



Consolidated Financial Statements
June 30, 2020 and 2019

**Mesa Developmental Services
dba Strive Colorado**

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Independent Auditor's Report

The Board of Directors
Mesa Developmental Services, dba Strive Colorado
Grand Junction, Colorado

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Mesa Developmental Services, dba Strive Colorado, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 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 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 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 Mesa Developmental Services, dba Strive Colorado, as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules on pages 22 to 25 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information on pages 25 to 28 has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

A handwritten signature in cursive script that reads "Erik Bailey LLP".

Grand Junction, Colorado
September 29, 2020

Mesa Developmental Services
dba Strive Colorado
Consolidated Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,106,509	\$ 2,395,349
Accounts receivable		
Fees and grants from governmental agencies, net	1,221,283	1,135,513
Other	142,265	127,776
Promises to give, net	143,664	238,164
Inventory	27,819	10,871
Prepaid expenses and other assets	56,956	38,374
Total current assets	<u>6,698,496</u>	<u>3,946,047</u>
Noncurrent Assets		
Restricted cash	21,580	18,634
Property and equipment, net	<u>11,124,206</u>	<u>11,431,308</u>
	<u>\$ 17,844,282</u>	<u>\$ 15,395,989</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 892,571	\$ 871,277
Deferred revenue	24,208	6,459
Capital lease, current portion	29,659	-
Paycheck Protection Program, current portion	788,725	-
Bonds payable, current portion	509,457	465,070
Total current liabilities	<u>2,244,620</u>	<u>1,342,806</u>
Long-Term Liabilities		
Capital lease, net of current portion	39,443	-
Paycheck Protection Program, net of current portion	985,906	-
Bonds payable, net of current portion	<u>4,382,060</u>	<u>4,891,166</u>
Total long-term liabilities	<u>5,407,409</u>	<u>4,891,166</u>
Total liabilities	<u>7,652,029</u>	<u>6,233,972</u>
Net Assets		
Without donor restrictions		
Undesignated	3,965,077	2,922,500
Invested in property and equipment, net of related debt	<u>6,163,587</u>	<u>6,075,072</u>
	<u>10,128,664</u>	<u>8,997,572</u>
With donor restrictions	<u>63,589</u>	<u>164,445</u>
Total net assets	<u>10,192,253</u>	<u>9,162,017</u>
	<u>\$ 17,844,282</u>	<u>\$ 15,395,989</u>

Mesa Developmental Services
dba Strive Colorado
Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains			
Fees for services from governmental agencies			
Medicaid	\$ 14,586,190	\$ -	\$ 14,586,190
State of Colorado	987,319	-	987,319
Part C	469,512	-	469,512
Other	240,826	-	240,826
Grants from governmental agencies			
Mesa County	535,796	-	535,796
State of Colorado	17,500	-	17,500
Total from governmental agencies	16,837,143	-	16,837,143
Residential room and board	943,029	-	943,029
Public support - contributions	362,949	73,726	436,675
Retail and service contract	210,911	-	210,911
Private pay and private health insurance	59,205	-	59,205
Other revenue	159,025	-	159,025
Net assets released from restrictions	174,582	(174,582)	-
Total revenue, support and gains	18,746,844	(100,856)	18,645,988
Expenses			
Program services	15,975,378	-	15,975,378
Supporting services			
Management and general	1,555,536	-	1,555,536
Public relations and fundraising	84,838	-	84,838
Total expenses	17,615,751	-	17,615,751
Change in Net Assets	1,131,093	(100,856)	1,030,237
Net Assets, Beginning of Year	8,997,571	164,445	9,162,016
Net Assets, End of Year	\$ 10,128,664	\$ 63,589	\$ 10,192,253

Mesa Developmental Services
dba Strive Colorado
Consolidated Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains			
Fees for services from governmental agencies			
Medicaid	\$ 14,127,212	\$ -	\$ 14,127,212
State of Colorado	914,746	-	914,746
Other	345,386	-	345,386
Grants from governmental agencies			
Mesa County	535,913	-	535,913
State of Colorado	51,832	-	51,832
Total from governmental agencies	15,975,089	-	15,975,089
Residential room and board	989,326	-	989,326
Public support - contributions	265,631	998,684	1,264,315
Retail and service contract	125,550	-	125,550
Private pay and private health insurance	77,354	-	77,354
Other revenue	165,972	-	165,972
Gain on sale of property	355,623	-	355,623
Net assets released from restrictions	1,237,456	(1,237,456)	-
Total revenue, support and gains	19,192,001	(238,772)	18,953,229
Expenses			
Program services	15,848,418	-	15,848,418
Supporting services			
Management and general	1,628,148	-	1,628,148
Public relations and fundraising	115,494	-	115,494
Total expenses	17,592,060	-	17,592,060
Change in Net Assets	1,599,941	(238,772)	1,361,169
Net Assets, Beginning of Year	7,397,630	403,217	7,800,847
Net Assets, End of Year	\$ 8,997,571	\$ 164,445	\$ 9,162,016

Mesa Developmental Services
dba Strive Colorado
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services						Public	
	Child and Family Services	Employment Related Services	Residential and Supported Living Services	Case Management	Total Program Services	Management and General	Relations and Fundraising	Total
Personnel costs								
Salaries and wages	\$ 184,519	\$ 2,064,481	\$ 3,335,169	\$ 1,309,982	\$ 6,894,151	\$ 706,277	\$ 42,479	\$ 7,642,907
Payroll taxes	18,539	211,199	327,179	128,151	685,068	90,087	4,281	779,436
Employee benefits	10,794	135,471	241,164	185,879	573,308	68,457	1,481	643,246
Total personnel costs	<u>213,852</u>	<u>2,411,151</u>	<u>3,903,512</u>	<u>1,624,012</u>	<u>8,152,527</u>	<u>864,821</u>	<u>48,241</u>	<u>9,065,589</u>
Expenses								
Host homes	-	-	4,049,712	-	4,049,712	-	-	4,049,712
Professional services	395,364	41,929	101,382	6,874	545,550	563,867	9,688	1,119,104
Medical professional services	661,748	-	161,368	-	823,117	-	-	823,117
Occupancy/Overhead allocation	75,835	236,711	546,991	311,793	1,171,331	(666,546)	7,713	512,498
Depreciation	-	64,985	144,280	-	209,265	285,320	-	494,585
Supplies	5,085	159,080	100,486	9,406	274,057	76,998	909	351,965
Other	13,318	16,870	146,435	2,727	179,351	105,662	16,541	301,554
Interest	-	2,931	52	-	2,982	203,551	-	206,534
Food	-	-	142,162	-	142,162	-	-	142,162
Vehicles	-	-	140,896	-	140,896	25	-	140,920
Insurance	-	10,924	10,881	-	21,805	89,247	-	111,052
Purchased services	-	-	80,920	-	80,920	-	-	80,920
Assistive tech and modifications	53,755	-	16,829	-	70,585	-	-	70,585
Telephone	2,595	7,285	18,239	9,111	37,230	18,615	297	56,141
Travel	1,507	5,093	19,031	17,445	43,077	6,591	660	50,328
Training and development	696	700	27,358	2,059	30,813	7,385	789	38,986
	<u>1,209,904</u>	<u>546,508</u>	<u>5,707,024</u>	<u>359,414</u>	<u>7,822,851</u>	<u>690,715</u>	<u>36,597</u>	<u>8,550,162</u>
Total expenses	<u>\$ 1,423,756</u>	<u>\$ 2,957,659</u>	<u>\$ 9,610,536</u>	<u>\$ 1,983,426</u>	<u>\$ 15,975,378</u>	<u>\$ 1,555,536</u>	<u>\$ 84,838</u>	<u>\$ 17,615,751</u>

Mesa Developmental Services
dba Strive Colorado
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services						Public	
	Child and Family Services	Employment Related Services	Residential and Supported Living Services	Case Management	Total Program Services	Management and General	Relations and Fundraising	Total
Personnel costs								
Salaries and wages	\$ 257,161	\$ 1,858,862	\$ 3,958,440	\$ 1,325,473	\$ 7,399,936	\$ 691,912	\$ 63,831	\$ 8,155,679
Payroll taxes	24,447	167,990	357,430	116,194	666,061	84,075	5,353	755,489
Employee benefits	16,818	127,923	314,158	225,576	684,475	74,318	423	759,216
Total personnel costs	<u>298,426</u>	<u>2,154,775</u>	<u>4,630,028</u>	<u>1,667,243</u>	<u>8,750,472</u>	<u>850,305</u>	<u>69,607</u>	<u>9,670,384</u>
Expenses								
Host homes	-	-	3,483,840	-	3,483,840	-	-	3,483,840
Professional services	307,490	53,836	101,143	15,958	478,427	641,043	455	1,119,925
Medical professional services	435,435	-	172,600	-	608,035	-	-	608,035
Occupancy/Overhead allocation	122,734	206,033	577,135	244,301	1,150,203	(498,992)	4,778	655,989
Depreciation	388	55,873	151,130	-	207,391	170,511	-	377,902
Supplies	9,013	128,662	171,362	13,209	322,246	111,922	2,011	436,179
Other	11,511	16,956	174,798	1,452	204,717	128,736	36,889	370,342
Interest	-	-	-	-	-	96,047	-	96,047
Food	-	-	174,854	-	174,854	-	-	174,854
Vehicles	-	-	150,843	-	150,843	-	-	150,843
Insurance	1,223	9,908	10,998	-	22,129	83,003	-	105,132
Purchased services	-	-	84,516	-	84,516	-	-	84,516
Assistive tech and modifications	44,022	-	166	-	44,188	-	-	44,188
Telephone	2,120	8,760	24,008	8,015	42,903	19,332	448	62,683
Travel	2,765	4,044	34,061	19,932	60,802	5,744	1,156	67,702
Training and development	404	-	23,484	38,964	62,852	20,497	150	83,499
	<u>937,105</u>	<u>484,072</u>	<u>5,334,938</u>	<u>341,831</u>	<u>7,097,946</u>	<u>777,843</u>	<u>45,887</u>	<u>7,921,676</u>
Total expenses	<u>\$ 1,235,531</u>	<u>\$ 2,638,847</u>	<u>\$ 9,964,966</u>	<u>\$ 2,009,074</u>	<u>\$ 15,848,418</u>	<u>\$ 1,628,148</u>	<u>\$ 115,494</u>	<u>\$ 17,592,060</u>

Mesa Developmental Services
dba Strive Colorado
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Cash received from services	\$ 17,552,498	\$ 16,753,439
Cash received from contributions and grants	1,084,471	1,002,833
Proceeds from Paycheck Protection Program	1,774,631	-
Cash paid for salaries, benefits and taxes	(9,065,589)	(9,670,384)
Cash paid to vendors	(8,101,381)	(7,278,380)
Cash paid for interest	(111,052)	(96,047)
Net Cash (used for) Operating Activities	<u>3,133,578</u>	<u>711,461</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(188,490)	(1,954,542)
Proceeds from sale of property and equipment	500	278,611
Cash paid at closing	-	(450,671)
Net Cash from (used for) Investing Activities	<u>(187,990)</u>	<u>(2,126,602)</u>
Cash Flows from Financing Activities		
Collection of contributions restricted for acquisition of property	-	759,184
Principal payments on debt	(486,338)	(101,502)
Payment of debt issuance costs	-	(88,881)
Net Cash from (used for) Financing Activities	<u>(486,338)</u>	<u>568,801</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	2,459,250	(846,340)
Cash, Cash Equivalents and Restricted Cash, Beginning of year	<u>2,413,983</u>	<u>3,260,323</u>
Cash, Cash Equivalents and Restricted Cash, End of year	<u>\$ 4,873,233</u>	<u>\$ 2,413,983</u>
Supplemental Disclosure of Non-cash Activities:		
Building acquired with bond financing	\$ -	\$ 5,488,000
Debt repaid with sale of building	\$ -	\$ 1,244,766
Equipment financed through capital lease	\$ 90,721	\$ -

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Mesa Developmental Services, dba Strive Colorado (Strive) is a nonprofit corporation whose purpose is to operate as a community center board to coordinate programs through interagency cooperation and local agencies to provide services to individuals with developmental disabilities in Mesa County.

DD Housing, Inc. (DDH) is a nonprofit corporation whose purpose is to hold assets purchased and constructed pursuant to grants received from the U.S. Department of Housing and Urban Development (HUD). Under HUD regulations, these assets are required to be held in a separate corporation for a period of not less than forty years.

Principles of Consolidation

The consolidated financial statements include the accounts of Strive and DDH because Strive has both control and an economic interest in DDH. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "Strive."

Program Services

Child and Family Services are designed around the child and family needs, concerns and priorities related to the development of the child. Early intervention serves children ages 0-3 years old and offers services such as occupational therapy, speech therapy, developmental intervention, and physical therapy. Family support services is a program aimed at offering support to households with children with developmental disabilities. Services include respite care, adaptive equipment, medical services, and home modifications.

Employment Related Services include a number of supported community small group opportunities. Pre-vocational skills focus on four main skills including community business, community employment, community integration and life skills. Specialized habilitation services and supports are offered in five distinct settings which enable an individual to attain the maximum functioning level or to be supported in such a manner that allows an individual to gain an increased level of self-sufficiency.

Residential and Supported Living Services offers community-based living arrangements that are catered to the needs of each individual. Options include five supervised group homes, host homes and individual apartments. Minimal support staff is also available for clients living independently in homes or apartments. Supported Living Services is for clients 18 years and older and living in their own homes or with their families and support is tailored to promote independence, integration and productivity.

Case Management includes services for each client, assisted by a case manager in a client / family directed system of coordination and accountability regarding individual needs and preferences. Case managers are responsible for coordinating the development and implementation of individual plans, coordinating needed services, monitoring and reviewing a client's progress toward individual program goals and providing continuous support and guidance to client and family.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less are considered to be cash and cash equivalents. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position as amounts within the consolidated statements of cash flows:

	2020	2019
Cash and cash equivalents	\$ 5,106,509	\$ 2,395,349
Restricted cash and cash equivalents	21,580	18,634
	<u>\$ 5,128,089</u>	<u>\$ 2,413,983</u>

Restricted Cash

Amounts included in restricted cash represent funds required to be set aside for the DD housing HUD operations.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due from the State of Colorado and Mesa County. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2020 and 2019, the allowance was \$17,600 and \$22,200, respectively.

Inventory

Inventory is comprised of program-related merchandise held for sale in the thrift or gift shop and inventory held at Alida's Fruit store. Inventory is stated at the lower of cost or net realizable value determined by the first-in first-out method. Management has determined no allowance for inventory obsolescence to be necessary at June 30, 2020.

Property and Equipment

Property and equipment additions over \$1,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets or lease term in the case of capital leases ranging from three to thirty years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2020 and 2019.

Promises to Give

Strive records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of operations and changes in net assets. Strive determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At June 30, 2020 and 2019, the allowance was \$0 and \$21,200.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor (or grantor) imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations, these net assets are not subject to donor (or certain grantor) imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Strive reports conditional and unconditional contributions restricted by donors or grantors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Performance obligations are determined based on the nature of the services provided by Strive. Revenue for performance obligations satisfied over time is recognized based on when related services are performed. Program revenue received in advance is deferred to the applicable period in which the related services are performed. These deferred revenues will be recognized in the periods in which the related services are performed. Program revenue and residential room and board consists primarily of funds received from Medicaid, State of Colorado, and other payors. Strive believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Advertising

Advertising costs are expensed as incurred, and totaled \$23,187 and \$46,629 for the years ended June 30, 2020 and 2019, respectively.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to Strive's program services, management and general, and public relations and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Strive records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were donated during the years ended June 30, 2020 and 2019.

Functional Allocation of Expense

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated 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 include depreciation, supplies, and others which are allocated on office or department use, as well as salaries and wages, benefits, payroll taxes, professional services, telephone, travel, training and development, and other, which are allocated on the basis of estimates of time and effort.

Change in Accounting Policy

As of July 1, 2019, Strive adopted the provisions of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The standard and subsequent amendments are theoretically intended to develop a common revenue standard for removing inconsistencies and weaknesses, improve comparability, provide for more useful information to users through improved disclosure requirements and simplify the preparation of financial statements. The standard is also referred to as Accounting Standards Codification No. 606 ("ASC 606"). Strive adopted ASC 606 effective July 1, 2019. The required disclosure of ASC 606 have been implemented with these financial statements. There was no material impact on the consolidated statements of financial position and consolidated statements of activities.

FASB has issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This standard assists Strive in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. As of July 1, 2019, Strive has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Income Taxes

Mesa Developmental Services and DD Housing, Inc. are organized as Colorado nonprofit corporations and have been recognized by the Internal Revenue Services (IRS) as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction and have been determined not to be private foundations. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. Management has determined that neither entity is subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that it has appropriate support for any tax positions taken affecting the annual filing requirements, and as such, does not have uncertain tax positions that are material to the consolidated financial statements. The entities would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such penalties and interest are incurred.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

Strive manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, Strive has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and individuals supportive of Strive's mission.

COVID-19 Pandemic

During 2020, the world-wide coronavirus pandemic impacted national and global economies. Strive is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these consolidated financial statements, the current and future full impact to Strive is not known.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date of June 30, 2020, comprise the following:

Cash and cash equivalents	\$ 5,106,509
Accounts receivable, net	1,363,548
Promises to give, due within one year	<u>82,098</u>
	<u>\$ 6,552,155</u>

Strive operates on a balanced budget and regularly monitors liquidity to meet the operating needs and other contractual commitments while also striving to maximize the investment of available funds.

Note 3 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 82,098	\$ 160,743
In one to five years	<u>66,666</u>	<u>110,021</u>
	148,764	270,764
Less discount to net present value at rates ranging from 1% to 5.5%	(5,100)	(11,400)
Less allowance for uncollectable promises to give	<u>-</u>	<u>(21,200)</u>
	<u>\$ 143,664</u>	<u>\$ 238,164</u>

Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2020 and 2019:

	2020	2019
Land	\$ 1,408,328	\$ 1,408,326
Building and improvements	12,004,150	11,910,786
Furniture and equipment	983,513	912,184
Vehicles	1,166,959	1,156,725
	<u>15,562,950</u>	<u>15,388,021</u>
Less accumulated depreciation	<u>(4,438,744)</u>	<u>(3,956,713)</u>
Total	<u><u>\$ 11,124,206</u></u>	<u><u>\$ 11,431,308</u></u>

Note 5 - Bonds Payable

In March 2019, the Colorado Housing and Finance Authority (the Authority) issued certain tax-exempt obligations to a lending institution, the proceeds of which were used to make loans to Strive for certain purposes and conditions. The Authority authorized the issuance of a \$3,600,000 promissory note (Series 2019A Authority Note) and a \$1,888,000 promissory note (Series 2019B Authority Note). The purpose of the proceeds was to finance a portion of the costs of the acquisition, construction, improvement and equipping of Strive's new administrative office and medical facility.

The Series 2019A Authority Note is a 15-year note maturing in March 2034. Interest on the outstanding principal balance is calculated at 3.75% per annum (effective rate is 4.87% per annum over the life of the bonds). Principal and interest is due monthly in payments of \$26,281 each. The outstanding principal balance was \$3,372,496 and \$3,555,142 as of June 30, 2020 and 2019, respectively.

The Series 2019B Authority Note is a 5-year note maturing in March 2024. Interest on the outstanding principal balance is due monthly and calculated at 3.50% per annum (effective rate is 5.25% per annum over the life of the bonds). Principal is due in five annual payments. The outstanding principal balance was \$1,200,000 and \$1,888,000 as of June 30, 2020 and 2019, respectively.

Security for the Authority Notes includes a deed of trust, assignment of any leases and rents and the contents of certain bank accounts maintained at the lending institution. The lending agreement also requires Strive to comply with certain financial and non-financial covenants. Strive was not in compliance with the debt service coverage ratio and took on additional indebtedness as of June 30, 2020 and has obtained a waiver from the Bank for the noncompliance.

Future maturities of the bonds payable are as follows:

Years Ending June 30,	2019A Authority Note	2019B Authority Note	Amortized debt issuance costs	Total
2021	\$ 190,437	\$ 400,000	\$ (5,925)	\$ 584,512
2022	197,805	400,000	(5,925)	591,880
2023	205,458	400,000	(5,925)	599,533
2024	213,130	400,000	(5,925)	607,205
2025	221,653	-	(5,925)	215,728
Thereafter	2,344,013	-	(51,626)	2,292,387
	<u>\$ 3,372,496</u>	<u>\$ 1,600,000</u>	<u>\$ (81,251)</u>	<u>\$ 4,891,245</u>

Note 6 - Paycheck Protection Program (PPP) Loan

Strive was granted a \$1,774,631 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. Strive is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Strive has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. Strive will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

Note 7 - Leases

Strive leases building space and residential facilities on a month-to-month basis. Strive also leases the operating assets of Alida's Fruits, which is considered a capital lease. Alida's Fruits will provide employment opportunities to individuals served.

A non-cancelable operating lease is in place for a retail store originally expiring in 2021, and equipment under capital lease expiring in 2023. Subsequent to year end, this lease was extended through 2026. Future minimum lease payments for the non-cancelable capital and operating leases are as follows:

<u>Years ending June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2021	\$ 29,659	\$ 26,080
2022	31,335	27,900
2023	8,108	29,700
2024	-	31,500
2025	-	33,300
Thereafter	-	5,600
Total minimum lease payments	<u>\$ 69,102</u>	<u>\$ 154,080</u>

Leased property under capital leases at June 30, 2020 includes the following:

Equipment	\$ 79,921
Less accumulated amortization	<u>(11,330)</u>
	<u>\$ 68,591</u>

Total rent expense for all properties under operating leases totaled \$68,342 and \$120,239 for the years ended June 30, 2020 and 2019, respectively.

Note 8 - Retirement Plan

Strive sponsors a tax deferred annuity plan (the Plan) in which all employees are eligible to participate. The Plan includes mandatory contributions in which Strive matches employee contributions up to 3% of the employee's gross salary after meeting eligibility requirements. The retirement plan expense totaled \$80,100 and \$84,931 for the years ended June 30, 2020 and 2019, respectively.

Note 9 - Self-Insured Employee Health Plan

Strive's employee health benefit coverage consists of a self-insured medical plan. As of June 30, 2020 and 2019 Strive has recorded a liability of approximately \$59,000 and \$99,000, respectively, which represents the estimated amount of medical claims incurred but not reported as of year-end. This liability is included in accounts payable and accrued liabilities in the consolidated statement of financial position. Claims are filed directly with a third-party administrator (TPA) for processing. The TPA dispenses funds to and on behalf of participants for covered medical claims. Strive carries specific stop-loss insurance coverage for payment of eligible participant claims in excess of certain limits. The individual stop-loss claim deductible per participant is \$95,000 with a \$22,000 aggregate stop-loss limit as of June 30, 2020.

Note 10 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	2020	2019
Subject to Expenditure for Specified Purpose		
Residential services	\$ 8,625	\$ 8,140
Family support services	9,297	18,835
Parenting Place	-	6,140
Supported employment	3,218	3,714
Autism services	-	48,000
Framing the Future - playground fund	42,449	79,616
	<u>\$ 63,589</u>	<u>\$ 164,445</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows during the years ended June 30, 2020 and 2019:

	2020	2019
Residential services	\$ 1,741	\$ 6,990
Family support services	23,855	20,643
Parenting Place	6,140	5,260
Supported employment	6,679	20,086
Autism services	49,000	102,600
Framing the Future - building fund	87,167	1,081,877
	<u>\$ 174,582</u>	<u>\$ 1,237,456</u>

Note 11 - Commitments and Contingencies

U. S. Department of Housing and Urban Development Capital Advance

Strive received a capital advance of \$694,238 from HUD for two group homes (309 Kava Way and 1444 N. 23rd Street) under agreements dated May 1, 2001. The terms of the agreements specify that the advance including any interest thereon is not required to be repaid so long as the housing remains available for a period of 40 years to eligible very low-income persons with disabilities in accordance with Section 811 of the National Affordable Housing Act. The capital advance is subject to compliance with a Regulatory Agreement and other requirements and conditions identified in the agreements.

In the event of noncompliance under the provisions of the agreements before the maturity date of February 1, 2042, the capital advance would be payable. The advance is secured by a deed of trust on the property, which has a carrying value of \$613,000 and \$567,000 at June 30, 2020 and 2019, respectively. If payable, the advance would bear interest at the rate of 6.0% per annum. Accrued interest through June 30, 2020 and 2019 totaling approximately \$701,000 and \$667,000 respectively, is not recorded as a liability in the financial statements as it is only payable as a penalty in the event of default under the provisions of the agreements.

Colorado Division of Housing Grant

Strive is contingently liable to the State of Colorado, Department of Local Affairs, Division of Housing, for the funding of construction of two group homes (309 Kava Way and 1444 N. 23rd Street) in the amount of \$150,000 under an agreement dated May 1, 2001. The grant contract provides that as long as the facilities are used to provide housing for low and moderate-income persons at affordable rents for a period of not less than 40 years from the date of initial occupancy, Strive will not be required to repay any portion of the grant. This requirement ends in the year 2042. If any default occurs, the grant becomes immediately payable in full, but bears no interest.

Colorado Department of Local Affairs Grant

Strive is contingently liable to the Colorado Department of Local Affairs for funding of an addition to the group home at 385 Evergreen Road in the amount of \$39,000 in Home Investment Partnerships Program (HOME) grant funds. The grant agreement provides that, as long as the facility is used to provide housing for people with very low and low incomes for 20 years from the date of contract execution, Strive will not be required to repay any portion of the grant. The usage restriction will end in 2027. If there is a change in use, Strive, its successors and assignees, grantees or lessees shall be required to repay the State the grant funds attributed to this property, unless the State authorizes the transfer of repaid funds to one or more public housing entities or private nonprofit corporations.

Strive is contingently liable to the Colorado Department of Local Affairs for funding of the construction of three group homes (2746 Olson Avenue, 680 29 ½ Road and 2865 Victoria Drive) in the amount of \$307,171 in HOME grant funds. The grant agreement provides that, as long as the facility is used to provide housing for people with very low and low incomes for 30 years from the date of the contract, which was June 2010, Strive will not be required to repay any portion of the grant. The usage restriction will end in 2040.

Strive is contingently liable to the Colorado Department of Local Affairs for funding of the construction of three group homes (2746 Olson Avenue, 680 29 ½ Road and 2865 Victoria Drive) in the amount of \$292,829 in Housing Development Grant (HDG) funds. The grant agreement provides that, as long as the facility is used to provide housing for people with very low, low and moderate-incomes for 30 years from the date of project closeout which was June 2010, Strive will not be required to repay any portion of the grant. The usage restriction will end in 2040. There is no known way out of the usage covenant even if granted funds are paid back in full. Strive is negotiating to rework covenants with the Department of Local Affairs. In lieu of repayment, the State may authorize Strive, its successors and assignees, heirs, grantees or lessees to retain such funds for other projects or repay the funds to one or more public housing entities or private nonprofit corporations. May 2020, Strive broke out these three contracts separately where each property carries a third of the total. This allowed Strive to negotiate the properties separately.

Clear Energy Group

On October 31, 2011, Strive signed a contract with Clear Energy (a solar energy equipment company) who installed solar energy equipment on approximately 75% of Strive's facilities. Energy generated by Clear Energy equipment is required to be purchased by Strive at varying rates and management expects energy costs to decline as the result of this contract.

The agreement expires 20 years from the date the equipment came online, which will be July 2032. If Strive terminates the agreement prior to the expiration date, Strive will owe an amount which is equal to the greater of the fair market value of the equipment or a termination cost as stated in the agreement, which declines over time and approximates the option price discussed above. As of June 30, 2020 the termination cost per the agreement is \$1,214,565 and the buy cost per agreement is \$1,071,675.

Note 12 - Subsequent Events

As discussed in note 7, subsequent to year end, Strive agreed to lease space beginning on August 31, 2020 through August 31, 2026.

Management has evaluated subsequent events through September 29, 2020, the date the financial statements were available to be issued.



Supplementary Information
June 30, 2020 and 2019

Mesa Developmental Services dba Strive Colorado

Mesa Developmental Services
dba Strive Colorado
Consolidating Schedule of Financial Position
June 30, 2020

	Mesa Developmental Services	DD Housing, Inc.	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 5,100,900	\$ 5,609	\$ -	\$ 5,106,509
Accounts receivable				
Fees and grants from governmental agencies, net	1,221,283	-	-	1,221,283
Other	168,672	-	(26,407)	142,265
Promises to give, net	143,664	-	-	143,664
Inventory	27,819	-	-	27,819
Prepaid expenses and other assets	56,956	-	-	56,956
Total current assets	<u>6,719,294</u>	<u>5,609</u>	<u>(26,407)</u>	<u>6,698,496</u>
Noncurrent Assets				
Restricted cash	-	21,580	-	21,580
Property and equipment, net	<u>10,510,836</u>	<u>613,370</u>	<u>-</u>	<u>11,124,206</u>
	<u>\$ 17,230,130</u>	<u>\$ 640,559</u>	<u>\$ (26,407)</u>	<u>\$ 17,844,282</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 892,571	\$ 26,407	\$ (26,407)	\$ 892,571
Deferred revenue	24,208	-	-	24,208
Capital lease, current portion	29,659	-	-	29,659
Paycheck Protection Program, current portion	788,725	-	-	788,725
Bonds payable, current portion	<u>509,457</u>	<u>-</u>	<u>-</u>	<u>509,457</u>
Total current liabilities	<u>2,244,620</u>	<u>26,407</u>	<u>(26,407)</u>	<u>2,244,620</u>
Long-Term Liabilities				
Capital lease, net of current portion	39,443	-	-	39,443
Paycheck Protection Program, net of current portion	985,906	-	-	985,906
Bonds payable, net of current portion	<u>4,382,060</u>	<u>-</u>	<u>-</u>	<u>4,382,060</u>
Total long-term liabilities	<u>5,407,409</u>	<u>-</u>	<u>-</u>	<u>5,407,409</u>
Total liabilities	<u>7,652,029</u>	<u>26,407</u>	<u>(26,407)</u>	<u>7,652,029</u>
Net Assets				
Without donor restrictions				
Undesignated	3,964,295	782	-	3,965,077
Invested in property and equipment, net of related debt	<u>5,550,217</u>	<u>613,370</u>	<u>-</u>	<u>6,163,587</u>
	<u>9,514,512</u>	<u>614,152</u>	<u>-</u>	<u>10,128,664</u>
With donor restrictions	<u>63,589</u>	<u>-</u>	<u>-</u>	<u>63,589</u>
Total net assets	<u>9,578,101</u>	<u>614,152</u>	<u>-</u>	<u>10,192,253</u>
	<u>\$ 17,230,130</u>	<u>\$ 640,559</u>	<u>\$ (26,407)</u>	<u>\$ 17,844,282</u>

Mesa Developmental Services
dba Strive Colorado
Consolidating Schedule of Financial Position
June 30, 2019

	Mesa Developmental Services	DD Housing, Inc.	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 2,384,487	\$ 10,862	\$ -	\$ 2,395,349
Accounts receivable				
Fees and grants from governmental agencies, net	1,135,513	-	-	1,135,513
Other	163,731	-	(35,955)	127,776
Promises to give, net	238,164	-	-	238,164
Inventory	10,871	-	-	10,871
Prepaid expenses and other assets	38,374	-	-	38,374
Total current assets	3,971,140	10,862	(35,955)	3,946,047
Noncurrent Assets				
Restricted cash	-	18,634	-	18,634
Assets held for sale, net	80,236	-	-	80,236
Property and equipment, net	10,713,521	637,551	-	11,351,072
	<u>\$ 14,764,897</u>	<u>\$ 667,047</u>	<u>\$ (35,955)</u>	<u>\$ 15,395,989</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 871,277	\$ 35,955	\$ (35,955)	\$ 871,277
Deferred revenue	6,459	-	-	-
Note payable, current portion	465,070	-	-	465,070
Total current liabilities	1,342,806	35,955	(35,955)	1,336,347
Long-Term Liabilities				
Note payable, net of current portion	4,891,166	-	-	4,891,166
Total liabilities	6,233,972	35,955	(35,955)	6,233,972
Net Assets				
Without donor restrictions				
Undesignated	2,928,959	(6,459)	-	2,922,500
Invested in property and equipment, net of related debt	5,437,521	637,551	-	6,075,072
	8,366,480	631,092	-	8,997,572
With donor restrictions	164,445	-	-	164,445
Total net assets	8,530,925	631,092	-	9,162,017
	<u>\$ 14,764,897</u>	<u>\$ 667,047</u>	<u>\$ (35,955)</u>	<u>\$ 15,395,989</u>

Mesa Developmental Services
dba Strive Colorado
Consolidating Schedule of Activities
Year Ended June 30, 2020

	Mesa Developmental Services	DD Housing, Inc.	Eliminations	Consolidated
Revenue, Support and Gains				
Fees for services from governmental agencies				
Medicaid	\$ 14,586,190	\$ -	\$ -	\$ 14,586,190
State of Colorado	987,319	-	-	987,319
Part C	469,512	-	-	469,512
Other	240,826	-	-	240,826
Grants from governmental agencies				
Mesa County	535,796	-	-	535,796
State of Colorado	17,500	-	-	17,500
Total from governmental agencies	16,837,143	-	-	16,837,143
Residential room and board	872,390	70,639	-	943,029
Public support - contributions	436,675	-	-	436,675
Retail and service contract	210,911	-	-	210,911
Private pay and private health insurance	59,205	-	-	59,205
Other revenue	159,012	11	-	159,023
Total revenue, support, and gains	18,575,336	70,650	-	18,645,986
Expenses				
Program services	15,887,789	87,589	-	15,975,378
Supporting services				
Management and general	1,555,536	-	-	1,555,536
Public relations and fundraising	84,838	-	-	84,838
Total expenses	17,528,162	87,589	-	17,615,751
Change in Net Assets	1,047,174	(16,939)	-	1,030,235
Net Assets, Beginning of Year	8,530,927	631,091	-	9,162,018
Net Assets, End of Year	\$ 9,578,101	\$ 614,152	\$ -	\$ 10,192,253

Mesa Developmental Services
dba Strive Colorado
Consolidating Schedule of Activities
Year Ended June 30, 2019

	Mesa Developmental Services	DD Housing, Inc.	Eliminations	Consolidated
Revenue, Support and Gains				
Fees for services from governmental agencies				
Medicaid	\$ 14,127,212	\$ -	\$ -	\$ 14,127,212
State of Colorado	914,746	-	-	914,746
Other	345,386			345,386
Grants from governmental agencies				
Mesa County	535,913	-	-	535,913
State of Colorado	51,832	-	-	51,832
Total from governmental agencies	15,975,089	-	-	15,975,089
Residential room and board	917,868	71,459	-	989,327
Public support - contributions	1,264,315	-	-	1,264,315
Retail and service contract	125,550	-	-	125,550
Private pay and private health insurance	77,354	-	-	77,354
Other revenue	165,959	13	-	165,972
Gain on sale of property	355,623	-	-	355,623
Total revenue, support, and gains	18,881,758	71,472	-	18,953,230
Expenses				
Program services	15,757,793	90,625	-	15,848,418
Supporting services				
Management and general	1,628,148	-	-	1,628,148
Public relations and fundraising	115,494	-	-	115,494
Total expenses	17,501,435	90,625	-	17,592,060
Change in Net Assets	1,380,323	(19,153)	-	1,361,170
Net Assets, Beginning of Year	7,150,602	650,245	-	7,800,847
Net Assets, End of Year	\$ 8,530,925	\$ 631,092	\$ -	\$ 9,162,017