

**Rocky Mountain Human Services
and Subsidiary**

**Consolidated Financial Statements
and Supplemental Information**

June 30, 2022 and 2021

(With Independent Auditor's Report Thereon)

Rocky Mountain Human Services and Subsidiary
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Independent Auditor's Report

**Board of Directors
Rocky Mountain Human Services and Subsidiary**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Rocky Mountain Human Services and Subsidiary (RMHS), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of RMHS as of June 30, 2022 and 2021, and the changes in their net assets and their 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 Auditor's Responsibilities for the Consolidated Audit of the Financial Statements section of our report. We are required to be independent of RMHS 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 RMHS' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Rocky Mountain Human Services and Subsidiary

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 consolidated 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 RMHS’ 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 RMHS’ 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated 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*, the Supplemental Consolidating Schedules, and the Supplemental Comparative Schedule of Activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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, the Supplemental Consolidating Schedules, and the Supplemental Comparative Schedule of Activities are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Board of Directors
Rocky Mountain Human Services and Subsidiary**

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2022 on our consideration of RMHS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RMHS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RMHS' internal control over financial reporting and compliance.

Kundinger, Corder & Montoya, P.C.

November 9, 2022

Rocky Mountain Human Services and Subsidiary
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 16,239,308	12,950,695
Receivables		
Service receivables, less allowance for uncollectable accounts of \$379,768 in 2022 and \$360,000 in 2021	2,268,576	1,793,913
Denver Mill Levy receivables	3,375,996	2,814,997
State grant receivables	7,704,147	6,644,367
Federal grant receivables	599,496	791,263
Other receivables	29,100	21,210
Net accounts receivable	13,977,315	12,065,750
Prepaid expenses and other assets	(38,727)	283,714
Cash held for others (note 3)	76,501	155,845
Property and equipment, net (notes 4 and 5)	5,135,131	4,693,287
Total assets	\$ 35,389,528	30,149,291
Liabilities and Net Assets		
Accounts payable	\$ 2,601,883	2,026,725
Accrued liabilities	2,652,167	2,299,249
Deferred revenue (note 7)	3,527,140	-
Paycheck Protection Program loan (note 6)	-	2,580,300
Bond and notes payable, net (note 5)	6,027,952	7,125,328
Total liabilities	14,809,142	14,031,602
Net assets		
Without donor restrictions	20,580,386	16,117,689
Total net assets	20,580,386	16,117,689
Commitments (notes 6, 8 and 9)		
Total liabilities and net assets	\$ 35,389,528	30,149,291

See the accompanying notes to the consolidated financial statements.

Rocky Mountain Human Services and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2022 and 2021

	2022	2021
Operating revenue		
Case management	\$ 18,097,810	20,976,028
Client directed funds	13,093,239	11,009,628
Child and family services	13,475,918	12,066,537
Residential services and support	9,295,886	8,424,638
Transition programs	15,300,592	15,055,031
Other programs	1,758,141	1,826,094
	71,021,586	69,357,956
Expenses		
Program services		
Case management	18,614,327	15,823,696
Client directed funds	11,740,720	9,889,971
Child and family services	10,422,979	9,473,899
Residential services and support	8,358,014	7,503,264
Transition programs	14,030,859	13,908,203
Other programs	1,390,043	1,034,282
	64,556,942	57,633,315
Supporting services		
Management and general	4,657,895	4,823,703
	4,657,895	4,823,703
Total operating expenses	69,214,837	62,457,018
Total operating net income	1,806,749	6,900,938
Non-operating revenue and expenses		
Contributions and grants	20,503	73,209
Paycheck Protection Program loan (note 6)	2,580,300	-
Billing revenue	18,341	17,661
Other revenue	60,547	8,392
Gain on conversion of debt	-	240,000
Fund raising expenses	(23,743)	(21,799)
	2,655,948	317,463
Change in net assets	4,462,697	7,218,401
Net assets at beginning of year	16,117,689	8,899,288
Net assets at end of year	\$ 20,580,386	16,117,689

See the accompanying notes to the consolidated financial statements.

Rocky Mountain Human Services and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Case management	Client directed funds	Child and family services	Residential services and support	Transition programs	Other programs	Total program services	Management and general	Fund raising	Total expenses
Salaries	\$ 13,089,801	680,428	5,261,065	1,486,586	5,116,437	206,699	25,841,016	2,570,480	7,441	28,418,937
Payroll taxes	1,062,548	47,805	423,339	120,792	414,415	15,881	2,084,780	200,337	512	2,285,629
Benefits	2,349,872	108,593	947,219	270,159	915,942	35,553	4,627,338	457,362	1,327	5,086,027
Client expenses										
Services and activities	–	6,463,482	2,289,703	202,934	284,419	109,391	9,349,929	–	–	9,349,929
Professional services	37,128	3,753,984	719,236	3,599	519,573	343	5,033,863	–	–	5,033,863
Habilitation services	–	–	–	863,630	110,690	3,647	977,967	–	–	977,967
Personal care	–	–	136,951	315,352	382,779	158,257	993,339	–	–	993,339
Transportation	–	–	4,386	144,182	167,326	835,621	1,151,515	–	–	1,151,515
Housing	–	452,286	–	4,650,330	5,060,602	–	10,163,218	12,700	–	10,175,918
Other expenses	–	–	71,736	–	58,158	10,934	140,828	–	–	140,828
Professional fees	390,592	54,553	91,218	19,277	54,016	461	610,117	398,520	1,653	1,010,290
Office supplies	1,113,225	41,818	285,393	105,357	362,337	10,226	1,918,356	343,547	4,867	2,266,770
Occupancy	147,586	14,595	58,614	48,509	207,894	108	477,306	62,133	486	539,925
Travel	4,875	642	16,834	25,127	113,783	460	161,721	3,045	34	164,800
Conferences	64,580	8,432	43,562	14,266	123,001	1,840	255,681	260,702	362	516,745
Interest	108,395	38,817	5,735	11,354	41,003	13	205,317	27,260	2	232,579
Depreciation and amortization	191,957	50,201	40,038	24,218	72,397	401	379,212	65,454	52	444,718
Insurance	42,073	15,298	21,445	7,423	23,195	208	109,642	36,577	893	147,112
Bad debt	–	–	–	26,491	–	–	26,491	90	–	26,581
Other expenses	11,695	9,786	6,505	18,428	2,892	–	49,306	219,688	6,114	275,108
Total expenses	\$ 18,614,327	11,740,720	10,422,979	8,358,014	14,030,859	1,390,043	64,556,942	4,657,895	23,743	69,238,580

See the accompanying notes to the consolidated financial statements.

Rocky Mountain Human Services and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Case manage- ment	Client directed funds	Child and family services	Residential services and support	Transition programs	Other programs	Total program services	Manage- ment and general	Fund raising	Total expenses
Salaries	\$ 10,813,969	540,488	4,754,755	1,418,925	4,320,499	—	21,848,636	2,753,631	10,735	24,613,002
Payroll taxes	856,361	41,098	372,190	109,387	335,749	—	1,714,785	209,054	715	1,924,554
Benefits	1,846,507	91,571	813,044	259,582	753,000	—	3,763,704	470,476	1,805	4,235,985
Client expenses										
Services and activities	—	5,723,169	2,119,620	255,356	405,410	100,421	8,603,976	—	—	8,603,976
Professional services	38,001	2,836,528	703,693	5,749	483,359	1,300	4,068,630	—	—	4,068,630
Habilitation services	—	—	—	501,382	—	142,375	643,757	—	—	643,757
Personal care	—	—	109,025	259,038	500,838	99,559	968,460	—	—	968,460
Transportation	—	—	3,375	142,274	196,506	707,824	1,049,979	—	—	1,049,979
Housing	—	470,072	225	4,271,396	5,901,873	—	10,643,566	—	—	10,643,566
Other expenses	—	—	14,140	—	21,119	4,014	39,273	—	—	39,273
Professional fees	334,002	33,616	64,392	22,190	204,264	—	658,464	463,869	1,654	1,123,987
Office supplies	1,393,345	33,490	338,508	123,704	339,281	—	2,228,328	346,867	1,090	2,576,285
Occupancy	109,933	12,139	45,004	36,522	242,598	—	446,196	70,148	486	516,830
Travel	110	134	1,349	17,234	33,243	—	52,070	196	2	52,268
Conferences	22,079	3,520	25,303	6,798	47,730	—	105,430	80,617	100	186,147
Interest	111,595	39,063	10,068	14,374	25,177	—	200,277	78,683	61	279,021
Depreciation and amortization	273,150	51,003	81,693	38,665	74,023	—	518,534	137,564	209	656,307
Insurance	22,806	12,948	14,118	5,491	14,172	—	69,535	57,251	1,021	127,807
Bad debt	—	—	—	—	—	—	—	13,895	—	13,895
Other expenses	1,838	1,132	3,397	15,197	9,362	(21,211)	9,715	141,452	3,921	155,088
Total expenses	\$ 15,823,696	9,889,971	9,473,899	7,503,264	13,908,203	1,034,282	57,633,315	4,823,703	21,799	62,478,817

See the accompanying notes to the consolidated financial statements.

Rocky Mountain Human Services and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 4,462,697	7,218,401
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization of property and equipment	428,874	644,424
Amortization of debt issuance costs	15,844	11,883
Bad debt expense	26,581	13,895
Forgiveness of Paycheck Protection Program loan	(2,580,300)	–
Gain on conversion of debt	–	(240,000)
Change in operating assets and liabilities		
Accounts receivable	(1,938,146)	(3,326,786)
Prepaid expenses and other assets	322,441	366,301
Accounts payable and accrued liabilities	928,076	437,394
Deferred revenue	3,527,140	(109,712)
Net cash provided by operating activities	5,193,207	5,015,800
Cash flows from investing activities		
Decrease (increase) in restricted cash held for others	79,344	(42,729)
Purchases of property and equipment	(870,718)	(254,996)
Net cash used in investing activities	(791,374)	(297,725)
Cash flows from financing activities		
Proceeds from notes payable	–	800,000
Principal payments on bond and notes payable	(1,113,220)	(864,442)
Payments on capital lease obligations	–	(283,450)
Net cash provided by financing activities	(1,113,220)	(347,892)
Increase in cash and cash equivalents	3,288,613	4,370,183
Cash and cash equivalents at beginning of year	12,950,695	8,580,512
Cash and cash equivalents at end of year	\$ 16,239,308	12,950,695
Supplemental cash flow information		
Interest paid	\$ 232,133	282,555

See the accompanying notes to the consolidated financial statements.

Rocky Mountain Human Services and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Organization

Rocky Mountain Human Services (Organization) embraces the power of community to support individuals and families in creating their future. The Organization is a not-for-profit corporation designated by the State of Colorado as a Community Centered Board to coordinate programs to provide services to individuals with developmental disabilities in the City and County of Denver. The Organization also provides services and programs in addition to those specific to its designation as a Community Centered Board. On January 1, 2019, the Organization formed Rocky Mountain Human Services Foundation (Foundation) as a wholly owned not-for-profit subsidiary.

The Organization and Foundation are supported primarily through governmental and client service revenue, grants, and contributions. The Organization and Foundation's services and programs can be categorized under the following pillars:

Case Management: Case management for Single Entry Point (SEP), Home Care Allowance (HCA), and Service Coordination includes intake activities and eligibility determination, the facilitation of enrollment into home and community-based services, and locating, coordinating, and monitoring services and supports for people with disabilities and ongoing health conditions. Case managers monitor the effective and efficient provision of services across multiple funding sources and may also assist clients with obtaining services outside of Medicaid waiver funding to include medical, social, education, and other services for individuals with disabilities (I/DD).

Client Directed Mill Levy Funds: This Denver Mill Levy funded program provides services and resources not available from other funding sources to individuals with I/DD and delays. Additionally, the program provides funding to other agencies offering services to individuals with I/DD. Services and resources provided including behavioral/mental health; basic needs/environmental supports; education and increasing independence; medical/dental; social/recreational; training and support; and services addressing system gaps.

Child and Family Services: RMHS provides services to children and adolescents with developmental delays or disabilities, including autism, under three programs. The Early Intervention (EI) program provides case management and child development services to eligible infants and toddlers, and their families, in the areas of cognition, speech and communication, sensory and motor development, social and emotional development, and self-help skills. The Children's Clinical program provides comprehensive assessment, consultation, and intervention services to infants, children, and adolescents under age nineteen, and children with autism spectrum disorder. The Family Support Services Program (FSSP) provides support for families who have children with developmental disabilities or delays with costs that are beyond those normally experienced by other families and focuses on preventing out-of-home placements. The Denver Early Steps Program (DES) provides case management and direct and services for children under the age of 3 in the city and county of a Denver with a 25-32% delay in one of the five areas of development, who are no longer supported by the state Early Intervention program due to an eligibility criteria rule change, which requires a 33% delay in one area.

Rocky Mountain Human Services and Subsidiary
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(a) Organization, Continued

Child and Family Services, Continued: DES also includes the Transition Home Project, which provides families being discharged from the NICU access to an infant specialist, as well as resources and supports to be evaluated for the Early Intervention program, and autism diagnostic or adaptive testing for children over 3 and outside of the Early Intervention program.

Systemic, Therapeutic, Assessment and Treatment (START) provides services to residents of the City and County of Denver. This is a community-based tertiary care crisis intervention system for persons with intellectual and developmental disabilities (I/DD) with mental /behavioral health (MH) needs and their families or caregivers.

Life Skills and Support: This program provides direct care for adults and children with intellectual and developmental disabilities through the Home and Community-Based Services Waiver for Developmentally Disabled (HCBS-DD), Supported Living Services Waiver (SLS), and Children's Extensive Waiver (CES). HCBS-DD provides 24/7 home living arrangements and all associated supports; SLS and CES services include, but are not limited to, home health care, daily living skills coaching, and independent living support. For clients not eligible for Waivers, the State SLS program provides select services to eligible clients. Depending on individual needs, clients may also be provided caregiver respite, personal care, behavioral services, mentorship, transportation, hippotherapy, movement therapy, massage therapy, day habilitation, basic and enhanced homemaker services, supported employment, and community connections.

Transition Programs: RMHS runs programs with services for adults and children transitioning from mental health institutions, psychiatric hospitals, or substance abuse facilities to a community setting. RMHS also provides stable housing services to Veterans who are homeless or at risk of becoming homeless, while addressing root causes of homelessness through case management.

Other Programs: Transportation services to daily activities are available to adult clients who have the ability to participate in independent local travel. The Program Approved Service Agency (PASA) Administration program provides general oversight and administrative services to PASAs which enable clients to receive services from the provider of their choice.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Rocky Mountain Human Services and Rocky Mountain Human Services Foundation (collectively RMHS). All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Rocky Mountain Human Services and Subsidiary
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Financial Statement Presentation

RMHS is required to present information regarding its 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 RMHS. These net assets may be used at the discretion of RMHS' 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 RMHS or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2022 and 2021, RMHS did not have any net assets with donor restrictions.

(e) Measure of Operations

The consolidated statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to RMHS' ongoing program activities, including governmental grants and service fee income. Non-operating activities are limited to contributions and grants for general operations from non-governmental sources, billing revenue, other revenue, fund raising expenses, and activities considered to be of a more unusual or nonrecurring nature.

(f) Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, RMHS considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

(g) Concentrations of Credit Risk

Financial instruments that potentially subject RMHS to concentrations of credit risk consist of cash and cash equivalents and receivables. RMHS places its cash and cash equivalents with creditworthy, high quality, financial institutions. At times, a portion of these cash balances may not be insured by the Federal Deposit Insurance Corporation or related entity. Credit risk with respect to trade receivables is generally diversified due to the large number of entities and creditworthiness of the organizations that comprise RMHS' customer base.

(h) Property and Equipment

Property and equipment are recorded at cost. RMHS capitalizes all expenditures for property and equipment in excess of \$10,000. Depreciation is computed using the straight-line method over estimated useful lives of the assets ranging from two to forty years. Leasehold improvements are amortized ratably over the lesser of the lease term or their respective estimated useful life.

Rocky Mountain Human Services and Subsidiary
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Debt Issuance Costs

RMHS incurred debt issuance costs totaling \$303,268 on a bond issue and two term loans which are being amortized over the life of the respective bond and loans. The balance at June 30, 2022 and 2021 was \$137,316 and \$153,160, respectively, and amortization expense was \$15,844 in 2022 and \$11,883 in 2021.

(j) Revenue Recognition

Contributions and grants

Contributions are recognized when cash or unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Should RMHS substantially meet all the conditions in the same period that the contribution was recognized, and barring any further donor-imposed restrictions, RMHS has elected to recognize the revenue in net assets without donor restrictions.

Federal, state, and local government grants included in operating revenue are treated as contributions that are conditioned upon specific performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2022, conditional contributions totaling \$42,967,672 relating to these grants have not been recognized in the accompanying consolidated financial statements.

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purposes restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. All Contributions and grants receivable are expected to be collected within one year.

Medicaid and private insurance revenue

Medicaid and private insurance charges are billed by encounter, usually on an hourly or unitized basis, and recognized as revenue in the month in which the services are rendered. For services outsourced to third party providers, RMHS recognizes revenue in the month the services are billed. At year-end, management and the revenue cycle team make a concerted effort to receive any outstanding billings from the third party providers related to the fiscal year so that those services can be accrued. Billing rules may allow third parties additional time to bill, so in addition to the year-end accrual based on actual invoice received after the year-end, RMHS may also accrue an estimated amount for services incurred but not billed. No funds are received in advance.

Rocky Mountain Human Services and Subsidiary
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Revenue Recognition, Continued

Denver Mill Levy revenue

Denver Mill Levy revenue is revenue from a reimbursement-based grant that is conditioned upon specific spending and service requirements set forth by the City. Revenue is recognized following the contribution and grants revenue recognition policies discussed above.

State revenue

State revenue consists of both grants and fee for service contracts. Grants revenue is recognized following the contributions and grants revenue recognition policies discussed above.

Contract revenue is billed by encounter, usually on an hourly or unitized basis, and recognized as revenue in the month the services are rendered. For services outsourced to third party providers, RMHS recognizes revenue in the month the services are billed. At year-end, management and the revenue cycle team make a concerted effort to receive any outstanding billings from the third-party providers related to the fiscal year so that those services can be accrued. Billing rules may allow third parties additional time to bill, so in addition to the year-end accrual based on actual invoice received after the year-end, RMHS may also accrue an estimated amount for services incurred but not billed. No funds are received in advance.

Other program revenue

Room and board revenue is recognized in the month received with all clients paying twelve times per year. Funds are typically not received in advance.

RMHS uses the allowance method to determine uncollectable contract amounts. In determining the collectability of service receivables, management considers past collection experience and performs an analysis of subsequent collections compared to age of receivables. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectable.

(k) Functional Allocation of Expenses

The costs of providing various programs and other supporting activities have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. RMHS incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. RMHS also conducts a number of activities, which benefit both its program objective as well as supporting services (i.e. fund raising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(l) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure on contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. See note 7 also.

Rocky Mountain Human Services and Subsidiary
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Income Taxes

The Organization and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualify for the charitable contribution deduction. However, income from activities not directly related to their respective tax-exempt purpose is subject to taxation as unrelated business income. These entities incurred no unrelated business income tax during 2022 or 2021.

Management is required to evaluate tax positions taken by the entities and to recognize a tax liability if an entity has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. Each entity believes that it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements. Each entity is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Tax returns for the previous three years are subject to examination by the IRS, generally for three years after initial filing.

(n) Subsequent Events

RMHS has evaluated subsequent events through November 9, 2022, the date the consolidated financial statements were available to be issued. See Note 10.

(2) Liquidity and Availability of Financial Assets

The following reflects RMHS' financial assets available for general expenditure as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 16,239,308	12,950,695
Accounts receivable	<u>13,977,315</u>	<u>12,065,750</u>
Total financial assets available for general expenditure within one year	\$ <u>30,216,623</u>	<u>25,016,445</u>

As part of RMHS' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. RMHS manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. In the event of an unanticipated liquidity need, RMHS could also draw upon \$2,500,000 of available line of credit (see note 5).

(3) Cash Held for Others

RMHS receives funds on behalf of certain clients that are restricted by government agencies for the exclusive benefit of the named clients. At June 30, 2022 and 2021, these funds totaled \$76,501 and \$155,845, respectively.

Rocky Mountain Human Services and Subsidiary
Notes to Consolidated Financial Statements, Continued

(4) Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,231,000	1,231,000
Buildings and improvements	3,762,990	3,572,235
Furniture, fixtures, and equipment	3,419,050	2,953,975
Vehicles	43,600	81,526
Construction in progress	<u>237,436</u>	<u>—</u>
	8,694,076	7,838,736
Less accumulated depreciation	<u>(3,558,945)</u>	<u>(3,145,449)</u>
	<u>\$ 5,135,131</u>	<u>4,693,287</u>

(5) Bond and Notes Payable

On December 1, 2012, the Organization entered into an agreement for an \$11,100,000 Bond Issue (Bond) secured by the deed of trust for the administrative building and carries a fixed interest rate of 3.27%. On January 1, 2019, the Organization transferred the outstanding Bond obligation to the Foundation as part of the purchase and sale agreement related to the building and land. On March 19, 2019, a portion of the Bond was converted to a loan (see Foundation Term Loan below). After the partial conversion to a loan, principal and interest totaling \$53,535 are due monthly through February 1, 2031. The Bond has certain financial covenants which were met at June 30, 2022.

On March 19, 2019, RMHS entered into a twelve-year, \$1,704,367 term loan agreement (Foundation Term Loan) due to the conversion of a portion of the bond payable to a note payable. This agreement is secured by the deed of trust for the administrative building and carries a fixed interest rate of 4.34%. Principal and interest totaling \$15,286 are due monthly through February 1, 2031. This Term Loan has certain financial covenants which were met at June 30, 2022.

On July 1, 2020, RMHS entered into a loan agreement (RMHS Term Loan) in the amount of \$800,000 secured by general business assets and carries a fixed interest rate of 3.28%. Principal and interest payments totaling \$27,834 are due monthly through January 3, 2023. On September 22, 2021, the remaining balance of the RMHS Term Loan was paid in full.

RMHS opened a line of credit for \$2,500,000 on September 23, 2020 with a one-year term. The line of credit has a variable interest rate of 0.25% over Prime Rate and is secured by personal property. On September 21, 2022, the line of credit was renewed under the same terms for an additional year. There was no balance outstanding as of June 30, 2022.

Bond and notes payable outstanding consist of the following at June 30, 2022:

Bond	\$ 4,846,245
Foundation Term Loan	<u>1,319,023</u>
Total bond and notes payable	6,165,268
Less unamortized debt issuance costs	<u>(137,316)</u>
Bond and notes payable, net	<u>\$ 6,027,952</u>

Rocky Mountain Human Services and Subsidiary
Notes to Consolidated Financial Statements, Continued

(5) Bond and Notes Payable, Continued

Aggregate future principal payments on the bond and notes are as follows for the years ended June 30:

2023	\$ 619,995
2024	642,002
2025	664,802
2026	688,426
2027	712,902
Thereafter	<u>2,837,141</u>
Total bond and notes payable	6,165,268
Less unamortized debt issuance costs	<u>(137,316)</u>
Total bond and notes payable, net	<u>\$ 6,027,952</u>

(6) Paycheck Protection Program Loan

In April 2020, RMHS received a \$3,380,300 Paycheck Protection Program loan from the U.S. Small Business Administration. RMHS elected to repay \$800,000 immediately upon receiving the loan. RMHS recognized contribution revenue totaling \$2,580,300 during fiscal 2022 as a result of incurring eligible expenses. RMHS received full forgiveness of the loan on August 5, 2021.

(7) Deferred Revenue

During fiscal 2022 and fiscal 2021, RMHS administered the Single-Entry Point (SEP) program based on its fee-for-service contract with the Department of Health Care Policy & Financing (HCPF) and accounted for funds pursuant to the contract provisions. During fiscal 2022, RMHS determined, based upon an audit of the program performed by Colorado Independent Consultant Network, LLC, its fee-for-service contract was interpreted differently by HCPF. Rather than a fee-for-service method, the Department enforced a rate-based methodology. The rate-based methodology for the SEP is a federal subaward and is passed through to RMHS for SEP activities performed. Those funds must be spent on allowable activities within the SEP program, and any unused funds must be returned to the State at the end of the performance period. RMHS has made the decision to comply with a rate-based methodology. Unused funds in fiscal 2022 and fiscal 2021 were \$552,326 and \$2,899,814, respectively, due to unexpected one-time payments that could not be expended within the same fiscal year. In fiscal 2022, \$3,452,140 has been recorded as deferred revenue. Any portion of the \$3,452,140 in SEP deferred revenue that is not expended on allowable costs by the end of the performance period will be returned to the State of Colorado.

(8) Operating Leases

The Organization leases office space, equipment, and vehicles used in operations under non-cancelable operating lease agreements. The leases expire at various dates through February 2031. Future minimum lease payments under these non-cancelable operating leases are as follows as of June 30:

2023	\$ 1,025,571
2024	895,278
2025	866,530
2026	865,300
2027	865,300
Thereafter	<u>4,038,066</u>
	<u>\$ 8,556,045</u>

Rocky Mountain Human Services and Subsidiary
Notes to Consolidated Financial Statements, Continued

(8) Operating Leases, Continued

Total office, equipment, and vehicle rent expense for the years ended June 30, 2022 and 2021, was \$1,098,201 and \$1,112,143, respectively.

Total rent paid by the Organization to the Foundation during 2022 and 2021 was \$865,300 and \$865,300, respectively. The rent amount charged by the Foundation to the Organization was made at fair market value as of the date of the lease agreement, January 1, 2019. Rent paid by the Organization pursuant to the lease agreement is used, in part, by the Foundation to make debt service payments.

(9) Retirement Plan

RMHS maintains a tax-sheltered annuity plan (the Plan) which covers substantially all employees. Eligible employees may begin to participate in the Plan with elective deferral contributions on the date of hire. An employee becomes eligible for employer matching contributions after six months of service. Under the Plan, RMHS matches 4% of eligible compensation. For the years ended June 30, 2022 and 2021, RMHS contributed \$866,859 and \$654,060, respectively, to the Plan.

(10) Subsequent Event

Colorado Revised Statute § 25.5-6-409.3 required the State of Colorado to develop a plan for the delivery of conflict free case management services through the State Home and Community Based Medicaid waivers. Conflict free means case management agencies cannot provide direct services to the same person they are providing case management services to. The State of Colorado is required to be in compliance with this ruling effective July 1, 2024. Due to this requirement, RMHS made the decision to focus on case management. On July 20, 2022, the Board of Directors approved a plan to divest the direct services department of RMHS known as Life Skills and Support (LSS). RMHS entered into a purchase agreement with an outside entity effective November 1, 2022, for \$2,119,000. All RMHS clients supported by LSS had the opportunity to select the outside agency as their service provider or select another agency of their choice.

Rocky Mountain Human Services and Subsidiary
Supplemental Consolidating Schedule of Financial Position
June 30, 2022

	<u>Organization</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 15,807,075	432,233	–	16,239,308
Receivables				
Service receivables, less allowance for uncollectable accounts	2,268,576	–	–	2,268,576
Denver Mill Levy receivables	3,375,996	–	–	3,375,996
State grant receivables	7,704,147	–	–	7,704,147
Federal grant receivables	599,496	–	–	599,496
Other receivables	29,100	–	–	29,100
Intercompany receivables	64,621	–	(64,621)	–
Net accounts receivable	14,041,936	–	(64,621)	13,977,315
Prepaid expenses and other assets	(38,727)	–	–	(38,727)
Security deposit	144,217	–	(144,217)	–
Cash held for others	76,501	–	–	76,501
Property and equipment, net	1,227,419	3,907,712	–	5,135,131
Total assets	<u>\$ 31,258,421</u>	<u>4,339,945</u>	<u>(208,838)</u>	<u>35,389,528</u>
Liabilities and Net Assets				
Accounts payable	\$ 2,601,883	–	–	2,601,883
Intercompany payables	–	64,621	(64,621)	–
Accrued liabilities	2,623,891	28,276	–	2,652,167
Security deposit	–	144,217	(144,217)	–
Deferred revenue	3,527,140	–	–	3,527,140
Bond and notes payable, net	–	6,027,952	–	6,027,952
Total liabilities	<u>8,752,914</u>	<u>6,265,066</u>	<u>(208,838)</u>	<u>14,809,142</u>
Net assets (deficit)				
Without donor restrictions	<u>22,505,507</u>	<u>(1,925,121)</u>	–	<u>20,580,386</u>
Total net assets (deficit)	<u>22,505,507</u>	<u>(1,925,121)</u>	–	<u>20,580,386</u>
Total liabilities and net assets	<u>\$ 31,258,421</u>	<u>4,339,945</u>	<u>(208,838)</u>	<u>35,389,528</u>

See the accompanying independent auditor's report.

Rocky Mountain Human Services and Subsidiary
Supplemental Consolidating Schedule of Financial Position
June 30, 2021

	<u>Organization</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 12,557,909	392,786	–	12,950,695
Receivables				
Service receivables, less allowance for uncollectable accounts	1,793,913	–	–	1,793,913
Denver Mill Levy receivables	2,814,997	–	–	2,814,997
State grant receivables	6,644,367	–	–	6,644,367
Federal grant receivables	791,263	–	–	791,263
Other receivables	21,210	–	–	21,210
Intercompany receivables	33,127	–	(33,127)	–
Net accounts receivable	12,098,877	–	(33,127)	12,065,750
Prepaid expenses and other assets	283,714	–	–	283,714
Security deposit	144,217	–	(144,217)	–
Cash held for others	155,845	–	–	155,845
Property and equipment, net	530,410	4,162,877	–	4,693,287
Total assets	<u>\$ 25,770,972</u>	<u>4,555,663</u>	<u>(177,344)</u>	<u>30,149,291</u>
Liabilities and Net Assets				
Accounts payable	\$ 2,026,725	–	–	2,026,725
Intercompany payables (receivables)	–	33,127	(33,127)	–
Accrued liabilities	2,277,232	22,017	–	2,299,249
Security deposit	–	144,217	(144,217)	–
Paycheck Protection Program loan	2,580,300	–	–	2,580,300
Bond and notes payable, net	514,466	6,610,862	–	7,125,328
Total liabilities	<u>7,398,723</u>	<u>6,810,223</u>	<u>(177,344)</u>	<u>14,031,602</u>
Net assets (deficit)				
Without donor restrictions	18,372,249	(2,254,560)	–	16,117,689
Total net assets (deficit)	18,372,249	(2,254,560)	–	16,117,689
Total liabilities and net assets	<u>\$ 25,770,972</u>	<u>4,555,663</u>	<u>(177,344)</u>	<u>30,149,291</u>

See the accompanying independent auditor's report.

Rocky Mountain Human Services and Subsidiary
Supplemental Consolidating Schedule of Activities
Year Ended June 30, 2022

	<u>Organization</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenue				
Case management	\$ 18,097,810	–	–	18,097,810
Client directed funds	13,093,239	–	–	13,093,239
Child and family services	13,475,918	–	–	13,475,918
Residential services and support	9,295,886	–	–	9,295,886
Transition programs	15,300,592	–	–	15,300,592
Other programs	1,758,141	–	–	1,758,141
Total operating revenue	<u>71,021,586</u>	<u>–</u>	<u>–</u>	<u>71,021,586</u>
Expenses				
Program services				
Case management	18,787,282	234,072	(407,027)	18,614,327
Client directed funds	11,674,392	85,213	(18,885)	11,740,720
Child and family services	10,559,585	10,896	(147,502)	10,422,979
Residential services and support	8,375,885	24,482	(42,353)	8,358,014
Transition programs	14,095,517	88,527	(153,185)	14,030,859
Other programs	1,393,435	–	(3,392)	1,390,043
Total program services	<u>64,886,096</u>	<u>443,190</u>	<u>(772,344)</u>	<u>64,556,942</u>
Supporting services				
Management and general	4,658,180	92,671	(92,956)	4,657,895
Total supporting services	<u>4,658,180</u>	<u>92,671</u>	<u>(92,956)</u>	<u>4,657,895</u>
Total operating expenses	<u>69,544,276</u>	<u>535,861</u>	<u>(865,300)</u>	<u>69,214,837</u>
Total operating net income	<u>1,477,310</u>	<u>(535,861)</u>	<u>865,300</u>	<u>1,806,749</u>
Non-operating revenue and expenses				
Contributions and grants	20,503	–	–	20,503
Paycheck Protection Program loan	2,580,300	–	–	2,580,300
Billing revenue	18,341	–	–	18,341
Other revenue	60,547	–	–	60,547
Rental income	–	865,300	(865,300)	–
Fund raising expenses	(23,743)	–	–	(23,743)
Total non-operating revenue and expenses	<u>2,655,948</u>	<u>865,300</u>	<u>(865,300)</u>	<u>2,655,948</u>
Change in net assets	4,133,258	329,439	–	4,462,697
Net assets (deficit) at beginning of year	<u>18,372,249</u>	<u>(2,254,560)</u>	<u>–</u>	<u>16,117,689</u>
Net assets (deficit) at end of year	<u>\$ 22,505,507</u>	<u>(1,925,121)</u>	<u>–</u>	<u>20,580,386</u>

See the accompanying independent auditor's report.

Rocky Mountain Human Services and Subsidiary
Supplemental Consolidating Schedule of Activities
Year Ended June 30, 2021

	<u>Organization</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenue				
Case management	\$ 20,976,028	–	–	20,976,028
Client directed funds	11,009,628	–	–	11,009,628
Child and family services	12,066,537	–	–	12,066,537
Residential services and support	8,424,638	–	–	8,424,638
Transition programs	15,055,031	–	–	15,055,031
Other programs	1,826,094	–	–	1,826,094
Total operating revenue	<u>69,357,956</u>	<u>–</u>	<u>–</u>	<u>69,357,956</u>
Expenses				
Program services				
Case management	15,974,621	219,747	(370,672)	15,823,696
Client directed funds	9,836,644	80,505	(27,178)	9,889,971
Child and family services	9,593,506	16,101	(135,708)	9,473,899
Residential services and support	7,522,685	28,233	(47,654)	7,503,264
Transition programs	13,942,088	49,211	(83,096)	13,908,203
Other programs	1,034,282	–	–	1,034,282
Total program services	<u>57,903,826</u>	<u>393,797</u>	<u>(664,308)</u>	<u>57,633,315</u>
Supporting services				
Management and general	4,868,320	156,191	(200,808)	4,823,703
Total supporting services	<u>4,868,320</u>	<u>156,191</u>	<u>(200,808)</u>	<u>4,823,703</u>
Total operating expenses	<u>62,772,146</u>	<u>549,988</u>	<u>(865,116)</u>	<u>62,457,018</u>
Total operating net income	<u>6,585,810</u>	<u>(549,988)</u>	<u>865,116</u>	<u>6,900,938</u>
Non-operating revenue and expenses				
Contributions and grants	73,209	–	–	73,209
Billing revenue	17,661	–	–	17,661
Other revenue	8,392	–	–	8,392
Rental income	–	865,300	(865,300)	–
Gain on conversion of debt	240,000	–	–	240,000
Fund raising expenses	(21,870)	(113)	184	(21,799)
Total non-operating revenue and expenses	<u>317,392</u>	<u>865,187</u>	<u>(865,116)</u>	<u>317,463</u>
Change in net assets	6,903,202	315,199	–	7,218,401
Net assets (deficit) at beginning of year	<u>11,469,047</u>	<u>(2,569,759)</u>	<u>–</u>	<u>8,899,288</u>
Net assets (deficit) at end of year	<u>\$ 18,372,249</u>	<u>(2,254,560)</u>	<u>–</u>	<u>16,117,689</u>

See the accompanying independent auditor's report.

Rocky Mountain Human Services and Subsidiary
Supplemental Consolidating Schedules of Operating Revenue by Funder
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Federal grant revenue		
Case management	\$ 7,214,478	7,737,078
Child and family services	772,852	373,859
Transition programs	<u>7,644,134</u>	<u>8,038,047</u>
Total federal grant revenue	<u>15,631,464</u>	<u>16,148,984</u>
Medicaid contract revenue		
Case management	3,208,844	2,916,185
Child and family services	869,611	978,099
Residential services and support	6,967,262	6,407,445
Other programs	<u>1,758,141</u>	<u>1,824,994</u>
Total Medicaid contract revenue	<u>12,803,858</u>	<u>12,126,723</u>
Denver Mill Levy grant revenue		
Case management	1,940,802	1,421,360
Client directed funds	13,093,239	11,009,628
Child and family services	4,033,850	3,466,536
Residential services and support	<u>28,167</u>	<u>109,842</u>
Total Denver Mill Levy grant revenue	<u>19,096,058</u>	<u>16,007,366</u>
State grant and contract revenue		
Case management	5,733,686	8,901,405
Child and family services	7,447,875	7,164,557
Residential services and support	1,689,396	1,264,775
Transition programs	7,656,458	7,016,984
Other programs	<u>—</u>	<u>1,100</u>
Total state grant and contract revenue	<u>22,527,415</u>	<u>24,348,821</u>
Private insurance contract revenue		
Child and family services	<u>99,207</u>	<u>83,486</u>
Total private insurance contract revenue	<u>99,207</u>	<u>83,486</u>
Other program contract revenue		
Child and family services	252,523	—
Residential services and support	<u>611,061</u>	<u>642,576</u>
Total other program contract revenue	<u>863,584</u>	<u>642,576</u>
Total program revenue	<u>\$ 71,021,586</u>	<u>69,357,956</u>

See the accompanying independent auditor's report.

Rocky Mountain Human Services and Subsidiary
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal grantor/pass-through grantor/program or cluster title	Pass-through Entity Identi- fying Number	Federal assistance listing number	Federal expend- itures
<i>U.S. Department of Veteran Affairs</i>			
<i>Direct Programs</i>			
VA Supportive Services for Veteran Families	N/A	64.033	\$ 6,180,389
VA Supportive Services for Veteran Families— COVID-19	N/A	64.033	272,858
VA Supportive Services for Veteran Families	N/A	64.033	418,647
<i>Total U.S. Department of Veteran Affairs</i>			<u>6,871,894</u>
<i>U.S. Department of Health and Human Services</i>			
<i>Pass-through Programs From</i>			
State of Colorado, Department of Health Care Policy and Financing			
Medical Assistance Program	21-160441A2	93.778	7,214,478
Medical Assistance Program	20-134771A3	93.778	462,049
Subtotal 93.778			<u>7,676,527</u>
State of Colorado, Department of Human Services			
Block Grant for Community Mental Health Services	22-IHJA-172989	93.958	357,303
<i>Total U.S. Department of Health and Human Services</i>			<u>8,033,830</u>
<i>U.S. Department of Treasury</i>			
<i>Pass-through Programs From</i>			
State of Colorado, Department of Human Services			
American Rescue Plan Act—COVID-19	22-IHJA-172989	21.027	414,937
<i>Total U.S. Department of Treasury</i>			<u>414,937</u>
<i>U.S. Department of Education</i>			
<i>Pass-through Programs From</i>			
State of Colorado, Department of Human Services			
Special Education - Grants for Infants and Families with Disabilities	H181A210097	84.181A	310,803
<i>Total U.S. Department of Education</i>			<u>310,803</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 15,631,464</u>

(Continued)

Rocky Mountain Human Services and Subsidiary
Schedule of Expenditures of Federal Awards, Continued
Year Ended June 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Rocky Mountain Human Services and Subsidiary (RMHS) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of RMHS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of RMHS.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

RMHS has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Subrecipient Awards

There were no awards passed through by RMHS to subrecipients.



Independent Auditor's 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

**Board of Directors
Rocky Mountain Human Services and Subsidiary**

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 consolidated financial statements of Rocky Mountain Human Services and Subsidiary (RMHS), which comprise the consolidated statement of financial position as of June 30, 2022, 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, and have issued our report thereon dated November 9, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered RMHS' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of RMHS' internal control. Accordingly, we do not express an opinion on the effectiveness of RMHS' 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether RMHS' consolidated 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 consolidated financial statements. 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*.

**Board of Directors
Rocky Mountain Human Services and Subsidiary**

RMHS' Response to Finding

RMHS' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. RMHS' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Kundinger, Corder & Montoya, P.C.

November 9, 2022



Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

**Board of Directors
Rocky Mountain Human Services and Subsidiary**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rocky Mountain Human Services and Subsidiary (RMHS) 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 each of RMHS' major federal programs for the year ended June 30, 2022. RMHS' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, RMHS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of RMHS 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 RMHS' 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 RMHS' federal programs.

**Board of Directors
Rocky Mountain Human Services and Subsidiary**

Auditor’s 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 RMHS’ 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 RMHS’ 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 RMHS’ compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of RMHS’ 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 RMHS’ 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.

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 Auditor’s 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.

**Board of Directors
Rocky Mountain Human Services and Subsidiary**

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.

Kundinger, Corder & Montoya, P.C.

November 9, 2022

Rocky Mountain Human Services and Subsidiary
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of Rocky Mountain Human Services and Subsidiary (RMHS) were prepared in accordance with GAAP.
2. One significant deficiency relating to the audit of the financial statements is reported in the *Independent Auditor's 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the consolidated financial statements of RMHS, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit as reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award program expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no audit findings relating to major programs that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were the Medical Assistance Program, Assistance Listing No. 93.778, and Coronavirus State and Local Fiscal Recovery Funds, Assistance Listing No. 21.027.
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. RMHS was determined to be a low-risk auditee.

B. Findings-Financial Statement Audit

2022-001 Schedule of Expenditures of Federal Awards – Significant Deficiency

Criteria and Condition: RMHS is responsible for preparing a complete and accurate Schedule of Expenditures of Federal Awards (SEFA). The expenditures for VA Supportive Services for Veteran Families, assistance listing number 64.033, were over reported by \$1,369,674.

Context: Cost reimbursement grants submit drawdown requests on a monthly basis to the appropriate federal agency for reimbursement.

Cause: Only expenditures recorded for fiscal 2022 should be reported in the SEFA.

Effect: The SEFA amount reported for this program was inaccurate. Overstating expenditures for a program could also result in inaccurately calculating the major programs to be tested.

Recommendation: We recommend RMHS management members monitor the amount of federal spending throughout the year, for example on a monthly or quarterly basis, instead of making SEFA determinations at the end of the year.

Views of Responsible Officials and Planned Corrective Actions: RMHS will prepare the SEFA on at least a quarterly basis throughout future fiscal years to ensure expenditures are reported appropriately. In addition, leadership positions within the finance department will obtain training in FY23 on SEFA reporting.

C. Findings and Questioned Costs-Major Federal Award Programs Audit

None.

**Mile High Council on Alcoholism and Drug Abuse
d/b/a Rocky Mountain Human Services and Subsidiaries
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022**

None.