

NORTH METRO COMMUNITY SERVICES, INC.

Financial Statements As Of June 30, 2022 And 2021

Single Audit
As of December 31, 2021

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:

Opinion

We have audited the accompanying financial statements of North Metro Community Services, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 the Organization as of June 30, 2022 and 2021, and the changes 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the financial statements as of June 30, 2022 have been restated to properly reflect receivables, deferred revenue, and net assets. Our opinion is not modified with respect to that matter.

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.

Members:

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Independent Auditors' Report (Continued)

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 the Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities 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 and *Government 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 and *Government 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 the Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

Independent Auditors' Report (Continued)

We are required to communicate to 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

JDS Professional Group

October 24, 2022

NORTH METRO COMMUNITY SERVICES, INC.Statements Of Financial Position
As Of June 30, 2022 and 2021

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ASSETS	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 10,779,067	\$ 10,823,127
Accounts receivable -		
Fees and grants from governmental agencies, net of allowance	2,705,453	2,784,488
Vocational contracts		238,076
Other	124,441	104,469
Prepaid expenses and other assets	835,527	587,823
Total Current Assets	<u>14,444,488</u>	<u>14,537,983</u>
Property and equipment, net of accumulated depreciation	<u>2,817,456</u>	<u>2,512,613</u>
TOTAL ASSETS	<u><u>\$ 17,261,944</u></u>	<u><u>\$ 17,050,596</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 486,459	\$ 520,314
Accrued liabilities	1,963,242	1,696,449
Refundable advance		542,268
Deferred revenue	176,709	135,042
Total Current Liabilities	<u>2,626,410</u>	<u>2,894,073</u>
Net Assets:		
Net assets without donor restrictions -		
Net investment in property and equipment	2,817,456	2,512,613
Undesignated	11,818,078	11,643,910
Total Net Assets Without Donor Restrictions	<u>14,635,534</u>	<u>14,156,523</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 17,261,944</u></u>	<u><u>\$ 17,050,596</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, 2022 and 2021

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	2022	2021
Support and Revenue:		
Fees and grants from governmental agencies -		
Fees for services -		
State of Colorado	\$ 3,645,686	\$ 3,681,539
Medicaid	19,201,883	17,216,207
Counties and cities	2,425,512	1,620,512
Grants -		
State of Colorado	1,157,243	1,185,593
Other	554,967	3,866
Total Fees and Grants from Governmental Agencies	<u>26,985,291</u>	<u>23,707,717</u>
Contributions	18,065	14,905
Residential room and board	1,097,174	1,141,750
Vocational revenue	1,477,043	2,343,204
Other revenue	529,197	130,568
Total Support and Revenue	<u>30,106,770</u>	<u>27,338,144</u>
Expenses:		
Program Services -		
Residential	12,011,902	10,827,794
Day program	4,491,147	3,891,352
Supported living services	1,642,060	1,662,685
Children's extensive support	720,171	886,063
Early intervention	3,444,742	3,397,330
Family support	745,661	651,338
Case management	2,708,554	2,312,069
Vocational program	1,609,388	1,782,969
Total Program services	<u>27,373,625</u>	<u>25,411,600</u>
Supporting Services -		
Management and general	2,254,134	2,204,324
Total Expenses	<u>29,627,759</u>	<u>27,615,924</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>479,011</u>	<u>(277,780)</u>
Net Assets, Beginning Of Year, As Originally Reported	14,561,651	14,839,431
Restatement	(405,128)	(405,128)
Net Assets, Beginning Of Year, Restated	<u>14,156,523</u>	<u>14,434,303</u>
NET ASSETS, END OF YEAR	<u>\$ 14,635,534</u>	<u>\$ 14,156,523</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, 2022**

	Residential	Day Program	Supported Living Services	Children's Extensive Support	Early Intervention	Family Support	Case Management	Vocational Program	Total Program Services	Management and General	2022 Total
Salaries, payroll taxes, employee benefits	\$ 5,614,274	\$ 3,167,333	\$ 1,310,863	\$ 501,191	\$ 1,396,522	\$ 62,648	\$ 2,511,425	1,294,871	\$ 15,859,127	\$ 1,385,688	\$ 17,244,815
Professional services	92,729	55,671	37,605	10,365	34,331	245	28,510	20,127	279,583	48,080	327,663
Contracted services	5,705,269	98,557	222,396	197,114	1,913,577	682,698	890	59	8,820,560	1,185	8,821,745
Depreciation	48,185	283,248	590		186		38,987	5,547	376,743	17,524	394,267
Office	237,303	485,918	35,585	1,554	34,804	435	95,363	221,826	1,112,788	169,638	1,282,426
Rent	180,630	151,150	24,633	8,319	54,201				418,933	1,478	420,411
Commissions										50,500	50,500
Staff Travel, Conferences, Meetings	23,257	10,408	4,162	47	945	224	1,472	2,018	42,533	67,269	109,802
Transportation	6,206	89,710						16,184	112,100		112,100
Utilities	46,459	57,303	3,436	1,581	8,778	(1,045)	19,573		136,085	13,498	149,583
Other	57,590	91,849	2,790		1,398	456	12,334	48,756	215,173	499,274	714,447
Total	\$ 12,011,902	\$ 4,491,147	\$ 1,642,060	\$ 720,171	\$ 3,444,742	\$ 745,661	\$ 2,708,554	\$ 1,609,388	\$ 27,373,625	\$ 2,254,134	\$ 29,627,759

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, 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	2021 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
Total	\$ 10,827,794	\$ 3,891,352	\$ 1,662,685	\$ 886,063	\$ 3,397,330	\$ 651,338	\$ 2,312,069	\$ 1,782,969	\$ 25,411,600	\$ 2,204,324	\$ 27,615,924

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, 2022 and 2021

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	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets from operations	\$ 479,011	\$ (277,780)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	394,267	423,323
Loss (gain) on sale of assets	(412,387)	1,599
Allowance for doubtful accounts	(3,483)	(12,440)
Change in assets and liabilities -		
Decrease in accounts receivable	300,622	116,496
(Increase) in prepaid expenses and other assets	(247,704)	(102,239)
Increase (decrease) in accounts payable and accrued liabilities	232,938	(30,209)
Increase (decrease) in refundable advance	(542,268)	542,268
Increase in deferred revenue	41,667	
Net cash provided by operating activities	<u>242,663</u>	<u>661,018</u>
Cash flow from investing activities:		
Purchases of property and equipment	(913,683)	
Proceeds from sale of assets	626,960	8,400
Sale of investments		4,127,715
Net cash (used in) provided by investing activities	<u>(286,723)</u>	<u>4,136,115</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(44,060)	4,797,133
Cash and Cash Equivalents, Beginning Of Year	<u>10,823,127</u>	<u>6,025,994</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,779,067</u>	<u>\$ 10,823,127</u>

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, 2022 and 2021

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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 development, and self

help skills; parent-child or family interaction; and early identification, screening and assessment services.

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

Case Management is the determination or eligibility for services and supports, service and support coordination, and the monitoring of all services and supports delivered pursuant to the SP, and the evaluation of results identified in the SP.

Vocational Program refers to vocational contracts, which are not State or Medicaid funded. These contracts provide community employment opportunities for disabled individuals.

Supporting Services

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

(2) Summary Of Signification Accounting Policies

Method of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America, whereby revenue is recorded when services are performed and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of *Financial Statements for Not-for-Profit Organizations*. Under this standard, the Center is required to report information regarding financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds must be maintained in perpetuity. The Center does not have any restricted funds.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non operating activities. Operating activities consist of those items attributable to the Center's ongoing program services and investment income. Nonoperating activities are limited to resources that generate other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Center considers cash to be cash on hand and cash on deposit, subject to immediate withdrawal, and cash equivalents to be certificates of deposit with an original maturity of three months or less.

Accounts Receivable

The majority of the Center's accounts receivable is due from the State of Colorado. Accounts receivable are due according to contractual terms and are stated at the amount management expects to collect from outstanding balances. The Center writes off accounts receivable to bad debt expense after reasonable collection efforts have been made. Payments subsequently received on such receivables, if any, are recorded as other revenue. As of June 30, 2022 and 2021, the allowance for doubtful accounts amounted to \$43,197 and \$46,680, respectively.

Inventory

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

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

Compensated Absences

The Center accrues for the costs of compensated absences to the extent that the employee's right to receive payment relates to service already rendered, the obligation vests or accumulates, payment is probable, and the amount can be reasonably estimated.

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.

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. During the year ended June 30, 2022 and 2021, the Center had \$176,709 and \$135,042, respectively, in advanced contract services which is reflected in deferred revenue.

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, 2022 and 2021, 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.

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. As of June 30, 2022 and 2021, the Center had \$0 and \$542,268, respectively, of refundable advances.

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 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.

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, 2022 and 2021. 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, 2019.

Subsequent Events

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through October 24, 2022, 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) Concentrations Of Credit Risk

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets, at year end		
Cash and cash equivalents	\$ 10,779,067	\$ 10,823,127
Receivables -		
Fees and grants from governmental agencies	2,705,453	2,784,488
Vocational contracts		238,076
Other	124,441	374,555
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,608,961</u>	<u>\$ 14,220,246</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.

(5) **Property And Equipment**

Property and equipment consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 6,475,974	\$ 6,073,427
Administrative equipment	407,317	376,974
Transportation equipment	2,561,703	3,023,425
Program equipment	242,281	253,436
	<u>9,687,275</u>	<u>9,727,262</u>
Less accumulated depreciation	<u>(7,902,381)</u>	<u>(8,282,211)</u>
	1,784,894	1,445,051
Land	1,032,562	1,067,562
	<u>\$ 2,817,456</u>	<u>\$ 2,512,613</u>

Depreciation expense was \$394,267 and \$423,323 for the years ended June 30, 2022 and 2021, respectively.

(6) **Leases**

The Center leases Day Program space, office equipment, office space and residential facilities under operating lease agreements.

Rental expense was \$420,411 and \$435,737 for the years ended June 30, 2022 and 2021, 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, 2022, were as follows:

<u>Year Ended June 30,</u>	
2022	\$ 243,355
2023	158,980
2024	67,101
	<u>\$ 469,436</u>

(7) **Retirement Plans**

Defined Contribution Plan

The Center has adopted a defined contribution 401(k) plan for all employees regardless of age. Under the plan, employees can contribute up to any amount of their gross compensation. Participants receive

a company contribution of 4.5% of their eligible salary. The contribution expense was \$492,193 and \$462,771 for the years ended June 30, 2022 and 2021, 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 \$356,673 and \$353,042 as of June 30, 2022 and 2021, respectfully, which is reflected in other assets with a corresponding accrued liability. The Center incurred \$70,707 and \$61,988 as of June 30, 2022 and 2021, respectively, for the Center’s deferred compensation contribution for the years ended June 30, 2022 and 2021. There were withdrawals of \$0 made during the years ended June 30, 2022 and 2021.

(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 \$2,705,453 and \$2,784,488 as of June 30, 2022 and 2021, 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) Restatement

The June 30, 2021 financial statements have been restated to properly reflect receivables, deferred revenue, and net assets. Such restatement relates to not recognizing revenue received from mill levies in Adams County in the correct accounting period when FASB ASU No. 2015-14, *Revenue from Contracts with Customers* (Topic 606) was implemented during the fiscal year ended June 30, 2021. Such restatement impacted the June 30, 2021, financial statements as follows:

	2021
	<u>Increase (decrease)</u>
Accounts Receivable - Other	\$ (270,085)
Deferred revenue	135,042
Beginning net assets - Without donor restrictions	(405,128)

The restatement did not have any impact on the financial statements for the fiscal year ended June 30, 2022.

(10) **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 fiscal year ended June 30, 2023. The Center has not evaluated the impact due to the timing of implementation of this standard.

NORTH METRO COMMUNITY SERVICES, INC.

Schedule Of Expenditures Of Federal Awards
For The Year Ended June 30, 2022

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Federal Grantor/Pass-through	Assistance Listing Number	Identifying Number	Total Expended
U.S. Department of Health and Human Services: Provider Relief Fund - COVID-19 **	93.498		\$ 542,268
U.S. Department of Education: Special Education - Grants for Infants and Families with Disabilities	84.181A		122,144
Pass-through Program From: Colorado Department of Health and Human Services- Medical Assistance Program	93.778	20-134789A2	<u>265,748</u>
 TOTAL			 <u><u>\$ 930,160</u></u>

** Major program

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

NORTH METRO COMMUNITY SERVICES, INC.

Notes To Supplemental Schedule Of Expenditures Of Federal Awards
For The Year Ended June 30, 2022

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(1) Method of Accounting

The schedule of expenditures of federal awards has been prepared on an accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and also presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule of expenditures of federal awards presents only a selected portion of the operations of the Center, it is not intended to, and does not present, the financial position, changes in net assets, or cash flows of the Center.

The Center has elected not to use a *de minimis* indirect cost rate as allowed under the Uniform Guidance.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
North Metro Community Services, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Metro Community Services, Inc. (the "Center"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members:

American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants
10303 E. Dry Creek Road, Suite 400 • Englewood, CO 80112 • 303 771 0123 • 303 771 0078 fax

Independent Auditors' Report ,Continued

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JDS Professional Group

October 24, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
North Metro Community Services, Inc.:

Opinion on Each Major Federal Program

We have audited North Metro Community Services, Inc., (the "Center") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2022. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Center's federal programs.

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Independent Auditors' Report, Continued**Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Independent Auditors' Report, Continued

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

JDS Professional Group

October 24, 2022

NORTH METRO COMMUNITY SERVICES, INC.

Schedule Of Findings And Questioned Costs (Continued)
For The Year Ended June 30, 2022

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Identification of major programs:

<u>Assistance Listing Or Other Identifying Number</u>	<u>Name Of Federal Program</u>
93.498	Provider Relief Fund - COVID-19

Dollar threshold used to distinguish
between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

NORTH METRO COMMUNITY SERVICES, INC.

Summary Schedule of Prior Audit Findings
For The Year Ended June 30, 2022

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None.