

**NORTH METRO COMMUNITY SERVICES, INC.**

Financial Statements As Of June 30, 2021 And 2020

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, 2021 and 2020, 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:*

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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, 2021 and 2020, 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*

November 26, 2021

**NORTH METRO COMMUNITY SERVICES, INC.**Statements Of Financial Position  
As Of June 30, 2021 and 2020

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<b>ASSETS</b>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 10,823,127	\$ 6,025,994
Accounts receivable -		
Fees and grants from governmental agencies, net of allowance	2,784,488	2,849,188
Vocational contracts	238,076	244,308
Other	374,555	407,679
Investments		4,127,715
Prepaid expenses and other assets	587,823	485,584
Total Current Assets	<u>14,808,069</u>	<u>14,140,468</u>
Property and equipment, net of accumulated depreciation	<u>2,512,613</u>	<u>2,945,935</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 17,320,682</u></u>	<u><u>\$ 17,086,403</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 520,314	\$ 631,316
Accrued liabilities	1,696,449	1,615,656
Refundable advance	542,268	
Total Current Liabilities	<u>2,759,031</u>	<u>2,246,972</u>
Net Assets:		
Net assets without donor restrictions -		
Net investment in property and equipment	2,512,613	2,945,935
Undesignated	12,049,038	11,893,496
Total Net Assets Without Donor Restrictions	<u>14,561,651</u>	<u>14,839,431</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 17,320,682</u></u>	<u><u>\$ 17,086,403</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, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
<b>Support and Revenue:</b>		
Fees and grants from governmental agencies -		
Fees for services -		
State of Colorado	\$ 3,681,539	\$ 4,244,887
Medicaid	17,216,207	20,103,137
Counties and cities	1,620,512	1,609,431
Grants -		
State of Colorado	1,185,593	1,055,792
Other	3,866	
Total Fees and Grants from Governmental Agencies	<u>23,707,717</u>	<u>27,013,247</u>
Contributions	14,905	18,160
Residential room and board	1,141,750	1,225,040
Vocational revenue	2,343,204	2,082,777
Other revenue	130,568	778,118
Total Support and Revenue	<u>27,338,144</u>	<u>31,117,342</u>
<b>Expenses:</b>		
Program Services -		
Residential	10,827,794	10,807,802
Day program	3,891,352	6,152,648
Supported living services	1,662,685	1,563,348
Children's extensive support	886,063	894,689
Early intervention	3,397,330	3,960,459
Family support	651,338	712,250
Case management	2,312,069	2,640,950
Vocational program	1,782,969	2,009,584
Total Program services	<u>25,411,600</u>	<u>28,741,730</u>
Supporting Services -		
Management and general	2,204,324	2,221,297
Total Expenses	<u>27,615,924</u>	<u>30,963,027</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(277,780)	154,315
Net Assets, Beginning Of Year	<u>14,839,431</u>	<u>14,685,116</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 14,561,651</u></u>	<u><u>\$ 14,839,431</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, 2021**

	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	\$ 4,713,918	\$ 2,835,240	\$ 1,295,767	\$ 534,757	\$ 1,365,655	\$ 61,307	\$ 2,049,034	\$ 1,506,320	\$ 14,361,998	\$ 1,383,589	\$ 15,745,587
Professional services	81,386	41,943	25,278	10,221	23,230	142	28,356	25,803	236,359	104,570	340,929
Contracted services	5,512,520	36,898	290,650	328,591	1,858,096	588,428	13,887	4,268	8,633,338	12	8,633,350
Depreciation	51,189	289,697	2,510				46,123	14,770	404,289	19,034	423,323
Office	165,209	393,258	14,003	2,044	86,673	1,461	148,741	130,173	941,562	164,063	1,105,625
Rent	188,563	156,186	28,595	7,594	50,977				431,915	3,822	435,737
Commissions										54,167	54,167
Staff Travel, Conferences, Meetings	28,031	27,038	1,085	60	1,475		545	3,753	61,987	59,968	121,955
Transportation	4,017	39,236						10,571	53,824		53,824
Utilities	37,815	50,060	3,908	1,520	7,831		12,700		113,834	13,842	127,676
Other	45,146	21,796	889	1,276	3,393		12,683	87,311	172,494	401,257	573,751
<b>Total</b>	<b>\$ 10,827,794</b>	<b>\$ 3,891,352</b>	<b>\$ 1,662,685</b>	<b>\$ 886,063</b>	<b>\$ 3,397,330</b>	<b>\$ 651,338</b>	<b>\$ 2,312,069</b>	<b>\$ 1,782,969</b>	<b>\$ 25,411,600</b>	<b>\$ 2,204,324</b>	<b>\$ 27,615,924</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, 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	\$ 17,103,440
Professional services	32,377	87,778	24,629	9,301	34,722		47,123	29,342	265,272	50,578	315,850
Contracted services	5,820,110	138,337	405,521	401,258	2,481,067	712,242	280	32,639	9,958,815	20,134	9,958,815
Depreciation	58,633	293,912	3,343				47,701		436,228		456,362
Office	220,053	621,057	11,965	3,743	58,267		144,234	232,067	1,291,386	191,235	1,482,621
Rent	218,458	156,249	27,660	8,262	45,663				456,292	10,429	466,721
Commissions										50,000	50,000
Staff Travel, Conferences, Meetings	64,770	24,180	2,956	1,100	17,817		23,816	4,129	138,768	69,348	208,116
Transportation	5,632	55,614						16,036	77,282		77,282
Utilities	43,424	60,009	4,235	1,471	7,122		14,216		130,477	16,975	147,452
Other	48,049	123,903	3,198		2,801		12,171	75,241	265,363	431,005	696,368
<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>\$ 2,009,584</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, INC.**Statements Of Cash Flows  
For The Years Ended June 30, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets from operations	\$ (277,780)	\$ 154,315
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	423,323	456,362
Loss (gain) on sale of assets	1,599	(466,809)
Allowance for doubtful accounts	(12,440)	59,120
Change in assets and liabilities -		
Decrease in accounts receivable	116,496	93,274
(Increase) decrease in prepaid expenses and other assets	(102,239)	5,433
Increase (decrease) in accounts payable and accrued liabilities	(30,209)	74,515
Increase in refundable advance	542,268	
Net cash provided by operating activities	<u>661,018</u>	<u>376,210</u>
Cash flow from investing activities:		
Purchases of property and equipment		(359,692)
Proceeds from sale of assets	8,400	717,360
Purchases of investments		(73,699)
Sale of investments	4,127,715	
Net cash provided by investing activities	<u>4,136,115</u>	<u>283,969</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,797,133</b>	<b>660,179</b>
Cash and Cash Equivalents, Beginning Of Year	<u>6,025,994</u>	<u>5,365,815</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 10,823,127</u></b>	<b><u>\$ 6,025,994</u></b>

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, 2021 and 2020

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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 (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 Program (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.

Supported Living Services (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.

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**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.

### Risks and Uncertainties

The global community has been under a significant threat from coronavirus ("COVID-19"). The extent to which the COVID-19 pandemic impacts the Center's business, results of operations and financial condition will depend on future developments, which are still uncertain and cannot be predicted. Even after the COVID-19 pandemic has subsided, the Center may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Center cannot reasonably estimate the impact at this time.

### 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

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any, are recorded as other revenue. As of June 30, 2021 and 2020, the allowance for doubtful accounts amounted to \$46,680 and \$59,120, respectively.

### Inventory

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

### 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

Revenue And Revenue Recognition

Revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing services. Program revenue consists primarily of funds received from the State of Colorado for Medicaid and other services, proceeds from mill levies in Adams County, other funding from county and municipal sources. Additionally, the Center has a contract to provide janitorial services. Billings for services are billed after the services are performed. As performance obligations are satisfied, revenue is recognized.

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Performance obligations are determined based on the nature of the services provided. As performance obligations are satisfied over time, revenue is recognized based on when related services are performed. This method provides for the transfer of services over the term of performance obligation based on the inputs needed to satisfy the obligations. Transaction price is based on standard charges for services provided, which is set by the State of Colorado or other government agencies. Residential room and board income is recognized in the month in which it is earned rather than received.

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. As of June 30, 2021 and 2020, the Center did not have any promises to give. 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. During the year ended June 30, 2021, the Center received a government grant through the Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Fund which is considered conditional and accordingly, has been reflected as a refundable advance in the amount of \$542,268 on the statement of financial position.

A portion of the Centers revenue is derived from cost-reimbursable federal and state grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

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 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.

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

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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 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 replaced most existing revenue recognition guidance in U.S. GAAP. The Center adopted the provisions of this guidance on July 1, 2020, using the modified retrospective approach and applied the standard to contracts as of the date of adoption. 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, 2021 and 2020. 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, 2018.

#### Reclassifications

Certain amounts have been reclassified in the prior year for comparative purposes.

#### Subsequent Events

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through November 26, 2021, 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, 2021, the Center did not hold any investments. As of June 30, 2020, investments consisted of certificate of deposits which are considered to be Level 1 investments and amounted to \$4,127,415.

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets, at year end		
Cash and cash equivalents	\$ 10,823,127	\$ 6,025,994
Receivables -		
Fees and grants from governmental agencies, net of allowance	2,784,488	2,849,188
Vocational contracts	238,076	244,308
Other	374,555	407,679
Investments		4,127,715
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,220,246</u>	<u>\$ 13,654,884</u>

The Center has a goal to maintain financial assets, which consists of cash and cash equivalents, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 6,073,427	\$ 6,073,427
Administrative equipment	376,974	376,974
Transportation equipment	3,023,425	3,280,758
Program equipment	253,436	253,436
	<u>9,727,262</u>	<u>9,984,595</u>
Less accumulated depreciation	<u>(8,282,211)</u>	<u>(8,106,222)</u>
	1,445,051	1,878,373
Land	1,067,562	1,067,562
	<u>\$ 2,512,613</u>	<u>\$ 2,945,935</u>

Depreciation expense was \$423,323 and \$456,362 for the years ended June 30, 2021 and 2020, 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 \$441,489 and \$473,628 for the years ended June 30, 2021 and 2020, 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, 2021, are as follows:

<u>Year Ended June 30,</u>	
2022	\$ 246,857
2023	158,980
2024	67,101
	<u>\$ 472,938</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

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a company contribution of 4.5% of their eligible salary. The contribution expense was \$462,771 and \$494,157 for the years ended June 30, 2021 and 2020, 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 \$353,042 and \$293,529 as of June 30, 2021 and 2020, respectfully, which is reflected in other assets with a corresponding accrued liability. The Center incurred \$61,988 and \$63,478 as of June 30, 2021 and 2020, respectively, for the Center's deferred compensation contribution for the years ended June 30, 2021 and 2020. There were withdrawals of \$0 made during the years ended June 30, 2021 and 2020.

**(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 \$2,784,488 and \$2,849,188 as of June 30, 2021 and 2020, 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 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, 2023. The Center has not evaluated the impact due to the timing of implementation of this standard.