



Consolidated Financial Statements and
Independent Auditor's Report

Colorado Bluesky Enterprises, Inc. and Affiliates

June 30, 2016



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Logan, Thomas & Johnson, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Colorado Bluesky Enterprises, Inc.

We have audited the accompanying consolidated financial statements of Colorado Bluesky Enterprises, Inc. and Affiliates (jointly, the Center), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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

Calvin Logan
Phone 303 532 1000
Fax 303 532 1080

Jan Thomas
Phone 303 569 6030
Fax 303 569 6031

Pauline Davis
Phone 719 937 4270
Fax 719 937 4271

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Colorado Bluesky Enterprises, Inc. and Affiliates as of June 30, 2016, 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 2015 consolidated financial statements, and our report dated December 6, 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, 2015, 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 6, 2018

Consolidated Financial Statements

Colorado Bluesky Enterprises, Inc. and Affiliates
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2016
(With summarized financial information as of June 30, 2015)

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,604,512	\$ 3,287,937
Investments	1,511,306	1,474,725
Accounts receivable		
Fees and grants from governmental agencies	1,275,303	1,612,091
Other	48,955	58,587
Prepaid expenses and other	1,350	1,350
Total current assets	6,441,426	6,434,690
Restricted cash	77,446	89,513
Restricted cash in reserve funds	129,318	124,894
Land, building and equipment, net	6,815,076	7,176,601
Total assets	\$ 13,463,266	\$ 13,825,698
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 624,083	\$ 673,342
Accrued expenses	622,402	654,336
Current maturities of long-term debt	115,027	131,418
Deferred revenue	-	71,563
Total current liabilities	1,361,512	1,530,659
Long-term debt, less current maturities	1,138,194	1,253,839
Total liabilities	2,499,706	2,784,498
Net assets		
Unrestricted		
Net investment in land, building and equipment	5,628,475	5,857,964
Designated for consumer home financing	2,642	2,893
Designated for transitional program	18,785	39,199
Undesignated	5,280,492	5,109,611
Total unrestricted net assets	10,930,394	11,009,667
Temporarily restricted	33,166	31,533
Total net assets	10,963,560	11,041,200
Total liabilities and net assets	\$ 13,463,266	\$ 13,825,698

The accompanying notes are an integral part of this statement.

Colorado Bluesky Enterprises, Inc. and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2016

(With summarized financial information for the year ended June 30, 2015)

	Unrestricted	Temporarily restricted	Total	
			2016	2015
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ 1,499,431	\$ -	\$ 1,499,431	\$ 1,305,821
Medicaid	10,039,203	-	10,039,203	12,450,200
County	464,779	-	464,779	516,927
Grants and other				
Part C	151,613	-	151,613	110,553
Department of Housing and Urban Developer	399,887	-	399,887	355,891
Total fees and grants from governmental agencies	12,554,913	-	12,554,913	14,739,392
Public support - contributions	27,970	8,671	36,641	64,435
In-kind contributions	2,998	-	2,998	9,227
Residential room and board	371,621	-	371,621	421,090
Investment income	38,765	-	38,765	39,608
Other revenue	724,271	-	724,271	753,377
Net assets released from restrictions				
Satisfaction of program restrictions	7,038	(7,038)	-	-
Total revenues and support	13,727,576	1,633	13,729,209	16,027,129
Expenses				
Program services				
Medicaid comprehensive	7,634,449	-	7,634,449	10,104,751
State adult supported living	334,057	-	334,057	336,670
Medicaid adult supported living	1,040,786	-	1,040,786	1,158,555
Children's extensive support	474,892	-	474,892	369,980
Early intervention	723,671	-	723,671	662,221
Family support	246,277	-	246,277	209,270
Case management	1,373,275	-	1,373,275	1,319,144
Affordable housing	618,695	-	618,695	635,273
Total program services	12,446,102	-	12,446,102	14,795,864
Supporting services				
Management and general	1,360,747	-	1,360,747	1,309,760
Total expenses	13,806,849	-	13,806,849	16,105,624
CHANGE IN NET ASSETS	(79,273)	1,633	(77,640)	(78,495)
Net assets, beginning of year	11,009,667	31,533	11,041,200	11,119,695
Net assets, end of year	\$ 10,930,394	\$ 33,166	\$ 10,963,560	\$ 11,041,200

The accompanying notes are an integral part of this statement.

Colorado Bluesky Enterprises, Inc. and Affiliates
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2016

(With summarized financial information for the year ended June 30, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (77,640)	\$ (78,495)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	504,051	499,348
Unrealized/realized loss on investments	8,273	19,302
Change in assets and liabilities		
(Increase) decrease in accounts receivable	346,420	(446,903)
Increase in prepaid expense and other	-	(1,350)
Decrease in deferred revenue	(71,563)	(1,075)
Decrease in accounts payable and accrued expenses	(81,193)	(54,040)
Net cash provided by (used in) operating activities	628,348	(63,213)
Cash flows from investing activities		
Purchase of land, building and equipment	(142,526)	(25,744)
Purchase of restricted reserve funds	(4,424)	(21,234)
Purchase of investments	(44,854)	(56,801)
Net cash used in investing activities	(191,804)	(103,779)
Cash flows from financing activities		
Payments on long-term debt	(132,036)	(132,146)
(Increase) decrease in restricted cash	12,067	33,033
Net cash used in financing activities	(119,969)	(99,113)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	316,575	(266,105)
Cash and cash equivalents, beginning of year	3,287,937	3,554,042
Cash and cash equivalents, end of year	\$ 3,604,512	\$ 3,287,937
Supplemental data		
Cash paid for interest	\$ 64,032	\$ 71,792

The accompanying notes are an integral part of this statement.

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

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

This description of Colorado Bluesky Enterprises, Inc. 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*

Pueblo County Board for Developmental Disabilities, Inc. was incorporated under the laws of the State of Colorado in 1963 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 Pueblo County. On March 11, 1998, the Center changed its official name to Colorado Bluesky Enterprises, Inc. (CBE), a Colorado nonprofit corporation. Colorado Bluesky Foundation (Foundation), a Colorado nonprofit corporation, was created for charitable and educational purposes in support of the Center. Fearnow Group Home Corporation (Fearnow), a Colorado nonprofit corporation, was created to build a home for developmentally disabled individuals. Lawrence William, Limited Partnership (LWLP) and Lawrence William III, Limited Partnership (LWIIILP), Colorado limited partnerships, were formed to develop and operate apartment complexes in Pueblo, Colorado, to provide low-income housing. The Center's revenue comes primarily from the State of Colorado for services provided.

2. *Principles of Consolidation*

The consolidated financial statements of Colorado Bluesky Enterprises, Inc. include its affiliates, Colorado Bluesky Foundation, Fearnow Group Home Corporation, LWLP and LWIIILP. The Foundation, Fearnow, LWLP, and LWIIILP are affiliates of CBE due to the fact that CBE exercises control over the entities. Significant intercompany transactions have been eliminated.

3. *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

Comprehensive (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

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

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

3. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

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.

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

Children’s Extensive Support is a deeming waiver (only the child’s income is considered in determining eligibility) intended to provide needed services and supports to eligible children under the age of 18 years in order for the children to remain in or return to the family home. Waiver services are targeted to children having extensive support needs, which require constant line-of-sight supervision due to significantly challenging behaviors and/or coexisting medical conditions. Available services include personal assistance, household modification, specialized medical equipment and supplies, professional services and community connection services.

Early Intervention is 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.

Affordable Housing provides low-income housing to residents in Pueblo, Colorado.

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

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 organization, financial administration, general board activities and other related activities indispensable to the Center's corporate existence.

4. *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.

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 December 6, 2018, the date on which the financial statements were issued, and did not identify any events or transactions that would have a material impact on the financial statements.

6. *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.

7. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Center considers all cash on hand, cash on deposit, and money market accounts, subject to immediate withdrawal, to be cash equivalents.

The Center maintains its cash balances in financial institutions located in the Pueblo, Colorado 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.

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

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

8. *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.

9. *Investments*

The Center records its investments at fair value in the statement of financial position.

10. *Land, Building and Equipment*

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

	<u>Years</u>
Buildings and improvements	3 – 20
Administrative and program equipment	2 – 10
Transportation equipment	2 – 10

11. *Accounting for Contributions*

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as temporarily restricted net assets.

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

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

12. *In-kind Contributions*

Contributions of property, materials, and personal services are known as in-kind contributions and are recorded at their estimated fair value at the date of receipt. The amount recorded for these contributions (other than contributions of land, building and equipment) is also included as program costs to properly reflect the total cost of the particular program.

13. *Net Assets*

From time to time, the Center's Board of Directors approves designating net assets for future use for a specific purpose.

14. *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, 2016. 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, 2013.

15. *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.

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

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

15. *Fair Value Measurements (Continued)*

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. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government agency debt securities and corporate-debt securities.

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.

16. *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, 2015, from which the summarized information was derived.

NOTE B – INVESTMENTS

The following table presents the Center's investments and the fair value hierarchy for those assets measured at fair value as of June 30, 2016:

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

NOTE B – INVESTMENTS (CONTINUED)

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Equity mutual funds	\$ 249,269	\$ 249,269	\$ -	\$ -
Growth mutual funds	576,138	576,138	-	-
Income mutual funds	681,015	681,015	-	-
Equity securities	<u>4,884</u>	<u>4,884</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,511,306</u>	<u>\$ 1,511,306</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income earned on cash and cash equivalents and mutual funds for the year ended June 30, 2016, consists of the following:

Interest and dividend income	\$ 47,038
Net realized/unrealized loss on investments reported at fair value	<u>(8,273)</u>
	<u>\$ 38,765</u>

NOTE C – RESTRICTED CASH

Restricted cash consists of the following at June 30, 2016:

Cash restricted for repayment of debt (Note F)	\$ 66,620
Cash restricted for HUD operations	<u>10,826</u>
	<u>\$ 77,446</u>

NOTE D – RESTRICTED CASH IN RESERVE FUNDS

In accordance with the U.S. Department of Housing and Urban Development (HUD) regulations, certain reserve accounts are required to be maintained for properties financed by HUD. Distributions for the replacement and/or repair of property and equipment from the replacement reserve account require approval from HUD. Release of funds from the minimum capital reserve account also requires HUD approval. Account activity in these reserves for the year ended June 30, 2016 is as follows:

	<u>Replacement reserve</u>	<u>Minimum capital</u>	<u>Operating reserve</u>
Beginning balance	\$ 64,931	\$ 5,408	\$ 54,555
Interest earned	16	49	123
Deposits	<u>4,236</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 69,183</u>	<u>\$ 5,457</u>	<u>\$ 54,678</u>

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

NOTE E – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following at June 30, 2016:

Buildings and improvements	\$ 12,741,247
Administrative and program equipment	417,469
Transportation equipment	<u>860,719</u>
	14,019,435
Less accumulated depreciation	<u>7,980,745</u>
	6,038,690
Land	<u>776,386</u>
	<u>\$ 6,815,076</u>

Depreciation expense was \$504,051 for the year ended June 30, 2016.

NOTE F – LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2016:

6.45% loan payable to Colorado Housing and Finance Authority, payable in monthly installments of \$1,195, maturing February 2019, collateralized by deed of trust on real estate	\$ 39,715
Variable rate loan, due July 2021, payable in monthly installments of \$2,362, collateralized by deed of trust on real estate. The interest rate is based on a 10 year LIBOR/Swap rate plus 2 percentage points and will not change until August 1, 2016. Currently the rate is 7.699%. (1)	114,007
6.77% loan, due March 2020, payable in monthly installments of \$2,454, collateralized by real estate	95,025
4.75% loan, due December 2017, payable in monthly installments of \$3,476, collateralized by a deed of trust on real estate	474,087
4.75% loan, due October 2018, payable in monthly installments of \$1,635, collateralized by a deed of trust on real estate	230,310
4.75% loan, due April 2024, payable in monthly installments of \$3,753, collateralized by a deed of trust on real estate	<u>300,077</u>
	1,253,221
Less current maturities	<u>115,027</u>
	<u>\$1,138,194</u>

(1) This loan contains a debt covenant that requires a global debt service coverage ratio. The Center met this covenant at June 30, 2016.

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

NOTE F – LONG-TERM DEBT (CONTINUED)

Interest expense for the year ended June 30, 2016 was \$64,032. Future maturities of long-term debt are as follows:

Year ending June 30,	
2017	\$ 115,027
2018	556,560
2019	311,890
2020	79,470
2021	62,661
Thereafter	<u>127,613</u>
	<u>\$1,253,221</u>

The loan agreement with the Colorado Housing and Finance Authority requires that the Center maintain a reserve in the amount of \$66,620, which is reported as restricted cash, see Note C.

NOTE G – RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2016:

Early intervention	\$ 29,817
In-service courses	<u>3,349</u>
	\$ <u>33,166</u>

NOTE H – RETIREMENT PLANS

403(b) Pension Plan

The Center has adopted a Section 403(b) Pension Plan in which all employees who have completed one year of service and have reached age 21, except nonresident alien employees who receive no U.S. source earned income, certain students, employees who work less than 20 hours per week, leased employees, and contract employees are eligible to participate by contributing a percentage of their gross salary. The Center's contributions to the plan are discretionary. The Board of Directors approved a contribution of 6% of employees' salaries for the year ended June 30, 2016, which totaled \$181,242.

401(k) Plan

The Colorado Bluesky Enterprises, Inc. Custom 401(k) Plan and Trust (the Plan) was established July 1, 1985 to provide retirement benefits to the employees of the Center and their beneficiaries.

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

NOTE H – RETIREMENT PLANS (CONTINUED)

Each employee is eligible to participate after six months of full-time service and attaining the age of 18 years for employee contributions. For purposes of receiving employer contributions, employees must attain one year of service with at least 1,000 hours of service.

Employees may contribute between 1% and 15% of their recognized compensation, not to exceed the limitations imposed by the Internal Revenue Service. The Center is under no obligation to make contributions into the Plan. At its discretion, however, it may match employee contributions up to 15% of the participants' recognized compensation. The Center authorized no contributions to the Plan for the year ended June 30, 2016.

NOTE I – RELATED PARTY TRANSACTIONS

State of Colorado

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 is \$1,181,999 at June 30, 2016. The Center has a payable to the State of Colorado in the amount of \$67,068 at June 30, 2016. 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.

NOTE J – CONTINGENCIES

The Center has the following contingencies as of June 30, 2016:

<u>Grantor</u>	<u>Year of Grant</u>	<u>Amount</u>	<u>Requirement</u>	<u>Result of Failure to Comply</u>
Federal Home Loan Bank of Topeka	1997	\$ 98,000	Property must be used for affordable housing for 50 years	Funds must be repaid
US Department of Housing and Urban Development Capital Advance	2002	309,000	Property must be available to very low income people with disabilities through 2043	Funds must be repaid with accrued interest at 5.75% from September 1, 2002
State of Colorado Department of Local Affairs	2000	135,000	Property must be used for affordable housing for 40 years	Funds must be repaid

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

NOTE J – CONTINGENCIES (CONTINUED)

<u>Grantor</u>	<u>Year of Grant</u>	<u>Amount</u>	<u>Requirement</u>	<u>Result of Failure to Comply</u>
State of Colorado Department of Local Affairs	2003	\$ 86,000	Property must be used for affordable housing for 40 years	Funds must be repaid
State of Colorado Department of Local Affairs	2004	51,000	Property must be used for affordable housing for 30 years	Funds must be repaid
State of Colorado Department of Local Affairs	2006	50,000	Property must be used for affordable housing for 30 years	Funds must be repaid
Community Housing Development Services	2000	139,000	Property must be used for affordable housing for 20 years	Funds must be repaid
Community Housing Development Services	2004	120,000	Property must be used for affordable housing for 15 years	Funds must be repaid
HUD/HOME Grant Special Projects	2005	90,000	Property must be used for affordable housing for 20 years	Funds must be repaid