

NORTH METRO COMMUNITY SERVICES, INC.

Financial Statements As Of June 30, 2017 And 2016

Together With Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Denver
North Metro Community Services, Inc:

Report on the Financial Statements

We have audited the accompanying financial statements of North Metro Community Services, Inc. (the "Center"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Members:

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Independent Auditors' Report, Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Metro Community Services, Inc. as of June 30, 2017 and 2016, and the results of its change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

JDS Professional Group

October 12, 2017

NORTH METRO COMMUNITY SERVICES, INC.Statements Of Financial Position
As Of June 30, 2017 and 2016

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ASSETS	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 9,123,804	\$ 8,299,304
Accounts receivable -		
Fees and grants from governmental agencies, net of allowance	3,087,964	2,965,270
Vocational contracts	158,669	519,932
Other	349,413	152,941
Prepaid expenses and other	362,665	400,809
Total Current Assets	<u>13,082,515</u>	<u>12,338,256</u>
Property and equipment, net of accumulated depreciation	<u>3,318,981</u>	<u>3,760,456</u>
TOTAL ASSETS	<u><u>\$ 16,401,496</u></u>	<u><u>\$ 16,098,712</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 735,554	\$ 684,802
Accrued expenses	1,604,704	1,843,028
Deferred revenue		181,381
Total Current Liabilities	<u>2,340,258</u>	<u>2,709,211</u>
Net Assets:		
Unrestricted -		
Net investment in property and equipment	3,318,981	3,760,456
Undesignated	10,742,257	9,629,045
Total Unrestricted Net Assets	<u>14,061,238</u>	<u>13,389,501</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 16,401,496</u></u>	<u><u>\$ 16,098,712</u></u>

The accompanying notes are an internal part of the financial statements.

NORTH METRO COMMUNITY SERVICES, INC.

Statements Of Activities

For The Years Ended June 30, 2017 and 2016

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	2017	2016
Support and Revenue:		
Fees and grants from governmental agencies -		
Fees for services -		
State of Colorado	\$ 4,240,086	\$ 3,814,554
Medicaid	21,520,019	21,454,032
Counties and cities	1,382,680	1,243,963
Grants and other -		
Part C	684,766	424,690
Total Fees and Grants from Governmental Agencies	<u>27,827,551</u>	<u>26,937,239</u>
Contributions	16,933	22,098
Residential room and board	1,218,550	1,238,504
Vocational revenue	2,116,297	2,963,190
Other revenue	489,195	506,352
Total Support and Revenue	<u>31,668,526</u>	<u>31,667,383</u>
Expenses:		
Program Services -		
Medicaid comprehensive	16,976,701	17,382,552
State adult supported living	407,569	483,611
Medicaid adult supported living	3,251,811	3,115,150
Children's extensive support	712,587	610,084
Early intervention	2,248,796	1,841,052
Family support	467,265	559,980
Case management	2,855,639	2,834,774
Vocational program	2,151,968	3,115,909
Total Program services	<u>29,072,336</u>	<u>29,943,112</u>
Supporting Services -		
Management and general	1,924,453	1,800,961
Total Expenses	<u>30,996,789</u>	<u>31,744,073</u>
CHANGE IN NET ASSETS	671,737	(76,690)
Net Assets, Beginning Of Year	<u>13,389,501</u>	<u>13,466,191</u>
NET ASSETS, END OF YEAR	<u><u>\$ 14,061,238</u></u>	<u><u>\$ 13,389,501</u></u>

The accompanying notes are an internal part of the financial statements.

NORTH METRO COMMUNITY SERVICES, INC.

Statements Of Cash Flows

For The Years Ended June 30, 2017 and 2016

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	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 671,737	(76,690)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	512,949	516,677
Loss (gain) on sale of assets	(196,760)	(21,723)
Allowance for doubtful accounts	80,642	
Change in assets and liabilities -		
(Increase) in accounts receivable	(38,544)	(152,479)
Decrease (increase) in prepaid expenses and other	38,144	(139,883)
(Decrease) increase in accounts payable and accrued expenses	(187,573)	145,295
(Decrease) in deferred revenue	(181,381)	(85,990)
Net cash provided by operating activities	<u>699,214</u>	<u>185,207</u>
Cash flow from investing activities:		
Purchases of building and equipment	(164,093)	(288,438)
Proceeds from sale of assets	289,379	29,723
Net cash provided by (used in) investing activities	<u>125,286</u>	<u>(258,715)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	824,500	(73,508)
Cash and Cash Equivalents, Beginning Of Year	<u>8,299,304</u>	<u>8,372,812</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 9,123,804</u></u>	<u><u>8,299,304</u></u>

The accompanying notes are an internal part of the financial statements.

NORTH METRO COMMUNITY SERVICES, INC.

Notes To Financial Statements
For The Years Ended June 30, 2017 and 2016

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(1) Nature Of Activities And Summary Of Significant Accounting Policies

North Metro Community Services, Inc., (the “Center”) a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado in 1964 for the purpose of providing a community center board to coordinate programs through interagency cooperation and local agencies to provide services to persons with developmental disabilities in Adams County. The Center’s revenue comes primarily from the State of Colorado for services provided.

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 Support Plan (SP). Included are a number of different types of residential settings, which 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 SP. 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 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 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 or eligibility for services and supports, service and support coordination, and the monitoring of all services and supports delivered pursuant to the SP, and the evaluation of results identified in the SP.

Vocational Program refers to vocational contracts, which are not State or Medicaid funded. These contracts provide community employment opportunities for disabled individuals.

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.

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.

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. The Center did not identify any events or transactions that would have a material impact on the financial statements.

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.

NORTH METRO COMMUNITY SERVICES, INC.

Notes To Financial Statements (Continued)

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Cash and Cash Equivalents

For the purpose 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 two financial institutions located in Denver, Colorado, which at times may exceed federally insured limits. The Center's uninsured deposits amounted to approximately \$8.9 million, as of June 30, 2017. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

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 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. As of June 30, 2017 and 2016, the allowance for doubtful accounts amounted to \$80,642 and \$0, respectively.

Property and Equipment

Land, buildings and equipment are reported at cost for purchased assets with a cost of \$5,000 or more 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	5 - 30
Administrative equipment	3 - 5
Transportation equipment	4
Program equipment	3 - 6

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.

NORTH METRO COMMUNITY SERVICES, INC.

Notes To Financial Statements (Continued)

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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 unrestricted revenue, rather than temporarily restricted revenue.

In-Kind Contributions

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

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 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 and 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 is no longer subject to income tax examinations for the fiscal years prior to June 30, 2014.

(2) Property and Equipment

Property and equipment consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Buildings and improvements	\$ 6,701,871	\$ 6,906,709
Administrative equipment	301,448	283,041
Transportation equipment	2,831,782	2,882,435
Program equipment	231,412	223,214
	<u>10,066,513</u>	<u>10,295,399</u>
Less accumulated depreciation	<u>(7,923,311)</u>	<u>(7,710,722)</u>
	2,143,202	2,584,677
Land	1,175,779	1,175,779
	<u>\$ 3,318,981</u>	<u>\$ 3,760,456</u>

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Notes To Financial Statements (Continued)

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Depreciation expense was \$512,949 and \$516,677 for the years ended June 30, 2017 and 2016, respectively.

(3) Deferred Revenue

Deferred revenue of \$0 and \$181,381 as of June 30, 2017 and 2016, respectively, consisted of unearned revenue from Adams County.

(4) Leases

The Center leases Day Program space, office equipment, office space and residential facilities under operating lease agreements.

Rental expense for property under operating leases was 449,099 and \$424,937 for the years ended June 30, 2017 and 2016, respectively, which also includes month-to-month operating leases for apartments in which residential clients reside.

Future minimum payments for noncancelable leases as of June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	
2018	\$ 183,397
2019	107,236
2020	51,728
2021	48,501
	<u>\$ 390,862</u>

(5) Retirement Plans

Defined Contribution Plan

The Center has adopted a defined contribution 401(k) plan for all employees over the age of 21 who have completed one year and 1,000 hours of service. Under the plan, employees can contribute up to 12% of their gross compensation. Employer matching is discretionary. The Center has elected to make a matching contribution of 4% for the years ended June 30, 2017 and 2016. The contribution expense was \$327,162 and \$332,468 for the years ended June 30, 2017 and 2016, respectively.

Deferred Compensation Plan

The Center has a deferred compensation plan for a select group of management and highly compensated employees. Participants contribute a certain percentage of their salary to the Plan and the Center can make discretionary contributions to the Plan, which was 4% for the years ended June 30, 2017 and 2016, respectively. The Center will distribute the balance of the participant's account 60 days after the participant's severance from employment with the Center. The Center maintains accounts for the participants. The total amount in these accounts was \$193,492 and \$156,461 as of June 30, 2017 and 2016, respectfully. The Center has accrued a liability of \$24,290 and \$24,334 as of June 30, 2017 and 2016, respectively, for the Center's deferred compensation contribution for the years ended June 30, 2017 and 2016. There were withdrawals of \$0 made during the years ended June 30, 2017 and 2016.

(6) 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 is \$3,087,964 and \$0 as of June 30, 2017, respectively. The amount of receivables and deferred revenue the Center has from the State of Colorado is \$2,965,270 and \$0 as of June 30, 2016, respectively. 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.