



Consolidated Financial Statements and
Independent Auditor's Report

Inspiration Field and Affiliates

June 30, 2017



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Logan, Thomas & Johnson, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Inspiration Field and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Inspiration Field and Affiliates (jointly, the Center), which comprise the consolidated statement of financial position as of June 30, 2017, 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 719 640-1188
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 Inspiration Field and Affiliates as of June 30, 2017, 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 2016 consolidated financial statements, and our report dated September 27, 2016, 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, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Logan, Thomas + Johnson, LLC

Broomfield, Colorado

October 12, 2017

Consolidated Financial Statements

Inspiration Field and Affiliates
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2017
(With summarized financial information as of June 30, 2016)

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,217,429	\$ 1,432,686
Accounts receivable		
Fees and grants from governmental agencies	553,674	544,428
Other	17,710	20,142
Contributions receivable	3,222	-
Prepaid expenses and deposits	8,682	12,515
Total current assets	1,800,717	2,009,771
Contributions receivable, net	915	-
Restricted cash in reserve funds	20,296	16,819
Deferred loan issuance costs, net of amortization of \$51,454	48,135	58,094
Land, building and equipment, net	6,644,270	6,536,605
Total assets	\$ 8,514,333	\$ 8,621,289
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 348,351	\$ 337,673
Current portion of loans payable	114,428	105,007
Deferred revenue	19,956	276
Total current liabilities	482,735	442,956
Long-term debt, net of current portion		
Loans payable	2,155,451	2,303,265
Total liabilities	2,638,186	2,746,221
Net assets		
Unrestricted		
Board designation for philanthropy	47,676	38,568
Board designation for vehicle maintenance building	24,038	232,570
Net investment in land, building and equipment	4,422,526	4,186,427
Reserved for HUD regulation compliance	20,296	16,819
Undesignated	1,276,497	1,296,703
Total unrestricted net assets	5,791,033	5,771,087
Temporarily restricted	85,114	103,981
Total net assets	5,876,147	5,875,068
Total liabilities and net assets	\$ 8,514,333	\$ 8,621,289

The accompanying notes are an integral part of this statement.

Inspiration Field and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2017

(With summarized financial information for the year ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ 213,845	\$ -	\$ 213,845	\$ 247,287
Medicaid	5,471,062	-	5,471,062	5,754,414
Grants and other				
Part C	20,195	-	20,195	14,913
Department of Housing and Urban Development	27,833	-	27,833	25,942
Other	143,588	-	143,588	1,500
Total fees and grants from governmental agencies	5,876,523	-	5,876,523	6,044,056
Public support – contributions	12,500	32,178	44,678	28,852
In-kind contributions	27,304	-	27,304	23,409
Residential room and board	478,129	-	478,129	502,237
Other revenue	352,922	-	352,922	425,132
Net assets released from restrictions				
Satisfaction of program restrictions	51,045	(51,045)	-	-
Total revenues and support	6,798,423	(18,867)	6,779,556	7,023,686
Expenses				
Program services				
Medicaid comprehensive	5,328,428	-	5,328,428	5,396,802
State adult supported living	104,231	-	104,231	117,216
Medicaid adult supported living	337,905	-	337,905	381,919
Children's extensive support	11,374	-	11,374	10,121
Early intervention	85,058	-	85,058	68,853
Family support	48,719	-	48,719	53,300
Case management	267,610	-	267,610	251,549
Total program services	6,183,325	-	6,183,325	6,279,760
Supporting services				
Management and general	595,152	-	595,152	737,916
Total expenses	6,778,477	-	6,778,477	7,017,676
CHANGE IN NET ASSETS	19,946	(18,867)	1,079	6,010
Net assets, beginning of year	5,771,087	103,981	5,875,068	5,869,058
Net assets, end of year	\$ 5,791,033	\$ 85,114	\$ 5,876,147	\$ 5,875,068

The accompanying notes are an integral part of this statement.

Inspiration Field and Affiliates
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended June 30, 2017
(With summarized financial information for the year ended June 30, 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 1,079	\$ 6,010
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	396,293	355,304
Loss (gain) on sale of land, building and equipment	10,400	(12,746)
Contributions restricted for capital acquisition and construction	(32,178)	(27,834)
Change in assets and liabilities		
Increase in accounts receivable	(6,814)	(49,273)
(Increase) decrease in contributions receivable	(4,137)	100
Decrease in prepaid expenses and other	3,833	534
Increase (decrease) in accounts payable and accrued liabilities	10,678	(79,400)
Increase (decrease) in deferred revenue	19,680	(17,822)
Net cash provided by operating activities	398,834	174,873
Cash flows from investing activities		
Purchase of land, building and equipment	(507,067)	(344,483)
Proceeds from sale of land, building and equipment	2,668	18,942
(Increase) decrease in restricted reserve funds	(3,477)	26,667
Net cash used in investing activities	(507,876)	(298,874)
Cash flows from financing activities		
Contributions restricted for capital acquisition and construction	32,178	27,834
Proceeds from loans payable	-	162,000
Payments on loans payable	(138,393)	(129,658)
Net cash provided by (used in) financing activities	(106,215)	60,176
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(215,257)	(63,825)
Cash and cash equivalents, beginning of year	1,432,686	1,496,511
Cash and cash equivalents, end of year	\$ 1,217,429	\$ 1,432,686
Supplemental data		
Cash paid for interest	\$ 88,650	\$ 90,314

The accompanying notes are an integral part of this statement.

Inspiration Field and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

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

This description of Inspiration Field and Affiliates' (jointly, 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*

In 1967, Arkansas Valley Community Center for Handicapped and for Retarded Persons, Inc., a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado 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 Otero, Bent and Crowley Counties. In 2011, Arkansas Valley Community Center for Handicapped and for Retarded Persons, Inc. changed its name to Inspiration Field, a Colorado nonprofit corporation. ARKVA Housing, a Colorado nonprofit corporation, AVCC Housing, a Colorado nonprofit corporation, and Prairieview Housing, a Colorado nonprofit corporation, were created to construct and operate group homes for low-income persons with disabilities. The Center's revenue comes primarily from the State of Colorado for services provided.

2. *Principles of Consolidation*

The consolidated financial statements of Inspiration Field (IF) include its affiliates, ARKVA Housing, AVCC Housing and Prairieview Housing. ARKVA Housing, AVCC Housing and Prairieview Housing each own a residential facility, which receives tenant rent assistance from the U.S. Department of Housing and Urban Development (HUD). ARKVA Housing, AVCC Housing and Prairieview Housing are consolidated with IF due to the fact that IF exercises control over their Boards of Directors. 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 provide opportunities for individuals to experience and actively participate in valued

Inspiration Field and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

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

3. *Description of Services Provided - Continued*

Program Services or Supports - Continued

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

Inspiration Field and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

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

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. *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 12, 2017, 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. *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 cash to be cash on hand and cash on deposit, subject to immediate withdrawal and considers cash equivalents to be certificates of deposit with an original maturity of three months or less. The Center maintains its cash balances in financial institutions located in Colorado, which at times may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

8. *Accounts Receivable*

The majority of the Center's accounts receivable are due from the State of Colorado. Accounts receivable are due according to contractual terms and are stated at the 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.

Inspiration Field and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

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

9. *Accounting for Contributions*

Unconditional promises to give are recognized as a receivable and revenues, at fair value, when the pledge is received. Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value. Unconditional promises to give expected to be collected over periods in excess of one year from the time of the pledge 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, 2017, the Center had \$4,137 of contributions receivable of which \$3,222 will be received within one year and \$915 will be received in one to five years.

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. 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. Permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity, and only the income from investment thereof be expended for either general purposes or a purpose specified by the donor.

10. *Loan Issuance Costs*

Loan issuance costs are deferred and amortized to depreciation and amortization expense over the term of the respective loan using the straight-line method, which approximates the effective interest method.

11. *Land, Building and Equipment*

Land, building and equipment are reported at cost for purchased assets and estimated fair value, at date of receipt, for donated property.

Inspiration Field and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

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

11. *Land, Building and Equipment (Continued)*

Building and equipment items are capitalized if the cost or estimated value exceeds \$5,000. Depreciation and amortization are provided on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	7–25
Buildings and improvements	3–25
Administrative and program equipment	3–15
Transportation equipment	3–15

12. *In-kind Contributions*

Contributions of property and materials are recorded at 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. *Income Taxes*

IF, ARKVA Housing, AVCC Housing and Prairieview Housing are operated as nonprofit organizations 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, 2017. 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, 2014.

14. *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. Accordingly, such information should be read in conjunction with the Center's financial statements as of and for the year ended June 30, 2016, from which the summarized information was derived.

Inspiration Field and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

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

15. *Recent Accounting Pronouncements*

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (US GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Center has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Changes to the lessor accounting model include: (a) synchronizing key aspects of the model with the new revenue recognition guidance, such as basing whether a lease is similar to a sale or whether control of the underlying asset has transferred to the lessee and (b) prospectively eliminating the specialized accounting for leveraged leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2020, with early adoption permitted. The Center is in the process of evaluating the impact of this new guidance.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit organization's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Center is in the process of evaluating the impact of this new guidance.

Inspiration Field and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

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

15. *Recent Accounting Pronouncements (Continued)*

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this update clarify the guidance regarding the classification of operating, investing and financing activities for certain types of cash receipts and payments. The amendments in this update are effective for the annual periods, and the interim periods within those years, beginning after December 15, 2018, and should be applied using a retrospective transition method to each period presented. Early adoption is permitted. The Center is evaluating the impact of adoption, if any, to the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU will be effective for fiscal years beginning after December 15, 2018. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Center is in the process of evaluating the impact of this new guidance.

NOTE B – RESTRICTED CASH IN RESERVE FUNDS

In accordance with the 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 and distributions from the residual receipts reserve account require approval from HUD. Account activity in these reserves for the year is as follows:

	Residual receipts	Replacement reserve
Beginning balance	\$ 4,904	\$ 11,915
Interest earned	1	9
Deposits	2,562	4,762
Distributions	<u>(2,187)</u>	<u>(1,670)</u>
Ending balance	<u>\$ 5,280</u>	<u>\$ 15,016</u>

Inspiration Field and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

NOTE C – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following at June 30, 2017:

Land improvements	\$ 178,549
Buildings and improvements	8,151,344
Administrative and program equipment	577,749
Transportation equipment	<u>1,057,723</u>
	9,965,365
Less accumulated depreciation and amortization	<u>3,644,112</u>
	6,321,253
Land	<u>323,017</u>
	<u>\$ 6,644,270</u>

Depreciation expense for the year ended June 30, 2017 was \$386,334.

NOTE D – LOANS PAYABLE

In May 2012, the Center entered into a financing agreement with the City of La Junta and Great Western Bank. Under this agreement, the City of La Junta issued revenue bonds which were purchased by Great Western Bank. Great Western Bank provided funds to the Center under a loan agreement.

The loan, which had an original balance of \$2,590,000, has a total outstanding balance at June 30, 2017 of \$2,115,647. Monthly payments of \$15,195 are required until the loan matures on May 15, 2023. The interest rate is 3.63% until May 15, 2022 and will be 0.66 times 2% above the Five Year Treasury Yield from May 15, 2017 through the maturity date of May 15, 2023, with rate adjustments determined on May 15, 2022. This loan is secured by equipment, unrestricted revenue, and a deed of trust on a new administration building.

The Center incurred \$99,589 in loan costs for the bond issue. Deferred loan costs at June 30, 2017, net of accumulated amortization, are \$48,135.

In November 2015, the Center entered into a financing agreement with Great Western Bank to purchase an apartment complex. The original loan was for \$162,000 and has an outstanding balance at June 30, 2017 of \$154,232. Monthly payments of \$1,084 are required until a balloon payment is due in November 2025 for \$102,512. The interest rate is fixed for the first five years at a rate of 3.63% over the 5 year U.S. Treasuries. The rate will then re-set each additional five years thereafter to 3.63% over the 5 year U.S. Treasuries Rate, with a floor of 5%. The interest rate at June 30, 2017 was 5.09%.

Inspiration Field and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

NOTE D – LOANS PAYABLE (CONTINUED)

These loans contain various debt covenants including minimum debt service coverage ratio and maximum debt to net worth ratio requirements that are calculated annually. The Center met all of its covenants at June 30, 2017.

Interest expense for the year ended June 30, 2017 was \$88,449. Future maturities of the loans payable at June 30, 2017, are as follows:

Year ending June 30,	
2018	\$ 114,428
2019	115,769
2020	119,980
2021	124,765
2022	129,528
Thereafter	<u>1,665,409</u>
	2,269,879
Less current portion	<u>114,428</u>
	\$ <u>2,155,451</u>

NOTE E – DEFERRED REVENUE

Deferred revenue at June 30, 2017, consists of \$19,956 of one-time incentive payments from the Intellectual and Development Disabilities cash fund.

NOTE F – LEASES

The Center also conducts a portion of its operations from other leased facilities under operating lease agreements, which are on a month-to-month basis. Rental expense for the year ended June 30, 2017 was \$20,759.

NOTE G – NET ASSETS

Net investment in land, building and equipment is comprised of net deferred loan issuance costs and net land, building and equipment, less loans payable. As of June 30, 2017, temporarily restricted net assets consist of \$46,246 to be used for the administration building and \$38,868 to be used for the proposed vehicle maintenance facility.

Inspiration Field and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

NOTE H – RETIREMENT PLAN

On December 1, 2001, the Center implemented a 401(k) plan for the benefit of its employees. All employees who have completed one year of service with at least 1,000 hours of service and are age 18 or older may participate in the Plan and are fully vested after 3 years of service. In the current year, the Center made a discretionary matching contribution to participants who contributed to the Plan. For the year ended June 30, 2017, retirement plan expense was \$45,468.

NOTE I – CONTINGENCIES

ARKVA Housing utilized the capital advance program from HUD to construct rental facilities. Provided these facilities remain available for occupancy by very low income people with disabilities through March 1, 2037, the capital advance of \$299,800 will not become payable and will be discharged on that date. If any default occurs, the capital advance bears interest at 7% from March 1, 1997, and becomes immediately payable.

AVCC Housing utilized the capital advance program from HUD to construct rental facilities. Provided these facilities remain available for occupancy by very low income people with disabilities through April 1, 2046, the capital advance of \$364,300 will not become payable and will be discharged on that date. If any default occurs, the capital advance bears interest at 5.25% from September 30, 2005, and becomes immediately payable.

Prairieview Housing utilized the capital advance program from HUD to construct rental facilities. Provided these facilities remain available for occupancy by very low income people with disabilities through April 29, 2051, the capital advance of \$557,000 will not become payable and will be discharged on that date. If any default occurs, the capital advance bears interest at 4.125% from April 28, 2011, and becomes immediately payable.

NOTE J – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue from the State of Colorado. The amount of receivables and deferred revenue the Center has from the State of Colorado as of June 30, 2017 totaled \$553,674 and \$19,956, respectively. The Center has a payable at June 30, 2017, to the State of Colorado in the amount of \$49,123 recorded in accounts payable and accrued expenses. These transactions are considered to be transactions with a related party by virtue of significant management influence exercised by the State of Colorado through contract provisions.