

NORTH METRO COMMUNITY SERVICES, INC.

Financial Statements As Of June 30, 2019 And 2018

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors

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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended June 30, 2019, 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:

American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants

10303 E. Dry Creek Road, Suite 400 • Englewood, CO 80112 • 303 771 0123 • 303 771 0078 fax

www.jdscpagroup.com

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, 2019 and 2018, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 2, the Center adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of ASU have been applied retrospectively to all periods presented, except for the statement of functional expenses which has been applied prospectively as allowed under the ASU. Our opinion is not modified with respect to this matter.

JDS Professional Group

October 24, 2019

NORTH METRO COMMUNITY SERVICES, INC.Statements Of Financial Position
As Of June 30, 2019 and 2018

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ASSETS	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 5,365,815	\$ 5,988,217
Accounts receivable -		
Fees and grants from governmental agencies, net of allowance	3,086,430	3,253,190
Vocational contracts	169,145	167,859
Other	397,994	347,944
Investments	4,054,016	3,026,819
Prepaid expenses and other	491,017	400,306
Total Current Assets	<u>13,564,417</u>	<u>13,184,335</u>
Property and equipment, net of accumulated depreciation	<u>3,293,156</u>	<u>3,316,634</u>
TOTAL ASSETS	<u><u>\$ 16,857,573</u></u>	<u><u>\$ 16,500,969</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 484,213	\$ 685,489
Accrued expenses	1,688,244	1,552,835
Total Current Liabilities	<u>2,172,457</u>	<u>2,238,324</u>
Net Assets:		
Net assets without donor restrictions -		
Net investment in property and equipment	3,293,156	3,316,634
Undesignated	11,391,960	10,946,011
Total Net Assets Without Donor Restrictions	<u>14,685,116</u>	<u>14,262,645</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 16,857,573</u></u>	<u><u>\$ 16,500,969</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, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
Support and Revenue:		
Fees and grants from governmental agencies -		
Fees for services -		
State of Colorado	\$ 4,743,407	\$ 4,027,243
Medicaid	21,185,395	21,763,909
Counties and cities	1,518,797	1,458,210
Grants and other -		
Part C		300,488
Total Fees and Grants from Governmental Agencies	<u>27,447,599</u>	<u>27,549,850</u>
Contributions	15,257	16,219
Residential room and board	1,258,675	1,222,291
Vocational revenue	2,128,438	2,071,705
Other revenue	677,219	639,978
Total Support and Revenue	<u>31,527,188</u>	<u>31,500,043</u>
Expenses:		
Program Services -		
Residential	11,752,426	12,329,632
Day program	6,229,941	6,257,675
Supported living services	1,745,616	2,005,062
Children's extensive support	817,085	738,601
Early intervention	3,721,430	2,234,690
Family support	488,811	488,963
Case management	2,380,292	3,289,233
Vocational program	1,991,532	2,029,494
Total Program services	<u>29,127,133</u>	<u>29,373,350</u>
Supporting Services -		
Management and general	1,977,584	1,925,286
Total Expenses	<u>31,104,717</u>	<u>31,298,636</u>
CHANGE IN NET ASSETS FROM OPERATIONS	422,471	201,407
Net Assets, Beginning Of Year	<u>14,262,645</u>	<u>14,061,238</u>
NET ASSETS, END OF YEAR	<u>\$ 14,685,116</u>	<u>\$ 14,262,645</u>

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

NORTH METRO COMMUNITY SERVICES

**Statement Of Functional Expenses
For The Year Ended June 30, 2019**

	Residential	Day Program	Supported Living Services	Children's Extensive Support	Early Intervention	Family Support	Case Management	Vocational Program	Total Program Services	Management and General	2019 Total
Salaries, payroll taxes, employee benefits	\$ 3,463,878	\$4,397,174	\$ 1,132,039	\$ 471,422	\$ 1,238,121	\$	\$ 2,141,197	\$ 1,627,484	\$ 14,471,315	\$ 1,371,609	\$ 15,842,924
Professional services	173,786	231,468	561,764	8,518	2,349,214	452,556	19,219	32,257	3,828,782	66,213	3,894,995
Contracted services	7,217,280	229,906							7,447,186		7,447,186
Depreciation	69,698	274,690	3,687	89			50,036	29,328	427,528	20,790	448,318
Office	319,493	516,664	10,988	2,737	43,217		106,737	197,288	1,197,124	251,990	1,449,114
Rent	238,253	145,300	26,446	8,051	50,901				468,951	14,822	483,773
Commissions										50,000	50,000
Services	86,460	6,981		323,229		36,255	70		452,995	229	453,224
Staff Travel, Conferences, Meetings	75,291	35,375	5,768	1,623	25,812		34,592	9,221	187,682	85,407	273,089
Transportation	7,295	180,411	139					19,987	207,832		207,832
Utilities	50,897	61,387	4,485	1,416	8,497		15,016		141,698	14,546	156,244
Other	50,095	150,585	300		5,668		13,425	75,967	296,040	101,978	398,018
Total	\$11,752,426	\$6,229,941	\$ 1,745,616	\$ 817,085	\$ 3,721,430	\$ 488,811	\$ 2,380,292	\$ 1,991,532	\$ 29,127,133	\$ 1,977,584	\$ 31,104,717

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

NORTH METRO COMMUNITY SERVICES, INC.Statements Of Cash Flows
For The Years Ended June 30, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets from operations	\$ 422,471	\$ 201,407
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	448,318	391,397
Loss (gain) on sale of assets	(320,229)	7,700
Allowance for doubtful accounts	75,000	60,000
Change in assets and liabilities -		
(Increase) decrease in accounts receivable	40,424	(232,948)
(Increase) in prepaid expenses and other	(90,711)	(37,641)
(Decrease) in accounts payable and accrued expenses	(65,867)	(101,934)
Net cash provided by operating activities	<u>509,406</u>	<u>287,981</u>
Cash flow from investing activities:		
Purchases of property and equipment	(488,101)	(405,049)
Proceeds from sale of assets	383,490	8,300
Purchases of investments	(1,027,197)	(3,026,819)
Net cash (used in) investing activities	<u>(1,131,808)</u>	<u>(3,423,568)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(622,402)	(3,135,587)
Cash and Cash Equivalents, Beginning Of Year	<u>5,988,217</u>	<u>9,123,804</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,365,815</u>	<u>5,988,217</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, 2019 and 2018

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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

Residential Services (Medicaid) included are a number of different types of residential settings, which provide in residential living alternatives designed to meet individual needs. These services may take place in a community setting or within a person’s home.

Day Services (State and Medicaid) 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, community integration, volunteer, and senior activities. Finally, transportation activities refer to “Home to Day Program transportation” services relevant to the person’s scheduled services as specified in the SP. For these purposes, “scheduled services” is defined broadly to include activities such as habilitation, 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.

(2) Summary Of Signification Accounting Policies

Method of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America, whereby revenue is recorded when services are performed and expenses are recognized when incurred.

Basis Of Presentation

Financial statement presentation follows the recommendations of *Financial Statements for Not-for-Profit Organizations*. Under this standard, the Center is required to report information regarding financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds must be maintained in perpetuity. The Center does not have any restricted funds.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non operating activities. Operating activities consist of those items attributable to the Center's ongoing program services and investment income. Nonoperating activities are limited to resources that generate other activities considered to be of a more unusual or nonrecurring nature.

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.

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.

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, 2019 and 2018, the allowance for doubtful accounts amounted to \$75,000 and \$60,000, respectively.

Inventory

Inventory is reflected at cost and consisted of supplies for contract janitorial services.

Fair Value Measurements

The Organization follows Fair Value Measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Certificates of deposit: The fair value of the certificates of deposit is based on amortized cost or original cost plus accrued interest.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

The carrying amount reported in the statement of financial position for cash, receivables, accounts payable, and accrued expense approximate fair value because of the immediate or short-term maturities of these financial instruments.

Considerable judgment is required in interpreting available market interest rates to develop the fair value of notes payable and bonds payable. The terms and conditions of the Organization’s loans vary depending on when the loans were issued and for what purpose, and they also vary from market trends. Accordingly, it is not reasonable to determine the amount that the Organization might realize in a current market exchange, and would not be practical to estimate the fair value.

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 received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. Support is recorded as an increase in net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Center. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such expenses include salaries, payroll taxes and employee benefits. These expenses are allocated on the basis of estimates of time and effort. Depreciation, office, rent, services, staff travel, conferences, meetings, transportation, utilities, and other expenses are allocated on the basis of square footage.

Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, The Center adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented, except for the statement of functional expenses which has been applied prospectively as allowed under the ASU. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

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, 2019 and 2018. 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, 2016.

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 24, 2019, 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.

(3) Investments And Concentrations Of Credit Risk

As of June 30, 2019 and 2018, investments consisted of certificate of deposits which are considered to be Level 1 investments and amounted to \$4,054,016 and \$3,026,819, respectively.

The Center maintains its cash balances in a financial institution located in Denver, Colorado. The Center has determined they qualify as an official custodian of public funds under the Public Deposit Protection Act (PDPA) and accordingly, the Center's funds are fully covered by the PDPA.

(4) Liquidity And Availability Of Financial Assets

The following represents the Center's financial assets as of June 30, 2019:

Financial assets, at year end	
Cash and cash equivalents	\$ 5,365,815
Receivables -	
Fees and grants from governmental agencies, net of allowance	3,086,430
Vocational contracts	169,145
Other	397,994
Investments	<u>4,054,016</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,073,400</u>

The Center has a goal to maintain financial assets, which consists of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average approximately \$7,558,000. As 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. In addition, as part of its liquidity management, the Center invests cash in excess of daily requirements in various short-term investments, including money market accounts and certificate of deposits.

(5) **Property And Equipment**

Property and equipment consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 6,579,523	\$ 6,711,215
Administrative equipment	362,016	330,040
Transportation equipment	3,073,313	2,986,166
Program equipment	242,280	231,412
	<u>10,257,132</u>	<u>10,258,833</u>
Less accumulated depreciation	<u>(8,103,538)</u>	<u>(8,117,978)</u>
	2,153,594	2,140,855
Land	1,139,562	1,175,779
	<u>\$ 3,293,156</u>	<u>\$ 3,316,634</u>

Depreciation expense was \$448,318 and \$391,397 for the years ended June 30, 2019 and 2018, respectively.

(6) **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 \$491,437 and \$450,646 for the years ended June 30, 2019 and 2018, 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, 2019, are as follows:

<u>Year Ended June 30,</u>	
2020	\$ 230,891
2021	229,370
2022	192,656
2023	158,980
2024	67,101
	<u>\$ 878,998</u>

(7) **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. Participants contribute a certain percentage of their salary to the Plan and the Center can make discretionary contributions to the Plan, which was 4.5% and 4% for the years ended June 30, 2019 and 2018, respectively. The contribution expense was \$348,867 and \$315,726 for the years ended June 30, 2019 and 2018, respectively.

Deferred Compensation Plan

The Center has a deferred compensation plan for a select group of management and highly compensated employees. 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 \$259,980 and \$226,122 as of June 30, 2019 and 2018, respectively. The Center has accrued a liability of \$26,709 and \$26,848 as of June 30, 2019 and 2018, respectively, for the Center's deferred compensation contribution for the years ended June 30, 2019 and 2018. There were withdrawals of \$0 made during the years ended June 30, 2019 and 2018.

(8) **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 was \$3,086,430 and \$3,253,190 as of June 30, 2019 and 2018, 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.

(9) **New Accounting Pronouncements**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires 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 ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers* (Topic 606), which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for the Center's year ended June 30, 2020. Early application is permitted for the Center. The Center is evaluating the effect that No. 2015-14 will have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies how entities will determine whether to account for a transfer of assets as an exchange transaction or a contribution. The distinction is important because contributions are accounted for under Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities - Revenue Recognition*, while exchange transactions are accounted for under other guidance such as ASC 606, *Revenue from Contracts with Customers*. The guidance also clarifies how entities will determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is conditional or unconditional. The new standard is effective for the Center's financial statements for June 30, 2020. Early adoption is permitted. The Center is evaluating the effect that ASU No. 2018-08 will have on its financial statements and related disclosures.

In March of 2018, FASB issued ASU No. 2018-20, *Leases*, which requires the Center to recognize all leased assets as assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosure as to the nature and extent of leasing activities. The requirements of this statement are effective for the Center's financial statements for the year ended June 30, 2021. The Center has not evaluated the impact due to the timing of implementation of this standard.