONTINUED)

Net Assets with Donor Restrictions

As of June 30, 2021, net assets with donor restrictions consist of the following:

	Time restricted	Purpose restricted	Total
Administration	$ 302	$ 308,273	$ 308,575
Adult	41,593	554,000	595,593
Grants	-	35,982	35,982
Other	32,739	185,013	217,752
Recreation	2,712	164,868	167,580
Resource Coordination	100	49,691	49,791
	$ 77,446	$ 1,297,827	$1,375,273

NOTE I – LEASES

Lessee

The Center conducts a portion of its operations from leased facilities under operating lease arrangements. The leases expire over the next year. As of June 30, 2021, future minimum rental payments for noncancelable operating leases for the year ended June 30, 2022 are $126,050 as of June 30, 2021.

Rental expense for the year ended June 30, 2021 was $325,691, 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. In December 2019, the commercial enterprise exercised the second option.

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

NOTE I – LEASES (CONTINUED)

Future minimum rental receipts at June 30, 2021, are as follows:

Year ending June 30,	
2022	$ 72,081
2023	72,081
2024	72,081
2025	54,061
	$ 270,304

Rental income for the year ended June 30, 2021 totaled $214,083.

NOTE J – 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, 2021, 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 $333,378 for the year ended June 30, 2021.

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 may 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 $758,573 as of June 30, 2021. Deferred compensation contributions for the year ended June 30, 2021 were $29,875.

NOTE K – 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 2020, expiring June 2022, collateralized by a certificate of deposit, for unemployment reserve.	$ 95,000
Letter of credit with an interest rate of 6.00%, dated August 2020, expiring August 2022, 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, 2021, is $2,403,295.

NOTE L – 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.

NOTE M – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue and related cash flows from the State of Colorado. The net receivables the Center has from the State of Colorado is $5,129,103. The Center has a payable at June 30, 2021 to the State of Colorado in the amount of $185,646. 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.

NOTE N – RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. This contagious disease outbreak has adversely affected workforces, customers, economies, and financial markets globally. This outbreak could adversely affect the Center's ability to provide services, and reduce funding sources available. It is not possible for the Center to predict the duration or magnitude of the adverse results of the outbreak and its effects on the organization's activities or results of operations, financial condition, or liquidity, at this time.