Consolidated Financial Statements and
Independent Auditor's Report

The Resource Exchange, Inc. and Affiliate

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Resource Exchange, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Resource Exchange, Inc. and Affiliate (the Center), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence 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 consolidated financial position of The Resource Exchange, Inc. and Affiliate as of June 30, 2021, and the changes in its consolidated net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center's 2020 consolidated financial statements, and our report dated December 24, 2020, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
December 27, 2021

Consolidated Financial Statements

The Resource Exchange, Inc. and Affiliate
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2021
(With summarized financial information as of June 30, 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,810,945	$ 5,840,688
Investments	641,121	558,262
Accounts receivable		
Fees and grants from governmental agencies	3,221,865	2,806,402
Other, net of allowance for uncollectible receivables of $14,946	202,469	325,497
Pledges receivable, current portion	10,000	10,000
Prepaid expenses and other assets	64,421	43,231
Total current assets	7,950,821	9,584,080
Pledges receivable, net of discount	-	9,880
Land, building and equipment, net	9,524,473	9,560,770
Total assets	$ 17,475,294	$ 19,154,730
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 635,282	$ 921,147
Accrued expenses	1,428,185	2,052,096
Deferred revenue	188,515	-
Current portion of long-term debt		
Capital lease obligation	-	1,010
Notes payable	149,452	142,263
Total current liabilities	2,401,434	3,116,516
Long-term debt, net of current portion		
Notes payable	5,256,593	9,137,109
Total liabilities	7,658,027	12,253,625
Net assets		
Without donor restrictions		
Net investment in land, building and equipment	4,118,428	4,011,088
Undesignated	5,573,561	2,587,833
Total without donor restrictions	9,691,989	6,598,921
With donor restrictions	125,278	302,184
Total net assets	9,817,267	6,901,105
Total liabilities and net assets	$ 17,475,294	$ 19,154,730

The accompanying notes are an integral part of this statement.

The Resource Exchange, Inc. and Affiliate
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2021
(With summarized financial information for the year ended June 30, 2020)

	The Resource Exchange	6385 Corporate Drive, LLC	The Resource Exchange	Total	
	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	2021	2020
Revenues and support					
Fees and grants from governmental agencies					
Fees for services					
State of Colorado					
State General Fund	$ 8,472,869	$ -	$ -	$ 8,472,869	$ 8,630,102
Medicaid	11,053,857	-	-	11,053,857	13,816,200
Counties	40,922	-	-	40,922	55,001
Grants					
Part C	-	-	-	-	836,764
Total fees and grants from governmental agencies	19,567,648	-	-	19,567,648	23,338,067
Public support - contributions & grants	536,295	-	112,922	649,217	962,758
Fees for services	1,486,664	-	-	1,486,664	1,797,611
Rental revenue	-	343,766	-	343,766	791,517
Investment return, net	75,656	-	-	75,656	34,768
Other revenue	911,330	27,596	-	938,926	272,324
Net assets released from restrictions					
Satisfaction of purpose restrictions	279,948	-	(279,948)	-	-
Satisfaction of time restrictions	9,880	-	(9,880)	-	-
Total revenues and support	22,867,421	371,362	(176,906)	23,061,877	27,197,045
Expenses					
Program services					
Medicaid comprehensive	292,209	-	-	292,209	254,006
State adult supported living	310,671	-	-	310,671	906,362
Medicaid adult supported living	171,090	-	-	171,090	180,520
Children's extensive support	168,803	-	-	168,803	375,203
Early intervention	6,507,415	-	-	6,507,415	7,623,797
Family support	1,033,641	-	-	1,033,641	972,388
Case management	12,660,858	-	-	12,660,858	13,097,305
Total program services	21,144,687	-	-	21,144,687	23,409,581
Supporting services					
Management and general	1,800,189	-	-	1,800,189	1,959,545
Property management	-	974,876	-	974,876	933,934
Total expenses	22,944,876	974,876	-	23,919,752	26,303,060
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(77,455)	(603,514)	(176,906)	(857,875)	893,985
Forgiveness of PPP loan and accrued interest	3,774,037	-	-	3,774,037	-
CHANGE IN NET ASSETS	3,696,582	(603,514)	(176,906)	2,916,162	893,985
Net assets, beginning of year	3,925,854	2,673,067	302,184	6,901,105	6,007,120
Net assets, end of year	$ 7,622,436	$ 2,069,553	$ 125,278	$ 9,817,267	$ 6,901,105

The accompanying notes are an integral part of this statement.

The Resource Exchange, Inc. and Affiliate
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2021
(With summarized financial information for the year ended June 30, 2020)

	Program Services			
	Medicaid comprehen-sive	State adult supported living	Medicaid adult supported living	Children's extensive support
Expenses				
Salaries, benefits and taxes	$ -	$ -	$ -	$ -
Professional services	292,209	310,671	171,090	168,803
Staff development and travel	-	-	-	-
Occupancy and utilities	-	-	-	-
Supplies, equipment, dues and subscriptions	-	-	-	-
Communications	-	-	-	-
Insurance	-	-	-	-
Interest	-	-	-	-
Other expense	-	-	-	-
Depreciation	-	-	-	-
Total expenses	$ 292,209	$ 310,671	$ 171,090	$ 168,803

The accompanying notes are an integral part of this statement.

Program Services					Total	
Early interven-tion	Family support	Case manage-ment	Management and general	Property management	2021	2020
$ 6,094,612	$ 128,192	$11,687,331	$ 1,381,612	$ -	$ 19,291,747	$ 20,761,097
98,094	876,215	109,027	86,957	62,684	2,175,750	2,731,074
29,581	105	3,044	2,288	-	35,018	387,807
42,430	12,616	180,148	55,525	131,612	422,331	412,692
33,389	6,954	131,214	66,881	68	238,506	381,600
127,862	5,671	370,633	25,202	-	529,368	550,944
16,698	569	49,108	16,136	17,140	99,651	94,332
27	2	76	34,403	270,578	305,086	290,333
45,164	2,512	102,429	129,049	66,887	346,041	193,547
19,558	805	27,848	2,136	425,907	476,254	499,634
$ 6,507,415	$1,033,641	$12,660,858	$ 1,800,189	$ 974,876	$ 23,919,752	$ 26,303,060

The accompanying notes are an integral part of this statement.

The Resource Exchange, Inc. and Affiliate
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended June 30, 2021
(With summarized financial information for the year ended June 30, 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 2,916,162	$ 893,985
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	476,254	499,634
Realized/unrealized gain on investments	(71,405)	(10,500)
Gain on forgiveness of PPP loan	(3,730,700)	-
Change in assets and liabilities		
Increase in accounts receivable	(292,435)	(414,747)
Decrease in pledges receivable	9,880	10,698
(Increase) decrease in prepaid expenses and other	(21,190)	1,768
Increase (decrease) in accounts payable and accrued expenses	(1,150,645)	543,045
Increase in deferred revenue	188,515	-
Net cash provided by (used in) operating activities	(1,675,564)	1,523,883
Cash flows from investing activities		
Purchase of land, building and equipment	(199,088)	(15,197)
Purchase of investments	(118,454)	(70,484)
Proceeds from sale of investments	107,000	31,351
Net cash used in investing activities	(210,542)	(54,330)
Cash flows from investing activities		
Payment on line of credit	-	(131,147)
Payments on capital lease obligations	(1,010)	(16,718)
Proceeds from the issuance of notes payable	-	3,730,700
Payments on notes payable	(142,627)	(135,010)
Net cash provided by (used in) financing activities	(143,637)	3,447,825
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,029,743)	4,917,378
Cash and cash equivalents, beginning of year	5,840,688	923,310
Cash and cash equivalents, end of year	$ 3,810,945	$ 5,840,688
Supplemental data		
Cash paid for interest	$ 269,733	$ 282,349
Cash paid for taxes	23,547	27,081
Noncash investing and financing activities		
Fixed asset additions in accounts payable	240,869	-
Forgiveness of PPP loan and accrued interest	3,774,037	-

The accompanying notes are an integral part of this statement.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This description of The Resource Exchange, Inc.'s and Affiliate (the Center) nature of activities and summary of significant accounting policies is presented to assist in understanding the Center's consolidated financial statements.

1. *Summary of Business Activities*

   The Resource Exchange, Inc., a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado in 1964 for the purpose of providing a community centered board to coordinate programs through local interagency cooperation, and to provide services to persons with developmental disabilities in El Paso, Park and Teller counties. The Center's revenue comes primarily from the State of Colorado for services provided. 6385 Corporate Drive, LLC (the LLC) was formed in 2017 to manage property.

2. *Principles of Consolidation*

   The consolidated financial statements of the Center include its affiliate, 6385 Corporate Drive, LLC, a Colorado for-profit corporation. The LLC is an affiliate of the Center due to the fact that the Center is the sole member of the LLC. All material intercompany accounts and transactions have been eliminated.

3. *Description of Services Provided*

   The major program services or supports and functional activities directly provided or purchased by the Center are:

   Program Services or Supports

   <u>Comprehensive</u> (Medicaid) refers to residential services, adult day services or supports and transportation activities as specified in the eligible person's Individualized Plan (IP). Included are a number of different types of residential settings, which provide an array of training, learning, experiential and support activities provided in residential living alternatives designed to meet individual needs. Additionally, adult day services provide opportunities for individuals to experience and actively participate in valued roles in the community. These services and supports enable individuals to access and participate in typical community activities such as work, recreation, and senior citizen activities. Finally, transportation activities refer to "Home to Day Program transportation" services relevant to an individual's work schedule as specified in the IP. For these purposes, "work schedule" is defined broadly to include adult and retirement activities such as education, training, community integration and employment.

   <u>Adult Supported Living</u> (State and Medicaid) provides individualized living services for persons who are responsible for their own living arrangements in the community, or are living with family.

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

3. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

Children's Extensive Support is a deeming waiver (only the child's income is considered in determining eligibility) intended to provide needed services and supports to eligible children under the age of eighteen years in order for the children to remain in or return to the family home. Waiver services are targeted to children having extensive support needs, which require constant line-of-sight supervision due to significantly challenging behaviors and/or coexisting medical conditions. Available services include personal assistance, household modification, specialized medical equipment and supplies, professional services and community connection services.

Early Intervention is for children from birth through age two which offer infants and toddlers and their families services and supports to enhance child development in the areas of cognition, speech, communication, physical, motor, vision, hearing, social-emotional development, and self-help skills; parent-child or family interaction; and early identification, screening and assessment services.

Family Support provides an array of supportive services to the person with a developmental disability and his/her family when the person remains within the family home, thereby preventing or delaying the need for out-of-home placement, which is unwanted by the person or the family.

Case Management is the determination of eligibility for services and supports, service and support coordination, and the monitoring of all services and supports delivered pursuant to the IP or Prior Authorization Request (PAR), and the evaluation of results identified in the IP or PAR. The Center previously provided these services to persons with developmental disabilities (CCB case management). Effective July 1, 2020, the Center contracted with the State of Colorado to also provide these services through the Single Entry Point Waivers (SEP) for other eligible individuals in the area (SEP case management).

Supporting Services

Management and General includes those activities necessary for planning, coordination, and overall direction of the Center, financial administration, general board activities and other related activities indispensable to the Center's corporate existence.

Property Management includes those activities necessary for managing operations and maintaining the corporate office.

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

4. *Basis of Accounting*

Financial statements of the Center have been prepared on the accrual basis, whereby revenues are recorded when services are performed and expenses are recognized when incurred.

5. *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.

6. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through December 27, 2021, the date on which the financial statements were issued. Except as disclosed in Note G, the Center did not identify any events or transactions that would have a material impact on the financial statements.

7. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Center considers cash to be cash on hand, cash on deposit and money market accounts, subject to immediate withdrawal, and considers cash equivalents to be certificates of deposit with an original maturity of three months or less. The Center maintains its cash balances in financial institutions located in Colorado Springs, Colorado, which at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

8. *Accounts Receivable*

The majority of the Center's accounts receivable are due from the State of Colorado. Accounts receivable are due according to contractual terms and are stated at the amount management expects to collect from outstanding balances. The Center determines its allowance for uncollectible receivables by considering a number of factors, including the length of time accounts receivable are past due and the Center's previous collection history. The Center writes off accounts receivable to bad debt expense when they become uncollectible. Payments subsequently received on such receivables, if any, are recorded as other revenue.

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

9. *Investments*

The Center records its investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the statement of financial position as determined by quoted market prices. Partnership investments are valued at estimated fair value based on the net asset valuation pursuant to fair market value appraisals of each underlying property on an annual basis. The valuation methodologies are believed to be consistent with accepted practice in the market for partnership investments. Unrealized gains and losses are reported in investment income. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

10. *Land, Building and Equipment*

Land, building, and equipment are reported at cost for purchased assets and at estimated fair value, at date of receipt, for donated property. Any asset valued in excess of $2,499 with a life expectancy of more than one year is capitalized. Depreciation is provided on the straight-line method over the following estimated useful lives:

	Years
Administrative equipment	3 – 5
Program equipment	3 – 5
Building	25

11. *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, miscellaneous smaller grants and awards from federal, state, county and municipal sources. Billings for services are billed after the services are performed. As performance obligations are satisfied, revenue is recognized.

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 the performance obligation based on the inputs needed to satisfy the obligations. Revenue received in advance is deferred to the applicable period in which the related program services are performed and at which time will be recognized in the period in which the related services are performed. Transaction price is based on standard charges for services provided, which is set by the State of Colorado. Rent income is recognized in the month in which it is earned rather than received.

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

12. *Accounting for Contributions*

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as net assets with donor restrictions.

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as increases in net assets without donor restrictions.

13. *Change in Accounting Policy*

As of July 1, 2020, the Center adopted the provisions of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606),* as amended, which supersedes or replaces nearly all GAAP revenue recognition guidance. The updated standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. The Center implemented ASU 2014-09 and adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

As of July 1, 2020, the Center adopted the provisions of Accounting Standards Update (ASU) 2018-08, *Not-for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The updated standard clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The Center implemented ASU 2018-08 and there was no effect on the financial statements. Prior to July 1, 2020, the Center had implemented ASU 2018-08 where it was a resource recipient.

14. *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 may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The Center has recorded an estimated tax payment of $33,186 as of June 30, 2021. The Center is subject to routine audits by taxing jurisdictions; however,

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

14. *Income Taxes (Continued)*

there are currently no audits in progress for any tax periods. The Center believes it is no longer subject to income tax examinations for the years prior to the year ended June 30, 2018.

15. *Functional Allocation of Expenses*

The costs of supporting various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated to program and management and general based on estimates of time and effort, full-time equivalents, square footage of space, and other methods.

16. *Fair Value Measurements*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established under accepted accounting principles, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and mutual funds that are traded in an active exchange market.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government agency debt securities, corporate-debt securities and certificates of deposit.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates

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

16. *Fair Value Measurements (Continued)*

cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. The disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed. Management recognizes transfers between fair value hierarchy levels at the time of fair value measurement.

17. *Prior Year Summarized Information*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements as of and for the year ended June 30, 2020, from which the summarized information was derived.

18. *Recent Accounting Pronouncements*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Changes to the lessor accounting model include: (a) synchronizing key aspects of the model with the new revenue recognition guidance, such as basing whether a lease is similar to a sale or whether control of the underlying asset has transferred to the lessee and (b) prospectively eliminating the specialized accounting for leveraged leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU will be effective for fiscal years beginning after December 15, 2019, with early adoption permitted. In November 2019, the FASB issued ASU 2019-10, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05, which allows certain entities the option to delay the adoption by one year, making it effective for annual reporting periods beginning after December 15, 2021. The Center is in the process of evaluating the impact of this new guidance.

NOTE B – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 3,810,945
Investments	641,121
Accounts receivable	3,424,334
Pledges receivable	10,000
Total financial assets	7,886,400
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (Note I)	(125,278)
Time-restricted net assets (Note I)	(10,000)
Amount available for general expenditures within one year	$ 7,751,122

As a part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Center has a committed line of credit in the amount of $380,000 and the LLC has a committed line of credit in the amount of $750,000 which they could draw upon. See Note G for details on the lines of credit.

NOTE C – INVESTMENTS

The following table presents the Center's fair value hierarchy for those assets measured at fair value as of June 30, 2021:

	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Mutual funds - Equity	$ 250,221	$ 250,221	$ -	$ -
Mutual funds - Fixed	330,078	330,078	-	-
ETFs - Fixed	22,332	22,332	-	-
Partnerships	38,490	-	-	38,490
	$ 641,121	$ 602,631	$ -	$ 38,490

The reconciliation of Level 3 investments consists of the following components:

Balance, July 01, 2020	$ 68,262
Sales	(2,133)
Realized and unrealized loss on investment	(27,639)
Balance, June 30, 2021	$ 38,490

NOTE D – PLEDGES RECEIVABLE

Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received and are recorded at their estimated fair value. Amounts due more than one year later are recorded at the present value of the estimated future cash flows, discounted at 1.18%, which is the 20-year treasury note rate as of June 30, 2021. Amortization of the discount is credited to contribution revenue. Pledges are deemed to be collectible. As of June 30, 2021, pledge receivables consist of $10,000 receivable in the year ended June 30, 2022. Therefore, no discount was recorded.

NOTE E – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following at June 30, 2021:

Building	$ 10,364,288
Administrative equipment	380,570
Program equipment	210,118
	10,954,976
Less accumulated depreciation	2,106,193
	8,848,783
Land	675,690
	$ 9,524,473

Depreciation expense was $476,254 for the year ended June 30, 2021.

NOTE F – DEFERRED REVENUE

Deferred revenue at June 30, 2021 consists of $188,515 of unspent single entry point funds from the State of Colorado.

NOTE G – LINE OF CREDIT

The Center had a revolving line of credit from a financial institution with a limit of $380,000, which matured on June 26, 2021. The line of credit continued under assessment with the financial institution until a new agreement was finalized. The outstanding balance as of June 30, 2021 was $0. On September 30, 2021, a change in terms agreement was signed which changed the credit limit to $400,000, removed the floor rate of 5.0%, and extended the term to September 30, 2022. The interest rate to be charged on utilization of this line will be the Wall Street Journal Prime plus 1% adjusting daily (Prime was 3.25% at June 30, 2021). Interest is due monthly. The line of credit is collateralized by the investment account.

NOTE G – LINE OF CREDIT (CONTINUED)

The LLC has a revolving line of credit from a financial institution dated December 12, 2018 and was extended on May 29, 2021 with a limit of $750,000 and variable rate of 0.50% above the Wall Street Journal Prime Rate (Prime was 3.25% at June 30, 2021) with a floor of 4.25%. The line of credit matures on June 21, 2022 and is collateralized by real property. The outstanding balance as of June 30, 2021 was $0.

Interest expense on the lines of credit for the year ended June 30, 2021, was $0.

NOTE H – NOTES PAYABLE

Notes payable consist of the following at June 30, 2021:

4.94% rate note dated July 21, 2017, payments of principal and interest of $34,434 are due monthly plus a balloon payment at maturity on July 21, 2027. Collateralized by the land and property held by the LLC and related rents. The note agreement contains covenants that require a minimum debt service coverage ratio annually of no less than 1.0 to 1.0 and audited financial statements to be issued not later than 180 days after year-end. The Center met the ratio covenants at June 30, 2021.	$ 5,406,045
Less current portion	149,452
	$ 5,256,593

On April 9, 2020, the Center obtained an unsecured loan of $3,730,700 through the Paycheck Protection Program (PPP) from a financial institution with a fixed rate of 1.00%. Under the CARES Act, the Organization must submit a Loan Forgiveness Application and meet various criteria as defined in the Paycheck Protection Flexibility Act, the loan could potentially be forgiven. On June 9, 2021 the $3,730,700 loan and accrued interest of $43,337 were forgiven.

Interest expense for notes payable for the year ended June 30, 2021 was $305,086. Future maturities under notes payable are as follows:

Year ending June 30,	
2022	$ 149,452
2023	157,005
2024	164,255
2025	173,239
2026	181,994
Thereafter	4,580,100
	5,406,045
Less current portion	149,452
	$ 5,256,593

NOTE I – NET ASSETS

Net investment in land, building and equipment is comprised of land, building and equipment less notes payable secured by land, building and equipment.

Net assets with donor time restrictions totaled $10,000 as of June 30, 2021. Additional net assets with donor restrictions consisted of the following purpose-restricted amounts as of June 30, 2021:

Early intervention	$ 111,686
Go-Baby-Go	3,592
	$ 115,278

NOTE J – LEASES

Operating Leases

The Center currently leases office space and equipment under operating lease arrangements which expire at various dates through 2026. Rental expense under the operating leases was $235,671 for the year ended June 30, 2021. Future minimum rental payments for all noncancelable operating leases at June 30, 2021, are as follows:

Year ending June 30,	
2022	$ 165,926
2023	92,125
2024	57,257
2025	9,009
2026	1,222
	$ 325,539

Tenant Leases

The Center currently leases office space to various tenants under operating lease arrangements which expire at various dates through 2028. Rental income under the leases was $301,622 for the year ended June 30, 2021. For the year ended June 30, 2021, $165,313 of the total rental receipts was from one tenant. The lease for that tenant terminated April 30, 2021.

Future minimum rental receipts at June 30, 2021 are as follows:

Year ending June 30,	
2022	$ 193,891
2023	258,075
2024	266,228
2025	274,380
2026	282,532
Thereafter	582,878
	$ 1,857,984

NOTE K – FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated included salaries and benefits, depreciation, insurance, utilities, postage, communications, rental of office space and equipment, depreciation, and interest which are allocated on the basis of usage studies, square footage and other methods.

NOTE L – RETIREMENT PLAN

In March 1999, the Board of Directors adopted a 401(k) retirement plan covering all employees who are 21 years of age or older and have three months of service with the Center. The amount of cost recognized for the plan for the year ended June 30, 2021 was $194,676.

NOTE M – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue from the State of Colorado. As of June 30, 2021, the amount of receivables the Center has from the State of Colorado is $3,206,986. The Center has a payable to the State of Colorado in the amount of $107,057, which is recorded in accounts payable. These transactions are considered to be transactions with a related party by virtue of significant management influence exercised by the State of Colorado through contract provisions.

NOTE N – RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. This contagious disease outbreak has adversely affected workforces, customers, economies, and financial markets globally. This outbreak could adversely affect the Center's ability to provide services, and reduce funding sources available. It is not possible for the Center to predict the duration or magnitude of the adverse results of the outbreak and its effects on the organization's activities or results of operations, financial condition, or liquidity, at this time.