Financial Statements and
Independent Auditor's Report

Eastern Colorado Services for the Developmentally Disabled, Inc. dba Eastern Colorado Services

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Eastern Colorado Services for the Developmentally
Disabled, Inc. dba Eastern Colorado Services

We have audited the accompanying financial statements of Eastern Colorado Services for the Developmentally Disabled, Inc. dba Eastern Colorado Services (the Center), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Colorado Services for the Developmentally Disabled, Inc. dba Eastern Colorado Services as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center's 2018 financial statements, and our report dated October 17, 2018, expressed an unmodified opinion on those audited 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 financial statements from which it has been derived.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
October 28, 2019

Financial Statements

Eastern Colorado Services for the Developmentally Disabled, Inc.
dba Eastern Colorado Services
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	$ 2,238,825	$ 2,273,248
Accounts receivable		
Fees and grants from governmental agencies	1,124,607	872,270
Vocational contracts and other	17,760	15,911
Prepaid expenses and other	23,921	16,685
Workshop inventory	8,046	8,763
Total current assets	3,413,159	3,186,877
Land, buildings and equipment, net	2,584,086	2,654,031
Total assets	$ 5,997,245	$ 5,840,908
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 822,989	$ 847,857
Total current liabilities	822,989	847,857
Net assets		
Without donor restrictions		
Net investment in land, buildings and equipment	2,584,086	2,654,031
Undesignated	2,590,170	2,339,020
Total net assets without donor restrictions	5,174,256	4,993,051
Total liabilities and net assets	$ 5,997,245	$ 5,840,908

The accompanying notes are an integral part of this statement.

Eastern Colorado Services for the Developmentally Disabled, Inc.
dba Eastern Colorado Services
STATEMENT OF ACTIVITIES
Year ended June 30, 2019
(With summarized financial information for the year ended June 30, 2018)

	Without donor restrictions	
	2019	2018
Revenues and support		
Fees and grants from governmental agencies		
Fees for services		
State of Colorado		
State General Fund	$ 954,424	$ 763,227
Medicaid	6,962,772	6,736,998
Counties and cities	219,446	213,183
Grants and other		
Part C	74,068	78,542
Other	11,010	5,757
Total fees and grants from governmental agencies	8,221,720	7,797,707
Public support – contributions	11,467	6,382
Residential room and board	588,114	556,848
Other revenue	300,270	246,997
Total revenues and support	9,121,571	8,607,934
Expenses		
Program services		
Medicaid comprehensive	6,391,638	6,397,551
State adult supported living	101,555	108,342
Medicaid adult supported living	379,139	381,505
Children's extensive support	45,791	53,172
Early intervention	481,955	461,992
Family support	121,585	122,332
Case management	873,522	838,038
Total program services	8,395,185	8,362,932
Supporting services		
Management and general	545,181	516,898
Total expenses	8,940,366	8,879,830
CHANGE IN NET ASSETS	181,205	(271,896)
Net assets, beginning of year	4,993,051	5,264,947
Net assets, end of year	$ 5,174,256	$ 4,993,051

The accompanying notes are an integral part of this statement.

Eastern Colorado Services for the Developmentally Disabled, Inc.
dba Eastern Colorado Services
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2019
(With summarized financial information for the year ended June 30, 2018)

	Program Services			
	Medicaid comprehen-sive	State adult supported living	Medicaid adult supported living	Children's extensive support
Expenses				
Salaries, benefits and taxes	$ 4,743,026	$ 35,480	$ 290,467	$ -
Professional services	462,865	-	-	-
Staff development and travel	14,000	73	603	-
Vehicles	155,234	1,062	8,759	-
Occupancy and equipment	272,089	1,980	16,321	-
Supplies	193,045	1,695	13,978	45,661
Other	64,663	562	32,708	130
Food	182,632	-	-	-
Insurance	81,959	724	5,968	-
Purchased services	-	58,625	-	-
Depreciation	222,125	1,354	10,335	-
Total expenses	$ 6,391,638	$ 101,555	$ 379,139	$ 45,791

The accompanying notes are an integral part of this statement.

Program Services					
Early interven-tion	Family support	Case manage-ment	Management and general	Total 2019	Total 2018
$125,936	$ -	$723,950	$ 382,258	$ 6,301,117	$ 6,248,479
347,254	-	6,836	6,959	823,914	822,120
1,029	-	15,348	4,715	35,768	36,638
-	-	18,894	7,439	191,388	196,726
1,062	-	30,083	13,378	334,913	338,169
3,194	-	35,776	60,306	353,655	338,779
1,206	121,585	21,500	51,883	294,237	293,425
-	-	-	-	182,632	177,521
364	-	5,426	7,623	102,064	88,899
-	-	-	-	58,625	74,718
1,910	-	15,709	10,620	262,053	264,356
$481,955	$121,585	$873,522	$ 545,181	$ 8,940,366	$ 8,879,830

The accompanying notes are an integral part of this statement.

Eastern Colorado Services for the Developmentally Disabled, Inc.
dba Eastern Colorado Services
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	$ 181,205	$ (271,896)
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation	262,053	264,356
Gain on disposal of land, buildings and equipment	(800)	(9,417)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(254,186)	63,677
(Increase) decrease in prepaid expenses	(7,236)	2,265
(Increase) decrease in inventories	717	(1,378)
Increase (decrease) in accounts payable and accrued expenses	(24,868)	48,162
Decrease in deferred revenue	-	(3,807)
Net cash provided by operating activities	156,885	91,962
Cash flows from investing activities		
Purchase of land, buildings and equipment	(193,402)	(202,186)
Proceeds from disposal of land, buildings and equipment	2,094	15,666
Net cash used in investing activities	(191,308)	(186,520)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(34,423)	(94,558)
Cash and cash equivalents, beginning of year	2,273,248	2,367,806
Cash and cash equivalents, end of year	$ 2,238,825	$ 2,273,248

The accompanying notes are an integral part of this statement.

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

This description of Eastern Colorado Services for the Developmentally Disabled, Inc. dba Eastern Colorado Services' (the Center) nature of activities and summary of significant accounting policies is presented to assist in understanding the Center's financial statements.

1. *Summary of Business Activities*

Eastern Colorado Services for the Developmentally Disabled, Inc., a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado in 1973 for the purpose of providing a community center board to coordinate programs through interagency cooperation and local agencies to provide services to persons with developmental disabilities in various Colorado counties. The Board of Directors approved a change to the Center's name to Eastern Colorado Services for the Developmentally Disabled, Inc. dba Eastern Colorado Services, a Colorado nonprofit corporation, on January 31, 2013 to more accurately represent the broader populations served. The Center's revenue comes primarily from the State of Colorado for services provided.

2. *Description of Services Provided*

The major program services or supports and functional activities directly provided or purchased by the Center are:

Program Services or Supports

<u>Comprehensive</u> (Medicaid) refers to residential services, adult day services or supports and transportation activities as specified in the eligible person's Individualized Plan (IP). Included are a number of different types of residential settings, which provide an array of training, learning, experiential and support activities provided in residential living alternatives designed to meet individual needs. Additionally, adult day services provide opportunities for individuals to experience and actively participate in valued roles in the community. These services and supports enable individuals to access and participate in typical community activities such as work, recreation, and senior citizen activities. Finally, transportation activities refer to "Home to Day Program transportation" services relevant to an individual's work schedule as specified in the IP. For these purposes, "work schedule" is defined broadly to include adult and retirement activities such as education, training, community integration and employment.

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

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

2. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

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 eighteen 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 co-existing medical conditions. Available services include personal assistance, household modification, specialized medical equipment and supplies, professional services and community connection services.

Early Intervention is support for children from birth through age two which offers infants and toddlers and their families services and supports to enhance child development in the areas of cognition, speech, communication, physical, motor, vision, hearing, social-emotional development, and self help skills; parent-child or family interaction; and early identification, screening and assessment services.

Family Support provides an array of supportive services to the person with a developmental disability and his/her family when the person remains within the family home, thereby preventing or delaying the need for out-of-home placement which is unwanted by the person or the family.

Case Management is the determination of eligibility for services and supports, service and support coordination, and the monitoring of all services and supports delivered pursuant to the IP, and the evaluation of results identified in the IP.

Supporting Services

Management and General includes those activities necessary for planning, coordination, and overall direction of the organization, financial administration, general board activities and other related activities indispensable to the Center's corporate existence.

3. *Basis of Accounting*

Financial statements of the Center have been prepared on the accrual basis, whereby revenue is recorded when services are performed and expenses are recognized when incurred.

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

4. *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.

5. *Subsequent Events*

   The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through October 28, 2019, 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.

6. *Cash and Cash Equivalents*

   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 cash equivalents to be certificates of deposit with an original maturity of three months or less.

   The Center maintains its cash balances in various financial institutions, 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.

7. *Accounts Receivable*

   The majority of the Center's accounts receivable is due from the State of Colorado. Accounts receivable are due according to contractual terms and are stated at the amount management expects to collect from outstanding balances. The Center believes all receivables are collectible and that no allowance for doubtful accounts is necessary. The Center writes off accounts receivable to bad debt expense after reasonable collection efforts have been made. Payments subsequently received on such receivables, if any, are recorded as other revenue.

8. *Workshop Inventory*

   The cost of inventories of workshop supplies was determined principally on a first-in, first-out method under the lower of cost or market method of accounting.

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

9. *Land, Buildings and Equipment*

Land, buildings and equipment acquired in excess of $5,000 are capitalized at cost for purchased assets and at estimated fair value, at the date of receipt, for donated property. Depreciation is provided on the straight-line method over the following estimated useful lives:

	Years
Buildings	20–40
Building improvements	5-15
Administrative equipment	3–5
Program equipment	3–5
Transportation equipment	3–5

10. *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 increases 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 in net assets without donor restrictions.

11. *Income Taxes*

The Center is operated as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Center recognizes tax liabilities when, despite the Center's belief that its tax return positions are supportable, the Center believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The Center has concluded there is no tax liability or benefit required to be recorded as of June 30, 2019.

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

11. *Income Taxes (Continued)*

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.

12. *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 per department.

13. *Prior Year Summarized Information*

The 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 financial statements as of and 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.

14. *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.

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

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

14. *Recent Accounting Pronouncements (Continued)*

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

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

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

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

14. *Recent Accounting Pronouncements (Continued)*

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 the impact of 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	$ 2,238,825
Accounts receivable	1,142,367
	$ 3,381,192

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	$ 4,157,251
Administrative equipment	658
Program equipment	263,795
Transportation equipment	828,914
	5,250,618
Less accumulated depreciation and amortization	2,957,485
	2,293,133
Land	290,953
	$ 2,584,086

Depreciation expense was $262,053 for the year ended June 30, 2019.

NOTE D – LINE OF CREDIT

The Center established a $100,000 unsecured line of credit with a bank at an annual interest rate of prime plus 2% to be no less than 5%. The interest rate was 7.50% at June 30, 2019, and the line of credit matures on February 5, 2020. There was no balance outstanding on the line of credit as of June 30, 2019.

NOTE E – LEASES

The Center leases numerous case management offices, an adult day facility and an apartment for residential services under operating lease arrangements which expire through fiscal year 2019. Rental expense under these leases for the year ended June 30, 2019 was $19,562.

Future minimum rental payments for these leases at June 30, 2019 are as follows:

Year ending June 30,	
2020	$ 3,500
	$ 3,500

NOTE F – TAX DEFERRED ANNUITY PLAN

The Center has adopted an Employees' Tax Deferred Annuity 403(b) Plan to which both the Center and eligible employees contribute. Center contributions are 5% of the employees' compensation. All employees who have completed one year of service and have reached the age of eighteen are eligible for employer contributions. The Center's contribution for the year ended June 30, 2019 totaled $157,086.

NOTE G – 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 utilities, telephone, supplies, and equipment, which are allocated on the basis of number of employees per department.

NOTE H – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue from the State of Colorado. The amount of receivables the Center has from the State of Colorado as of June 30, 2019 totaled $1,124,607. The Center has a payable to the State of Colorado in the amount of $24,825 which is 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 exercised by the State of Colorado through contract provisions.