

**NORTH METRO COMMUNITY SERVICES, INC.**

Financial Statements As Of June 30, 2020 And 2019

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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

*Members:*

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

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Independent Auditors' Report, Continued

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Metro Community Services, Inc. as of June 30, 2020 and 2019, and the results of its change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*JDS Professional Group*

October 21, 2020

# NORTH METRO COMMUNITY SERVICES, INC.

Statements Of Financial Position  
As Of June 30, 2020 and 2019

Page -4-

<b>ASSETS</b>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 6,025,994	\$ 5,365,815
Accounts receivable -		
Fees and grants from governmental agencies, net of allowance	2,849,188	3,086,430
Vocational contracts	244,308	169,145
Other	407,679	397,994
Investments	4,127,715	4,054,016
Prepaid expenses and other	485,584	491,017
Total Current Assets	<u>14,140,468</u>	<u>13,564,417</u>
Property and equipment, net of accumulated depreciation	<u>2,945,935</u>	<u>3,293,156</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 17,086,403</u></u>	<u><u>\$ 16,857,573</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 631,316	\$ 484,213
Accrued expenses	1,615,656	1,688,244
Total Current Liabilities	<u>2,246,972</u>	<u>2,172,457</u>
Net Assets:		
Net assets without donor restrictions -		
Net investment in property and equipment	2,945,935	3,293,156
Undesignated	11,893,496	11,391,960
Total Net Assets Without Donor Restrictions	<u>14,839,431</u>	<u>14,685,116</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 17,086,403</u></u>	<u><u>\$ 16,857,573</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, 2020 and 2019

Page -5-

	<u>2020</u>	<u>2019</u>
<b>Support and Revenue:</b>		
Fees and grants from governmental agencies -		
Fees for services -		
State of Colorado	\$ 5,300,679	\$ 4,743,407
Medicaid	20,103,137	21,185,395
Counties and cities	1,609,431	1,518,797
Total Fees and Grants from Governmental Agencies	<u>27,013,247</u>	<u>27,447,599</u>
Contributions	18,160	15,257
Residential room and board	1,225,040	1,258,675
Vocational revenue	2,082,777	2,128,438
Other revenue	778,118	677,219
Total Support and Revenue	<u>31,117,342</u>	<u>31,527,188</u>
<b>Expenses:</b>		
Program Services -		
Residential	10,807,802	11,752,426
Day program	6,152,648	6,229,941
Supported living services	1,563,348	1,745,616
Children's extensive support	894,689	817,085
Early intervention	3,960,459	3,721,430
Family support	712,250	488,811
Case management	2,640,950	2,380,292
Vocational program	2,009,584	1,991,532
Total Program services	<u>28,741,730</u>	<u>29,127,133</u>
Supporting Services -		
Management and general	2,221,297	1,977,584
Total Expenses	<u>30,963,027</u>	<u>31,104,717</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	154,315	422,471
Net Assets, Beginning Of Year	<u>14,685,116</u>	<u>14,262,645</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 14,839,431</u></u>	<u><u>\$ 14,685,116</u></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, 2020**

	Residential	Day Program	Supported Living Services	Children's Extensive Support	Early Intervention	Family Support	Case Management	Vocational Program	Total Program Services	Management and General	2020 Total
Salaries, payroll taxes, employee benefits	\$ 4,296,296	\$ 4,591,609	\$ 1,079,841	\$ 469,554	\$ 1,313,000	\$ 8	\$ 2,351,409	\$ 1,620,130	\$ 15,721,847	\$ 1,381,593	\$ 17,103,439
Professional fservices	103,531	167,051	428,764	9,131	2,514,890	679,318	40,607	29,342	3,972,634	50,578	4,023,212
Contracted services	5,582,325	36,823							5,619,148		5,619,148
Depreciation	58,633	293,912	3,343				47,701	32,639	436,227	20,134	456,361
Office	301,564	536,064	13,212	3,913	59,167		150,749	232,067	1,296,736	191,235	1,487,971
Rent	218,458	156,249	27,660	8,262	45,663				456,291	10,429	466,720
Commissions										50,000	50,000
Services	85,120	4,596		401,258		32,924	280		524,178		524,178
Staff Travel, Conferences, Meetings	64,770	24,180	2,956	1,099	17,817		23,816	4,129	138,766	69,348	208,114
Transportation	5,632	158,252	139					16,036	180,059		180,059
Utilities	43,424	60,009	4,235	1,471	7,122		14,216		130,477	16,975	147,452
Other	48,051	123,902	3,200		2,801		12,172	75,241	265,367	431,006	696,373
<b>Total</b>	<b>\$ 10,807,802</b>	<b>\$ 6,152,648</b>	<b>\$ 1,563,348</b>	<b>\$ 894,689</b>	<b>\$ 3,960,459</b>	<b>\$ 712,250</b>	<b>\$ 2,640,950</b>	<b>\$ 2,009,583</b>	<b>\$ 28,741,730</b>	<b>\$ 2,221,297</b>	<b>\$ 30,963,027</b>

The accompanying notes are an integral 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
<b>Total</b>	<b>\$ 11,752,426</b>	<b>\$ 6,229,941</b>	<b>\$ 1,745,616</b>	<b>\$ 817,085</b>	<b>\$ 3,721,430</b>	<b>\$ 488,811</b>	<b>\$ 2,380,292</b>	<b>\$ 1,991,532</b>	<b>\$ 29,127,133</b>	<b>\$ 1,977,584</b>	<b>\$ 31,104,717</b>

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, 2020 and 2019

Page -8-

	2020	2019
Cash flows from operating activities:		
Change in net assets from operations	\$ 154,315	\$ 422,471
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	456,361	448,318
(Gain) on sale of assets	(466,809)	(320,229)
Allowance for doubtful accounts	59,120	75,000
Change in assets and liabilities -		
Decrease in accounts receivable	93,274	40,424
(Increase) decrease in prepaid expenses and other	5,433	(90,711)
Increase (decrease) in accounts payable and accrued expenses	74,515	(65,867)
Net cash provided by operating activities	<u>376,209</u>	<u>509,406</u>
Cash flow from investing activities:		
Purchases of property and equipment	(359,691)	(488,101)
Proceeds from sale of assets	717,360	383,490
Purchases of investments	(73,699)	(1,027,197)
Net cash provided by (used in) investing activities	<u>283,970</u>	<u>(1,131,808)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>660,179</b>	<b>(622,402)</b>
Cash and Cash Equivalents, Beginning Of Year	<u>5,365,815</u>	<u>5,988,217</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 6,025,994</u></b>	<b><u>5,365,815</u></b>

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

(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

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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, 2020 and 2019, the allowance for doubtful accounts amounted to \$59,120 and \$75,000, respectively.

### Inventory

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

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Fair Value Measurements

The Center 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 Center 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 Center 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 Center'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 Center 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

The Center recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. Conditional promises to give with a measurable performance or other barrier and a right of return/right of release are not recognized until the conditions on which they depend have been met. As of June 30, 2019 and 2018, the Center did not have any promises to give.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is

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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

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 Center adopted the provisions of this guidance on July 1, 2019, using the prospective approach. The adoption did not have a material impact on the Center's revenue recognition.

### 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, 2020 and 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 is no longer subject to income tax examinations for the fiscal years prior to June 30, 2017.

### 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 21, 2020, 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, 2020 and 2019, investments consisted of certificate of deposits which are considered to be Level 1 investments and amounted to \$4,127,415 and \$4,054,016, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets, at year end		
Cash and cash equivalents	\$ 6,025,994	\$ 5,365,815
Receivables -		
Fees and grants from governmental agencies, net of allowance	2,849,188	3,086,430
Vocational contracts	244,308	169,145
Other	407,679	397,994
Investments	<u>4,127,715</u>	<u>4,054,016</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,654,884</u>	<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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 6,073,427	\$ 6,579,523
Administrative equipment	376,974	362,016
Transportation equipment	3,280,758	3,073,313
Program equipment	253,436	242,280
	<u>9,984,595</u>	<u>10,257,132</u>
Less accumulated depreciation	<u>(8,106,222)</u>	<u>(8,103,538)</u>
	1,878,373	2,153,594
Land	1,067,562	1,139,562
	<u><u>\$ 2,945,935</u></u>	<u><u>\$ 3,293,156</u></u>

Depreciation expense was \$456,361 and \$448,318 for the years ended June 30, 2020 and 2019, 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 \$473,628 and \$491,437 for the years ended June 30, 2020 and 2019, 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, 2020, are as follows:

<u>Year Ended June 30,</u>	
2021	\$ 229,370
2022	246,857
2023	158,980
2024	67,101
	<u><u>\$ 702,308</u></u>

(7) **Retirement Plans**

**Defined Contribution Plan**

The Center has adopted a defined contribution 401(k) plan for all employees regardless of age. Under the plan, employees can contribute up to any amount of their gross compensation. Participants receive a company contribution of 4.5% of their eligible salary. The contribution expense was \$494,157 and \$348,867 for the years ended June 30, 2020 and 2019, 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 \$293,529 and \$259,980 as of June 30, 2020 and 2019, respectfully. The Center has accrued a liability of \$63,478 and \$26,709 as of June 30, 2020 and 2019, respectively, for the Center's deferred compensation contribution for the years ended June 30, 2020 and 2019. There were withdrawals of \$0 made during the years ended June 30, 2020 and 2019.

(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 \$2,849,188 and \$3,086,430 as of June 30, 2020 and 2019, 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 except contribution recognition 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 which was further delayed an additional year due to COVID-19 with the release of ASU 2020-5. The new

standard is effective for the Center's year ended June 30, 2021. Early application is permitted for the Center. The Center is evaluating the effect that No. 2014-09 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, 2022. The Center has not evaluated the impact due to the timing of implementation of this standard.