



COMMUNITY CONNECTIONS, INC.

Financial Statements

For the Year Ended June 30, 2022

And

Independent Auditors' Report

COMMUNITY CONNECTIONS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Connections, Inc.

We have audited the accompanying financial statements of Community Connections, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Connections, Inc. as of June 30, 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Connections, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about Community Connections, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Community Connections, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Connections, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the financial statements of Community Connections, Inc. as of June 30, 2021 and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan + Co. LLP

April 19, 2023

COMMUNITY CONNECTIONS, INC.

STATEMENT OF FINANCIAL POSITION JUNE 30, 2022 (with comparative totals for 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,199,035	\$ 1,323,597
Fees and grants due from governmental agencies	745,053	672,475
Accounts receivable, net	4,000	6,023
Contributions receivable	18,500	27,750
Prepaid expenses and other	48,443	31,826
Investments	1,213,543	1,304,362
Property and equipment, net	<u>784,777</u>	<u>806,122</u>
TOTAL ASSETS	<u>\$ 4,013,351</u>	<u>\$ 4,172,155</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 532,349	\$ 527,506
Note payable	74,519	83,265
Due to state	<u>240,329</u>	<u> </u>
Total liabilities	<u>847,197</u>	<u>610,771</u>
 NET ASSETS		
Without donor restrictions:		
Undesignated	1,417,577	1,871,643
Designated by board for operating reserve	996,512	919,818
Net investment in property and equipment	<u>710,258</u>	<u>722,857</u>
Total net assets without donor restrictions	3,124,347	3,514,318
With donor restrictions	<u>41,807</u>	<u>47,066</u>
Total net assets	<u>3,166,154</u>	<u>3,561,384</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,013,351</u>	<u>\$ 4,172,155</u>

See notes to financial statements.

COMMUNITY CONNECTIONS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022 (with comparative totals for 2021)

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS ACTIVITY:		
Support and revenue		
Fees from Medicaid services	\$ 3,484,674	\$ 3,203,299
Fees from State contract services	1,142,309	1,400,843
Paycheck Protection Program		566,204
Other grants and revenue	61,429	182,245
Total fees and grants from governmental agencies	4,688,412	5,352,591
Public support - contributions	69,449	40,350
Residential room and board	330,971	355,501
Investment income (loss), net	(90,210)	94,080
Other revenue	85,021	54,844
Total before reclassifications	5,083,643	5,897,366
Net assets released from restrictions	10,259	14,999
Total support and revenue	5,093,902	5,912,365
Expenses and losses		
Program services		
Comprehensive services (residential)	2,698,558	2,886,234
Single entry point	591,056	534,689
Supported living services	463,640	489,970
Case management	486,543	461,599
Other program services	407,167	458,795
Total program services	4,646,964	4,831,287
Supporting Services		
Management and general	772,822	699,694
Fundraising	64,087	27,006
Total supporting services	836,909	726,700
Total expenses and losses	5,483,873	5,557,987
Change in net assets without donor restrictions	(389,971)	354,378

(Continued)

COMMUNITY CONNECTIONS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022 (with comparative totals for 2021)

	2022	2021
NET ASSETS WITH DONOR RESTRICTIONS ACTIVITY:		
Public support - contributions	5,000	13,000
Net assets released from restrictions	<u>(10,259)</u>	<u>(14,999)</u>
Change in net assets with donor restrictions	<u>(5,259)</u>	<u>(1,999)</u>
Change in total net assets	(395,230)	352,379
Net assets, beginning of year	<u>3,561,384</u>	<u>3,209,005</u>
Net assets, end of year	<u>\$ 3,166,154</u>	<u>\$ 3,561,384</u>

See notes to financial statements.

(Concluded)

COMMUNITY CONNECTIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022 (with comparative totals for 2021)

	2022										2021 Total Expenses
	Program Services					Support Services					
	Comprehensive Services (Residential)	Single Entry Point	Supported Living Services	Case Management	Other	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses	
Salaries, benefits and taxes	\$ 931,793	\$ 558,421	\$ 380,561	\$ 453,416	\$ 165,869	\$ 2,490,060	\$ 511,205	\$ 45,643	\$ 556,848	\$ 3,046,908	\$ 3,034,283
Professional fees	1,554,214	1,026	41,609		44,642	1,641,491	78,133	3,406	81,539	1,723,030	1,872,924
Direct payments					166,112	166,112	500		500	166,612	188,225
IT equipment and maintenance	52,242	8,396	6,729	3,821	1,554	72,742	55,726	2,506	58,232	130,974	104,892
Occupancy	37,997	8,299	621	942		47,859	8,627		8,627	56,486	30,731
Insurance	24,006	4,325	6,226	4,612	1,771	40,940	11,293	331	11,624	52,564	50,633
Staff development and travel	16,530	3,809	10,007	1,762	3,997	36,105	15,179	95	15,274	51,379	47,590
Depreciation	21,141	1,116	1,053	13,795	998	38,103	4,112	106	4,218	42,321	46,652
Supplies	7,664	1,384	641	479	3,215	13,383	8,084	8,387	16,471	29,854	30,444
Transportation and auto expense	16,222		4,238		210	20,670				20,670	3,340
Telephone	4,257	3,687	1,186	2,223	369	11,722	7,594	162	7,756	19,478	18,868
Utilities	12,156		468	3,138		15,762				15,762	12,269
Dues and subscriptions	180		1,225			1,405	9,904	399	10,303	11,708	6,218
Equipment lease expense	3,520	305	142	1,891		5,858	3,777		3,777	9,635	9,415
Interest expense	5,292					5,292				5,292	10,459
Other	11,344	288	8,934	464	18,430	39,460	58,688	3,052	61,740	101,200	91,044
TOTAL	\$ 2,698,558	\$ 591,056	\$ 463,640	\$ 486,543	\$ 407,167	\$ 4,646,964	\$ 772,822	\$ 64,087	\$ 836,909	\$ 5,483,873	
PERCENT OF TOTAL	49%	11%	8%	9%	8%	85%	14%	1%	15%	100%	
COMPARATIVE TOTALS – 2021	\$ 2,886,234	\$ 534,689	\$ 489,970	\$ 461,599	\$ 458,795	\$ 4,831,287	\$ 699,694	\$ 27,006	\$ 726,700		\$ 5,557,987
PERCENT OF TOTAL – 2021	52%	10%	9%	8%	8%	87%	13%	0%	13%		100%

See notes to financial statements.

COMMUNITY CONNECTIONS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022 (with comparative totals for 2021)

	2022	2021
OPERATING ACTIVITIES		
Cash received from governmental agencies and others	\$ 5,117,537	\$ 5,013,726
Cash paid to employees	(3,041,131)	(2,968,455)
Cash paid to professional providers and suppliers	(2,407,224)	(2,588,928)
Cash received from conditional grants	240,329	_____
Net cash used in operating activities	<u>(90,489)</u>	<u>(543,657)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(20,976)	(78,971)
Purchases of investments	(886,735)	(888,074)
Proceeds from sale and maturities of investments	863,343	907,277
Interest received	24,012	(18,658)
Net cash used in investing activities	<u>(20,356)</u>	<u>(78,426)</u>
FINANCING ACTIVITIES		
Payments on notes payable	(8,746)	(8,432)
Interest paid	(4,971)	(10,496)
Net cash used in financing activities	<u>(13,717)</u>	<u>(18,928)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(124,562)	(641,011)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,323,597</u>	<u>1,964,608</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,199,035</u>	<u>\$ 1,323,597</u>

See notes to financial statements.

COMMUNITY CONNECTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations — Community Connections, Inc. (CCI) was incorporated under the laws of the State of Colorado in 1985 for the purpose of providing a community center board to coordinate programs through interagency cooperation and local agencies to provide services to persons with intellectual and developmental disabilities (IDD) in La Plata, Archuleta, Montezuma, Dolores and San Juan Counties. CCI's revenue comes primarily from the State of Colorado for services provided. The major program services or supports and functional activities directly provided or purchased by CCI are:

Adult Comprehensive Services (Residential)

Home and Community Based Residential services for persons with IDD provide access to 24-hour supports to assist adults with IDD to live more independently in their community. Services are designed to provide the most integrated options for active community living, including support for basic health and safety needs (such as care of personal hygiene, eating, following medical regimens and care of the home) and participating in valued roles in the community (such as jobs and volunteering). Individuals in services set personal goals for community living and select appropriate support services to reach those goals through supervision, training and physical assistance when needed. CCI served 50 and 54 individuals in 2022 and 2021, respectively.

Adult Supported Living Services

Home and Community Based Supported Living Services are provided for individuals with IDD who live independently or with alternative residential supports (such as family). Services may assist caregivers to be more effective in their role or support adults with IDD to increase their independence and social integration into their community of choice. Participants set personal goals and select from a variety of services to meet those goals. Typical services include personal care, homemaking, respite, supported employment, assistive technology and supported community connections. CCI served 51 and 52 individuals in 2022 and 2021, respectively.

Children's Extensive Supports

Children's Extensive Supports provide services similar to Supported Living Services. The target population for this program are children under 18 with IDD who are living with family and require frequent and intensive support due to medical condition or behavioral needs. Services provided through this program are intended to supplement the supports provided by the family and ensure successful continued care in the family home, thereby reducing risk of damaging and costly out-of-home placements. Services may include personal care, respite, home modifications, assistive technology and professional services. CCI served 7 children in both 2022 and 2021.

Early Intervention

Early intervention is a program for children from birth through age two offering 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 developmental and self-help skills, parent-child or family interactions and early identification, screening and assessment services. CCI served 129 and 111 individuals in 2022 and 2021, respectively.

Family Support Services Program

Family support services provide an array of supportive services to the person with a development disability and his/her family when the person remains within the family home, thereby preventing or delaying the need for out-of-home placement that is unwanted by the person or the family. CCI served 78 and 62 individuals in 2022 and 2021, respectively.

Case Management

Case Management services often begin with information and referral and determination of eligibility for IDD services and supports. Case Managers assist individuals and families with developing goals, selecting appropriate services and supports, coordination services and monitoring to ensure the effectiveness of the services in place in reaching the desired outcomes. CCI served 373 and 329 individuals in 2022 and 2021, respectively.

Single Entry Point

The Single Entry Point (SEP) program provides case management, care planning, and makes referrals to other resources for Health First Colorado (Colorado's Medicaid Program) members with the following qualifying needs: elderly, blind and disabled, persons living with HIV/AIDS, mental health, brain injury, children with a life-limiting illness, and medically fragile children. Single Entry Point also offers the Home Care Allowance program. Home Care Allowance is a financial assistance program for elderly, low income and/or disabled Colorado residents. It is intended to help program participants avoid placement in a nursing home by paying for unskilled home care services, which allow them to continue living independently.

Other Program Services

Other program services include contractual employment opportunities for individuals in the community.

Basis of Presentation — The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with the U.S. generally accepted accounting principles (GAAP), whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred. The financial statements reflect all significant receivables, payables, and other liabilities.

For financial reporting purposes, CCI follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. CCI reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Descriptions of the two net asset categories and the types of transactions affecting each category follow:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or certain grantor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Comparative Financial Information — The financial statements include certain prior year summarized comparative information in total. 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 CCI's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents — For purposes of the statement of cash flows, CCI defines cash or cash equivalents as all cash on hand and cash on deposit subject to immediate withdrawal, and certificates of deposit with an original maturity of three months or less.

Accounts Receivable and Amounts due from Governmental Agencies — The majority of CCI's receivables are due from the State of Colorado through Medicaid funding. Other accounts receivables are primarily due from individuals for room and board. Accounts are due according to contractual terms and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its

assessment of the current status of individual accounts considering a number of factors, including the length of time accounts receivables are past due and CCI's previous collection history. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. At June 30, 2022 and 2021, management recorded an allowance of \$25,878 and \$14,179, respectively.

Investments — Investments are recorded at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. Earnings and losses on investments are recognized as increases or decreases in net assets according to the nature of the restrictions on the original gift. Donated investments are recorded at fair market value on the date of donation.

Fair Value of Financial Instruments — Generally accepted accounting principles (GAAP) requires disclosure of an estimate of fair value of certain financial instruments. CCI's significant financial instruments are cash, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Property and Equipment — Property and equipment are stated at cost at date of acquisition or estimated fair value at date of donation. CCI capitalizes property and equipment acquisitions of \$3,000 or more that have a useful life of more than two years. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Lives are estimated at five to forty years for buildings and improvements, and three to ten years for equipment.

Revenue Recognition — Revenues are recognized when services are performed. Deferred revenue represents payments received by CCI not spent in the current year, but for which CCI has met certain control points. Under contract provisions, CCI is allowed to defer a portion of unspent awards to the following year.

In-Kind Contributions — Donations of property, material, and personal services are known as in-kind contributions and are recorded at estimated value as of the date received. These donations (other than contributions of property and equipment) are included as program costs to properly reflect the total cost of the particular program.

Income Taxes — CCI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, CCI qualifies for the charitable contribution deduction. CCI believes that it does not have any uncertain tax positions that are material to the financial statements.

Subsequent Events — CCI has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. **FUNCTIONAL EXPENSES ALLOCATION METHODS**

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of CCI. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

The expenses that are allocated include occupancy, depreciation and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, staff development and travel, office expenses, information technology, insurance and other, which are allocated on the basis of estimates of time and effort.

3. INVESTMENTS

CCI is required to use 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: Unadjusted quoted prices in active markets for identical assets or liabilities that CCI has the ability to access.

Level 2: Prices determined using significant other observable inputs. 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: Prices determined using significant unobservable inputs.

The investment'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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no significant changes in the methodologies used at June 30, 2022 and 2021.

Mutual Funds, Money Market Fund, Preferred stock, and Exchange Traded Funds — Fair value is determined principally through quoted market prices in active markets.

Corporate Bonds, Bank Loan, and Certificates of Deposit – Price is determined by the asset custodian based on quoted prices for identical or similar assets in active markets.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2022:				
Mutual funds:				
Domestic equity	\$ 150,366			\$ 150,366
International equity	15,399			15,399
Preferred stock	14,006			14,006
Money market fund	12,693			12,693
Exchanged traded funds	7,579			7,579
Certificates of deposit		\$ 748,435		748,435
Corporate bonds		245,038		245,038
Bank loan		<u>20,027</u>		<u>20,027</u>
Total investments in the fair value hierarchy	<u>\$ 200,043</u>	<u>\$ 1,013,500</u>	<u>\$ —</u>	<u>\$ 1,213,543</u>

2021:				
Mutual funds:				
Domestic equity	\$ 196,305			\$ 196,305
International equity	21,289			21,289
Money market fund	16,378			16,378
Preferred stock	15,880			15,880
Exchanged traded funds	8,010			8,010
Certificates of deposit		\$ 747,160		747,160
Corporate bonds		273,529		273,529
Bank loan		<u>25,811</u>		<u>25,811</u>
Total investments in the fair value hierarchy	<u>\$ 257,862</u>	<u>\$ 1,046,500</u>	<u>\$ —</u>	<u>\$ 1,304,362</u>

Net investment income was comprised of the following for the years ended June 30:

	2022	2021
Interest and dividends	\$ 28,332	\$ 23,184
Net realized and unrealized gains (losses)	(114,222)	74,964
Custodial fees	<u>(4,320)</u>	<u>(4,068)</u>
Investment income (loss), net	<u>\$ (90,210)</u>	<u>\$ 94,080</u>

4. FEES AND GRANTS DUE FROM GOVERNMENTAL AGENCIES

Amounts due from governmental agencies consist of the following at June 30:

	2022	2021
State of Colorado		
General Fund	\$ 345,670	\$ 380,480
Medicaid	<u>399,383</u>	<u>264,308</u>
Total	745,053	644,788
Local governments		9,900
Other	<u> </u>	<u>17,787</u>
Total	<u>\$ 745,053</u>	<u>\$ 672,475</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2022	2021
Land	\$ 195,065	\$ 195,065
Buildings and improvements	1,556,894	1,535,918
Program and administrative equipment	331,278	274,620
Construction in progress	<u>775</u>	<u>57,433</u>
Total	2,084,012	2,063,036
Less accumulated depreciation	<u>(1,299,235)</u>	<u>(1,256,914)</u>
Property and equipment, net	<u>\$ 784,777</u>	<u>\$ 806,122</u>

Depreciation expense was \$42,321 and \$46,652 during the years ending June 30, 2022 and 2021, respectively.

6. CONTRIBUTED USE OF LAND

In 1984, the City of Durango approved a 20-year lease for the use of land by CCI for \$1 per year. During that year CCI had a new facility built with a grant that restricted the use of the building. In 1996, the restriction was removed and CCI obtained unrestricted use of the facility. In 2004, the City of Durango renewed the land lease for another 20 years for \$1 per year. CCI assigned a value of \$185,000 to the land based on the median sale price of similar property in 2004. Since title to the property was not conveyed to CCI, CCI cannot recognize the land as an asset; rather, a restricted contribution for the use of the land equal to its estimated value was recognized in 2004, along with a long-term contribution receivable. The receivable is reduced annually through the recognition of rental expense for one-twentieth of the value, which releases that amount from restriction. The balance of the receivable was \$18,500 and \$27,750 at June 30, 2022 and 2021, respectively, including \$9,250 classified as current each year. Rent expense of \$9,250 was recognized during each of the years ended June 30, 2022 and 2021.

7. NOTE PAYABLE

Note payable consists of the following as of June 30:

	2022	2021
Note payable to Wells Fargo Bank, due February 2029, payable in monthly installments of \$1,122 including interest at 5.75%, guaranteed by a deed of trust on a residential facility with a carrying value of \$125,766.	\$ 74,519	\$ 83,265
Current portion	<u>(9,457)</u>	<u>(8,930)</u>
Long-term portion	<u>\$ 65,062</u>	<u>\$ 74,335</u>

Future maturities of note payable as of June 30, 2022 are as follows:

2023	\$ 9,457
2024	10,015
2025	10,607
2026	11,233
2027	11,896
Thereafter	<u>21,311</u>
Total	<u>\$ 74,519</u>

Interest expense on note payable was \$4,949 and \$4,655 for the years ended June 30, 2022 and 2021, respectively.

8. LINE OF CREDIT

CCI has a \$200,000 line of credit arrangement with Alpine Bank expiring in April 2025. The line is secured by a deed of trust on one building owned by CCI. The interest rate applied to outstanding borrowings is fixed at 5.00%. No amounts were borrowed against the line during the years ended June 30, 2022 or 2021.

9. CONDITIONAL GRANTS

During the year ended June 30, 2020, CCI received a \$560,400 Paycheck Protection Program (PPP) Loan established by the CARES Act and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. During the year ended June 30, 2021, the conditions were met, as the refundable advance was forgiven. The amount of \$566,204, which represents principal and interest, has been recorded as being forgiven and recognized in the accompanying statement of activities for the year ended June 30, 2021.

10. COMMITMENTS

CCI leases office space under non-cancellable operating leases through June 2023. Upon expiration, the lease will become month-to-month until a new lease or lease extension is signed. CCI also has multiple operating leases for the use of office equipment with varying expiration dates through September 2024.

As of June 30, 2022, future minimum lease payments under the leases are as follows:

2023	\$	47,251
2024		1,412
2025		<u>72</u>
Total	\$	<u>48,735</u>

Rental expense under the operating leases for the years ended June 30, 2022 and 2021 totaled \$19,900 and \$29,039, respectively.

11. BOARD DESIGNATED OPERATING RESERVES

During 2014, the Board of Directors approved the establishment of an operating reserve. Operating reserves are the portion of available net assets without donor restriction that are specifically reserved for use in emergencies to sustain operations in the event of significant unanticipated increases in operating expenses or reductions in operating revenues, or both. The reserve balance is \$996,512 and \$919,818 for the years ended June 30, 2022 and 2021, respectively. Operating reserves give CCI greater financial stability and flexibility to respond to potential threats in the future. The reserve represents approximately two months of operating expenses.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction included the following at June 30:

	2022	2021
Contributed use of land	\$ 18,500	\$ 27,750
Empire electric grant	10,798	7,178
CERF grant	3,624	3,944
Green house	3,740	3,752
Other	<u>5,145</u>	<u>4,442</u>
Total net assets with donor restrictions	<u>\$ 41,807</u>	<u>\$ 47,066</u>

13. SPECIAL EVENTS

During the years ended June 30, 2022 and 2021, CCI held one special event per year, for the purpose of fundraising. Special events revenue consisted of the following:

	2022	2021
Cash contributions	\$ 61,094	\$ 50,754
Non-cash contributions	<u> </u>	<u>24,446</u>
Special event income	<u>61,094</u>	<u>75,200</u>
Direct expenses	27,930	26,190
Value of donated space and materials	<u> </u>	<u>24,446</u>
Total event cost	<u>27,930</u>	<u>50,636</u>
Net special event income	<u>\$ 33,164</u>	<u>\$ 24,564</u>

14. RETIREMENT PLAN

CCI maintains a 401(k) plan for the benefit of its employees. The 401(k) plan calls for discretionary employer matching and profit sharing contributions. CCI has not made any contributions for the past ten years.

15. RELATED PARTY TRANSACTIONS

The State of Colorado is considered a related party by virtue of significant management influence exercised by the State through contract provisions. CCI received a substantial portion of its revenue from the State of Colorado as identified in the statement of activities. The amount due to CCI from the State of Colorado is described in Note 4. CCI had balances due to the State of Colorado for expenses and reimbursements, which are recorded in accounts payable and accrued expenses. The balances due at June 30, 2022 and 2021 were \$240,329 and \$630, respectively.

16. RISKS AND CONCENTRATIONS

CCI invests in investment securities which 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 change in the values of investments will occur in the near term and that such changes could materially affect the recorded amount of investments in CCI's financial statements.

CCI had receivables from Medicaid and the State of Colorado of approximately 92% and 93%, respectively, of total accounts receivable at June 30, 2022 and 2021. During the years ended June 30, 2022 and 2021, CCI received grants and reimbursements from Medicaid, the State of Colorado and the Federal Government of approximately 91% and 88%, respectively, of total revenues.

17. LIQUIDITY AND AVAILABILITY

CCI monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. CCI's assets available within one year of the financial statement date for general expenditure without limitations are as follows:

	2022	2021
Cash and cash equivalents	\$ 1,199,035	\$ 1,323,597
Fees and grants due from governmental agencies	745,053	672,475
Accounts receivable, net	4,000	6,023
Contribution receivable	18,500	27,750
Investments	<u>1,213,543</u>	<u>1,304,362</u>
Total financial assets	<u>3,180,131</u>	<u>3,334,207</u>
Less amounts unavailable for general expenditures within one year, due to:		
Cash restricted for use by client	20,679	10,054
Restricted by donors with purpose restrictions	23,307	19,316
Restricted by donors with time restrictions	18,500	27,750
Board designated for operating reserve	<u>996,512</u>	<u>919,818</u>
Total amounts unavailable for general expenditures within one year	<u>1,058,998</u>	<u>976,938</u>
Total financial assets available to management to meet cash needs for general expenditures within one year	<u>\$ 2,121,133</u>	<u>\$ 2,357,269</u>

CCI has a goal to maintain financial assets on hand to meet 60 days of normal operating expense. CCI 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, CCI invests cash in excess of daily requirements in various short-term investments, including certificates of deposit. As described in Note 8, CCI has a line of credit in the amount of \$200,000, which it could draw upon in the event of an unanticipated liquidity need.

18. AMOUNTS DUE TO THE STATE

CCI is obligated to various audits conducted by the local, state and federal governments related to local, state and federal contracts. The State of Colorado's Medicaid Program (the State) reported findings for the period July 1, 2021 through June 30, 2022. These findings resulted in excess reimbursements paid to CCI of \$240,329. CCI believes these reimbursements may be eligible for use by the Single Entry Point program through June 30, 2024. However, CCI recognized a liability for the entire amount as of June 30, 2022.