

Consolidated Financial Statements and
Independent Auditor's Report

Inspiration Field and Affiliates

June 30, 2019

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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, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 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 consolidated financial statements, and our report dated November 7, 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, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Logan, Thomas + Johnson, LLC

Broomfield, Colorado

November 7, 2019

Consolidated Financial Statements

Inspiration Field and Affiliates
CONSOLIDATED 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	\$ 945,854	\$ 1,216,674
Accounts receivable		
Fees and grants from governmental agencies	585,778	522,191
Other	30,141	16,380
Contributions receivable	350	1,090
Prepaid expenses and deposits	7,360	12,558
Total current assets	1,569,483	1,768,893
Contributions receivable, net	-	200
Restricted cash in reserve funds	23,134	18,886
Land, building and equipment, net	6,515,873	6,511,214
Total assets	\$ 8,108,490	\$ 8,299,193
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 320,988	\$ 350,509
Current portion of loans payable	124,991	119,505
Total current liabilities	445,979	470,014
Long-term debt, net of current portion		
Loans payable, net of unamortized debt issuance costs	1,821,980	1,966,572
Total liabilities	2,267,959	2,436,586
Net assets		
Without donor restrictions		
Board designation for philanthropy	44,359	41,960
Board designation for vehicle maintenance building	49	24,112
Board designation for global treasurz expansion	50,427	-
Net investment in land, building and equipment	4,568,902	4,425,137
Reserved for HUD regulation compliance	23,134	18,886
Undesignated	1,078,971	1,237,317
Total without donor restrictions	5,765,842	5,747,412
With donor restrictions - purpose restrictions	74,689	115,195
Total net assets	5,840,531	5,862,607
Total liabilities and net assets	\$ 8,108,490	\$ 8,299,193

The accompanying notes are an integral part of this statement.

Inspiration Field and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2019

(With summarized financial information for the year ended June 30, 2018)

	Without donor restrictions	With donor restrictions	Total	
			2019	2018
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ 321,844	\$ -	\$ 321,844	\$ 254,770
Medicaid	4,793,254	-	4,793,254	5,063,443
Grants and other				
Part C	-	-	-	40,772
Department of Housing and Urban Development	27,983	-	27,983	24,800
Other	145,972	-	145,972	106,766
Total fees and grants from governmental agencies	5,289,053	-	5,289,053	5,490,551
Public support – contributions	16,720	25,915	42,635	32,608
In-kind contributions	27,233	-	27,233	14,911
Residential room and board	419,726	-	419,726	447,045
Other revenue	450,538	67	450,605	444,809
Net assets released from restrictions				
Satisfaction of program restrictions	66,488	(66,488)	-	-
Total revenues and support	6,269,758	(40,506)	6,229,252	6,429,924
Expenses				
Program services				
Medicaid comprehensive	4,799,934	-	4,799,934	5,008,153
State adult supported living	108,788	-	108,788	112,600
Medicaid adult supported living	278,922	-	278,922	297,953
Children's extensive support	26,671	-	26,671	15,121
Early intervention	159,928	-	159,928	106,894
Family support	55,506	-	55,506	52,298
Case management	222,093	-	222,093	239,688
Total program services	5,651,842	-	5,651,842	5,832,707
Supporting services				
Management and general	599,486	-	599,486	610,757
Total expenses	6,251,328	-	6,251,328	6,443,464
CHANGE IN NET ASSETS	18,430	(40,506)	(22,076)	(13,540)
Net assets, beginning of year	5,747,412	115,195	5,862,607	5,876,147
Net assets, end of year	\$ 5,765,842	\$ 74,689	\$ 5,840,531	\$ 5,862,607

The accompanying notes are an integral part of this statement.

Inspiration Field and Affiliates
CONSOLIDATED 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	\$ 3,128,638	\$ 75,519	\$ 214,918	\$ 18,356
Professional services	362,474	138	672	120
Staff development and travel	19,064	179	343	-
Vehicles	56,497	2,886	3,042	-
Occupancy and equipment	256,621	5,377	11,406	-
Supplies	188,384	4,982	9,097	-
Other	134,421	3,873	8,252	8,179
Food	151,279	3,385	6,423	16
Insurance	100,829	3,575	5,114	-
Interest	64,473	336	336	-
Depreciation	337,254	8,538	19,319	-
Total expenses	<u>\$ 4,799,934</u>	<u>\$ 108,788</u>	<u>\$ 278,922</u>	<u>\$ 26,671</u>

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	2018
\$ 68,684	\$ 12,635	\$ 165,723	\$ 444,145	\$ 4,128,618	\$ 3,916,509
73,353	121	4,714	8,348	449,940	705,608
2,118	-	1,393	10,198	33,295	43,719
98	-	718	3,267	66,508	66,460
3,312	3,312	6,211	12,426	298,665	335,362
511	445	8,825	33,384	245,628	348,219
2,757	29,161	6,871	35,501	229,015	231,021
453	808	348	6,969	169,681	160,363
1,039	1,039	3,916	8,261	123,773	113,389
2,692	3,074	5,676	11,019	87,606	83,114
4,911	4,911	17,698	25,968	418,599	439,700
<u>\$ 159,928</u>	<u>\$ 55,506</u>	<u>\$ 222,093</u>	<u>\$ 599,486</u>	<u>\$ 6,251,328</u>	<u>\$ 6,443,464</u>

The accompanying notes are an integral part of this statement.

Inspiration Field and Affiliates
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended June 30, 2019
(With summarized financial information for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (22,076)	\$ (13,540)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	428,558	439,700
Gain on sale of land, building and equipment	(114,834)	(42,275)
Contributions restricted for capital acquisition and construction	(25,915)	(33,650)
In-kind contribution of property	(12,929)	-
Change in assets and liabilities		
Decrease (increase) in accounts receivable	(77,348)	32,813
Decrease in contributions receivable	940	2,847
(Increase) decrease in prepaid expenses and other	5,198	(3,876)
Increase (decrease) in accounts payable and accrued liabilities	(29,521)	2,158
Decrease in deferred revenue	-	(19,956)
Net cash provided by operating activities	<u>152,073</u>	<u>364,221</u>
Cash flows from investing activities		
Purchase of land, building and equipment	(415,895)	(296,666)
Proceeds from sale of land, building and equipment	120,400	42,256
Decrease (increase) in restricted reserve funds	<u>(4,248)</u>	<u>1,410</u>
Net cash used in investing activities	<u>(299,743)</u>	<u>(253,000)</u>
Cash flows from financing activities		
Contributions restricted for capital acquisition and construction	25,915	33,650
Payments on loans payable	<u>(149,065)</u>	<u>(145,626)</u>
Net cash used in financing activities	<u>(123,150)</u>	<u>(111,976)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(270,820)</u>	<u>(755)</u>
Cash and cash equivalents, beginning of year	<u>1,216,674</u>	<u>1,217,429</u>
Cash and cash equivalents, end of year	<u>\$ 945,854</u>	<u>\$ 1,216,674</u>
Supplemental data		
Cash paid for interest	\$ 77,876	\$ 83,113
Noncash investing activities		
In-kind contribution of property	\$ 12,929	\$ -

The accompanying notes are an integral part of this statement.

Inspiration Field and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

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, 2019

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, 2019

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 November 7, 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. *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, 2019

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, 2019, the Center had \$350 of contributions receivable which will be received within one year.

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes are reported as increase in net assets with donor restrictions. Unconditional 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 to restricted support at the time of receipt and as net assets released from restrictions.

10. *Loan Issuance Costs*

Loan issuance costs are netted with loans payable and amortized to interest 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, 2019

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, 2019. 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.

14. *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 full-time equivalents, square-footage and ratio of services per program.

Inspiration Field and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

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

15. *Prior Year Summarized Information and Reclassifications*

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, 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.

16. *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 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

Inspiration Field and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

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

16. *Recent Accounting Pronouncements (Continued)*

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 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

Inspiration Field and Affiliates
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2019

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

16. *Recent Accounting Pronouncements (Continued)*

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	\$	945,854
Accounts receivable		<u>616,269</u>
		<u>\$ 1,562,123</u>

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 – 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	\$ 3,502	\$ 15,384
Interest earned	-	22
Deposits	3,540	4,762
Distributions	<u>(4,076)</u>	<u>-</u>
Ending balance	<u>\$ 2,966</u>	<u>\$ 20,168</u>

Inspiration Field and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

NOTE D – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following at June 30, 2019:

Land improvements	\$ 241,278
Buildings and improvements	8,228,837
Administrative and program equipment	613,280
Transportation equipment	<u>1,366,621</u>
	10,450,016
Less accumulated depreciation and amortization	<u>4,264,160</u>
	6,185,856
Land	<u>330,017</u>
	<u>\$ 6,515,873</u>

Depreciation expense for the year ended June 30, 2019 was \$418,599.

NOTE E – 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, 2019 of \$1,831,562. 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, 2019, net of accumulated amortization, are \$28,217.

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, 2019 of \$143,626. 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, 2019 was 5.09%.

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NOTE E – 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, 2019.

Interest expense for the year ended June 30, 2019 was \$77,647. Future maturities of the loans payable at June 30, 2019, are as follows:

Year ending June 30,	
2020	\$ 124,991
2021	127,373
2022	132,234
2023	1,471,733
2024	7,020
Thereafter	<u>111,837</u>
	1,975,188
Less current portion	124,991
Less unamortized debt issuance costs	<u>28,217</u>
	\$ <u>1,821,980</u>

NOTE F – LEASES

The Center conducts a portion of its operations from leased facilities under operating lease agreements, which are on a month-to-month basis. Rental expense for the year ended June 30, 2019 was \$8,749.

NOTE G – NET ASSETS

Net investment in land, building and equipment is comprised of net land, building and equipment, less loans payable. As of June 30, 2019, net assets with donor restrictions consist of \$68,786 to be used for the administration building, \$2,495 to be used for the vehicle maintenance facility and \$3,408 to be used for the expansion of the Global Treasurz.

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, 2019, retirement plan expense was \$65,815.

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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 – 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 salaries, which are allocated based on full time equivalent employees and number of transactions per program. Depreciation, utilities, interest and cleaning expenses are allocated based on square-footage used. Audit fees and association dues are allocated based on the number of full time equivalent employees. Day program expenses are allocated between Medicaid comprehensive, Medicaid supported living services and State supported living services based on the ratio of services provided to individuals.

NOTE K – 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 \$585,778. The Center has a payable at June 30, 2019, to the State of Colorado in the amount of \$24,809 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.