



Financial Statements  
June 30, 2023

# Developmental Pathways, Inc.

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## Independent Auditor's Report

To the Board of Directors  
Developmental Pathways, Inc.  
Aurora, Colorado

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Developmental Pathways, Inc., which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Developmental Pathways, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of Developmental Pathways, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Change in Accounting Principle***

As discussed in Note 6 to the financial statements, Developmental Pathways, Inc. has adopted the provisions of FASB Accounting Standards Codification Topic 842, *Leases*, as of July 1, 2022, using the modified retrospective approach with an adjustment at the beginning of the adoption period. Our opinion is not modified with respect to this 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.

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 Developmental Pathways, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities of 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 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 GAAS 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 GAAS 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 Developmental Pathways, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Developmental Pathways, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2023 on our consideration of Developmental Pathways, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Developmental Pathways, Inc.'s 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 Developmental Pathways, Inc.'s internal control over financial reporting and compliance.

*Eide Bailly LLP*

Denver, Colorado  
December 14, 2023

Developmental Pathways, Inc.  
Statement of Financial Position  
June 30, 2023

Assets	
Cash and cash equivalents	\$ 20,057,602
Investments	14,958,522
Accounts receivable, net	6,468,138
Grant advances	218,100
Prepaid expenses and other assets	501,333
Property and equipment, net	1,164,699
Operating lease right of use assets	1,072,688
Finance lease right of use assets	7,954
Endowment investments	976,873
Total assets	\$ 45,425,909
Liabilities and Net Assets	
Accounts payable and accrued liabilities	\$ 3,190,019
Deferred revenue	3,296,509
Operating lease liabilities	1,411,172
Finance lease liabilities	7,106
Total liabilities	7,904,806
Net Assets	
Without donor restrictions	
Undesignated	29,937,639
Board designated	5,428,087
Invested in property and equipment, net	1,164,699
	36,530,425
With donor restrictions	
Purpose restrictions	82,715
Perpetual in nature	907,963
	990,678
Total net assets	37,521,103
Total liabilities and net assets	\$ 45,425,909

Developmental Pathways, Inc.

Statement of Activities  
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
State of Colorado - Medicaid	\$ 10,631,239	\$ -	\$ 10,631,239
State of Colorado - other	17,846,775	-	17,846,775
Mill levy	20,650,049	-	20,650,049
Service fees and other program income	1,210,697	-	1,210,697
Rental income and other	89,404	-	89,404
Contributions and grants	99,792	13,676	113,468
Net investment return	1,824,859	68,384	1,893,243
Net assets released from restrictions	8,472	(8,472)	-
	<u>52,361,287</u>	<u>73,588</u>	<u>52,434,875</u>
Expenses			
Program services			
Case management	12,584,198	-	12,584,198
Support services	33,230,489	-	33,230,489
	<u>45,814,687</u>	<u>-</u>	<u>45,814,687</u>
Supporting services			
Management and general	7,241,331	-	7,241,331
Fundraising and development	94,514	-	94,514
	<u>7,335,845</u>	<u>-</u>	<u>7,335,845</u>
	<u>53,150,532</u>	<u>-</u>	<u>53,150,532</u>
Change in net assets	(789,245)	73,588	(715,657)
Net Assets, Beginning of Year	<u>37,319,670</u>	<u>917,090</u>	<u>38,236,760</u>
Net Assets, End of Year	<u>\$ 36,530,425</u>	<u>\$ 990,678</u>	<u>\$ 37,521,103</u>

**Developmental Pathways, Inc.**  
Statement of Functional Expenses  
Year Ended June 30, 2023

	Program services		Supporting services			Total
	Case Management	Support Services	Management and General	Fundraising and Development		
Salaries, benefits, and taxes	\$ 11,499,674	\$ 9,351,091	\$ 5,962,929	\$ 28,428	\$ 26,842,122	
Professional services	156,986	8,983,248	450,268	-	9,590,502	
Community outreach	-	7,718,551	-	-	7,718,551	
Client assistance and activities	-	6,057,968	249	37,559	6,095,776	
Information technology	404,995	401,349	282,126	6,659	1,095,129	
Occupancy	270,487	197,947	90,711	-	559,145	
Other	6,016	251,241	138,472	21,725	417,454	
Depreciation and amortization	188,618	131,972	64,551	-	385,141	
Staff development and travel	45,800	84,136	50,571	143	180,650	
Insurance	12	-	137,846	-	137,858	
Office expenses	10,282	18,114	43,525	-	71,921	
Dues and subscriptions	-	33,921	7,423	-	41,344	
Maintenance	1,328	951	12,660	-	14,939	
<b>Total expenses by function</b>	<b>\$ 12,584,198</b>	<b>\$ 33,230,489</b>	<b>\$ 7,241,331</b>	<b>\$ 94,514</b>	<b>\$ 53,150,532</b>	

Developmental Pathways, Inc.  
Statement of Cash Flows  
Year Ended June 30, 2023

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Operating Activities	
Change in net assets	\$ (715,657)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	385,141
Realized and unrealized gain	(1,632,411)
Endowment net investment gain	(68,384)
Gain on sale of assets	(9,811)
Change in operating assets and liabilities	
Accounts receivable, net	(822,580)
Grant advances	553,425
Prepaid expenses and other assets	20,754
Accounts payable and accrued liabilities	272,544
Deferred revenue	(1,195,688)
Operating lease assets and liabilities	<u>(195,239)</u>
Net Cash used for Operating Activities	<u>(3,407,906)</u>
Investing Activities	
Purchases of investments	(2,131,628)
Proceeds from sales of investments	2,365,220
Repayment of note receivable	746,596
Purchases of property and equipment	<u>(332,914)</u>
Net Cash from Investing Activities	<u>647,274</u>
Financing Activities	
Principal payments on finance leases	<u>(5,966)</u>
Net Cash used for Financing Activities	<u>(5,966)</u>
Net Change in Cash and Cash Equivalents	(2,766,598)
Cash and Cash Equivalents, Beginning of Year	<u>22,824,200</u>
Cash and Cash Equivalents, End of Year	<u>\$ 20,057,602</u>

## **Note 1 - Principal Activities and Significant Accounting Policies**

### **Organization**

Developmental Pathways, Inc. (DPI, we, us, our) is a Colorado nonprofit agency created to serve individuals with developmental disabilities and their families. Formed in 1964 as a community-based alternative to institutional care, DPI provides a broad array of services based on the principle that full inclusion and participation in community life is attainable for every individual with a developmental disability. DPI serves citizens of Arapahoe and Douglas Counties, and that portion of Adams County within the city of Aurora.

We are one of 20 Colorado Community Centered Boards (CCBs) established by state statute in 1963. The role of a CCB is to be responsible for community services for children with developmental disabilities and/or delays in their development, and for adults with developmental disabilities. We enrich the lives of individuals with developmental disabilities and/or delays by partnering to provide expertise, support, and advocacy in their pursuit of a meaningful life. We foster choice and independence by collaborating with individuals and their families to provide high-quality lifetime supports that will empower them to thrive in the community.

Our primary service areas include the following:

#### *Case Management*

As a CCB, we determine eligibility for state and Medicaid-waiver funded programs and provide case management services for individuals with developmental disabilities in Medicaid waiver and state funded programs in our service area. Services identified in an annual individualized plan needs are purchased from approved contractors and program-approved service agencies, using program funds available and as authorized through each individual's plan.

We have developed an extensive quality assurance program to ensure compliance with state rules and regulations, but more importantly, to ensure that all individuals we serve receive the highest levels of attention and care, and are treated with dignity, respect, and compassion. In addition to extensive and ongoing staff training, we actively track our program-approved service agency (PASA) performance outcomes and investigate allegations of abuse and neglect of individuals in services, as needed. We have three Human Rights Committees comprised of independent third-party experts and family member volunteers who meet monthly to review investigation results, psychotropic medication usage, rights suspensions, restrictive programming, and other matters as required under state regulations.

### *Support Services*

In addition to providing Case Management services, we provide support services in the following program areas:

#### *Early Intervention*

Our Early Intervention program serves families with a child under three years old who has a significant delay in their development and/or a qualifying diagnosis. We partner with local school districts to determine eligibility for the program and then deliver services in the child's home. We also provide assistance to connect the family to funding and providers of the needed services which was primarily delivered using Telehealth.

#### *Adult Developmental Disabilities*

The Developmental Disabilities (DD) Medicaid waiver provides 24/7 residential care to adults. Services and supports are provided by provider agencies and the Community Centered Board.

#### *Children's Extensive Support*

Children's Extensive Support (CES) services are provided through the Medicaid Home and Community Based Services Waiver for children with the most challenging developmental disabilities. The CES Waiver allows children who may not otherwise qualify for Medicaid State Plan Benefits to access Medicaid services. Children continue to reside in the community with their families. The services allowed include personal assistance with daily living, respite, homemaking skills, day services, assistive technology, home modification, professional services, transportation, and emergency assistance.

#### *Family Support*

This state funded program provides individualized support to families caring for a family member with developmental disabilities/delays, including connecting them with resources and providing limited financial assistance.

#### *Adult Supported Living*

The Medicaid funded Supported Living Services and the state funded Supported Living Services programs provide a variety of services and supports for adults living in their own homes, or with family in the community. The services allowed include personal assistance with daily living, homemaking skills, employment, day services, assistive technology, home modification, professional services, transportation, and emergency assistance.

#### *Community Outreach and Support of Families Waiting for Services*

This program provides information and support to individuals and families waiting for state or federally-funded services and helps bridge the gap until such time as funding becomes available.

### **Cash and Cash Equivalents**

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and cash equivalents held in our investment portfolio are excluded from this definition.

**Investments**

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/loss is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Receivables and Credit Policy**

Accounts receivable are uncollateralized patient and third-party payor obligations, primarily amounts due from the State of Colorado for services provided to individuals under Medicaid. The allowance for uncollectable accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. As of June 30, 2023, the allowance for uncollectable accounts was \$119,295. Receivables from contracts with customers are reported as accounts receivable in the accompanying statement of financial position. At July 1, 2022, the accounts receivable balance was \$5,906,643.

**Grants and Grant Commitments**

We recognize grants as expenses at the time recipients are entitled to receive them. Generally, this occurs when the Board of Directors approves a specific grant, or when management, pursuant to grant-authorization policies, approves a grant. Unconditional grants approved but not yet disbursed are included with accounts payable and accrued liabilities in the statement of financial position. We had no grants payable at June 30, 2023. Conditional grants issued but contingent upon fulfillment of certain specified conditions by the grantee and a right of release are recorded as grant advances in the statement of financial position until the conditions have been met.

**Property and Equipment**

We record property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years, or in the case of capitalized leased assets, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2023.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for community engagement and capacity building (Note 10).

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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. We report conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released when the assets are placed in service.

**Revenue and Revenue Recognition**

Revenue is reported at the amount that reflects the consideration to which we expect to be entitled in exchange for providing services. Our revenue consists primarily of funds received from the State of Colorado for Medicaid and other services, proceeds from mill levies in Douglas, Arapahoe, and Adams Counties, and miscellaneous smaller grants and awards from federal, state, county and municipal sources. Generally, we bill individuals and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied. Contract liabilities are presented as deferred revenue in the accompany statement of financial position. At July 1, 2022 deferred revenue was \$4,492,197.

Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on when related services are performed. We believe that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenues from the State of Colorado, service fees, and other program income relate to program services that are paid by Medicaid and other payors. We determine the transaction price based on standard charges for services provided, which are set by the State. Program revenue received in advance, which consists primarily of mill levy revenue, is deferred to the applicable period in which the related services are performed. Rental income from tenants is recognized in the month in which it is earned rather than received.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is 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 have been substantially met. Our federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, and taxes, professional services, information technology, occupancy, staff development and travel, insurance, office expenses, and other, which are allocated on the basis of the number of employees.

**Income Taxes**

Developmental Pathways, Inc. is organized as a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code, qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. The entity annually is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined we are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

We believe that we have appropriate support for any tax positions taken affecting our annual filing requirements, and as such, do not have any uncertain tax positions that are material to the financial statements. We would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and money market accounts with financial institutions we believe to be creditworthy. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. We have a policy to invest cash funds in daily insured cash sweep accounts, which are fully insured by FDIC at all times. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies. Investments are made by an investment manager whose performance is monitored by management and the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the investment manager and the Finance Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

### Subsequent Events

We have evaluated subsequent events through December 14, 2023, the date the financial statements were available to be issued.

### Note 2 - Liquidity and Availability

We operate on a balanced budget, and regularly monitor liquidity to meet our operating needs and other contractual commitments while also striving to maximize the investment of our available funds. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 20,043,797
Investments	13,252,383
Accounts receivable, net	<u>6,468,138</u>
	<u>\$ 39,764,318</u>

Our endowment funds consist of a single donor-restricted endowment. Income from the donor-restricted endowment is restricted for medical and dental expenses. Donor-restricted endowment funds are not available for general expenditure.

Our governing board has designated a portion of our unrestricted net assets for various initiatives described in Note 10. These funds remain available and may be spent at the discretion of the Board.

### **Note 3 - Fair Value Measurements and Disclosures**

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset.

A significant portion of our investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. We use Net Asset Value (NAV) per share, as a practical expedient to estimate the fair values of certain hedge funds that do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified below, at June 30, 2023:

	Fair Value Measurements at Reporting Date Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
<b>Investments</b>					
Money market (at cost)	\$ 722,590	\$ -	\$ -	\$ -	\$ -
Bond funds	2,345,186	2,345,186	-	-	-
Domestic equity funds	9,860,412	9,860,412	-	-	-
International equity funds	324,195	324,195	-	-	-
Multi-strategy hedge fund	1,706,139	-	-	-	1,706,139
	<u>\$ 14,958,522</u>	<u>\$ 12,529,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,706,139</u>
<b>Endowment investments</b>					
Money market (at cost)	\$ 12,431	\$ -	\$ -	\$ -	\$ -
Bond funds	171,832	171,832	-	-	-
Domestic equity funds	771,024	771,024	-	-	-
International equity funds	21,586	21,586	-	-	-
	<u>\$ 976,873</u>	<u>\$ 964,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The multi-strategy hedge fund is a “fund of hedge funds,” with the objective of capital appreciation with limited variability of returns. The fund attempts to achieve this objective by allocating capital among a number of underlying funds employing a variety of alternative investment strategies. Units are not redeemable at our discretion as the fund makes a tender offer to repurchase members’ units at NAV on certain repurchase dates. No capital commitments remain at June 30, 2023.

#### Note 4 - Note Receivable

At July 1, 2022, we had a note receivable from a third party in the original amount of \$906,326, bearing an interest rate of 2.28%, maturing on July 1, 2045, due in 360 installment payments of principal and interest of \$3,458. During the year ended June 30, 2023, the third party paid off the remaining balance in full. Accordingly, the balance on the note receivable is \$0 at June 30, 2023.

**Note 5 - Property and Equipment**

Property and equipment at June 30, 2023 consists of the following:

Leasehold improvements	\$ 1,195,820
Computers and equipment	1,411,933
Furniture and fixtures	<u>44,535</u>
	2,652,288
Less accumulated depreciation and amortization	<u>(1,487,589)</u>
	<u><u>\$ 1,164,699</u></u>

**Note 6 - Adoption of Accounting Standards Codification Topic 842**

Effective July 1, 2022, we adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). We elected to apply the guidance as of July 1, 2022, the beginning of the adoption period. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statement of activities as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. We have elected the package of practical expedients permitted in ASC Topic 842. Accordingly, we accounted for our existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, we recognized on July 1, 2022, the beginning of the adoption period, an operating lease liability of \$1,884,074, and an operating right-of-use asset of \$1,428,405. The adoption of the new standard did not materially impact our statement of activities or statement of cash flows. See Note 7 for further disclosure of our lease contracts.

**Note 7 - Leases**

We lease certain office facilities and equipment related to our programmatic activities under non-cancelable operating lease and finance lease agreements. The leases expire at various dates through 2027 and provide for renewal options ranging from one to ten years. We included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leases provide for increases in future minimum annual rental payments based on defined increases set forth in the agreement. Also, the agreements generally require us to pay real estate taxes, insurance, and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease. We have elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. We have elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total lease costs for the year ended June 30, 2023 were as follows:

Operating lease cost	\$ 469,706
Finance lease cost	
Interest expense	2,442
Amortization of right-of-use assets	497

The following table summarizes the supplemental cash flow information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Cash paid for operating leases	\$ 402,725

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

Weighted-average remaining lease term:	
Operating leases	3.56 years
Finance leases	1.08 years
Weighted-average discount rate:	
Operating leases	3.09%
Finance leases	2.73%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of June 30, 2023:

<u>Year Ending June 30,</u>	<u>Operating</u>	<u>Finance</u>
2024	\$ 421,160	\$ 7,460
2025	422,909	497
2026	429,425	-
2027	254,762	-
	<hr/>	<hr/>
Total lease payments	1,528,256	7,957
Less interest	(117,084)	(851)
	<hr/>	<hr/>
Present value of lease liabilities	<u>\$ 1,411,172</u>	<u>\$ 7,106</u>

**Note 8 - Endowment**

Our endowment (Endowment) consists of a single donor-restricted fund established to provide funding for medical and dental assistance to individuals with disabilities. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Our Board of Directors has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, unless there are explicit donor stipulations to the contrary. At June 30, 2023, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment, and (c) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

*Investment and Spending Policies*

We have adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the Endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. Under these policies, endowment assets are invested in a manner intended to produce results, measured over full market cycles, which equal or exceed the price and yield results of a blended portfolio of investment securities while assuming a low-to-moderate level of investment risk.

To satisfy long-term rate-of-return objectives, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

We may appropriate for distribution each year a portion of the accumulated earnings in excess of the perpetually restricted net assets of the Endowment to fund medical and dental expenses. We consider the long-term expected return on our Endowment, including times of market downturn. Accordingly, over the long term, the current spending policy is expected to preserve the perpetually restricted net assets of the Endowment. This is consistent with our objective to preserve the fair values of the original gifts made to the Endowment while providing an opportunity for real growth through new gifts and undistributed investment return.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to allow spending from underwater endowments in accordance with prudent measures required under law.

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 908,489
Net investment return	<u>68,384</u>
Endowment net assets, end of year	<u><u>\$ 976,873</u></u>

#### **Note 9 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2023:

Subject to expenditure for specified purpose:	
Community outreach	\$ 13,805
Endowments:	
Accumulated investment gains subject to appropriation and expenditure when specified event occurs:	
Restricted by donors for medical and dental expenditures	68,910
Perpetual in nature, earnings from which are subject to appropriation for Medical and dental expenditures	<u>907,963</u>
	<u>976,873</u>
	<u><u>\$ 990,678</u></u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose as follows during the year ended June 30, 2023:

Satisfaction of purpose restrictions:	
Community outreach	<u><u>\$ 8,472</u></u>

**Note 10 - Net Assets Without Donor Restrictions**

At June 30, 2023, our Board of Directors has designated certain net assets without donor restrictions for the following purposes:

	Community Engagement	Capacity Building	Total
Board designated net assets, beginning of year	\$ 4,504,217	\$ 1,738,390	\$ 6,242,607
Additions	2,400,000	1,950,000	4,350,000
Withdrawals	(3,624,906)	(1,539,614)	(5,164,520)
Board designated net assets, end of year	\$ 3,279,311	\$ 2,148,776	\$ 5,428,087

**Note 11 - Employee Benefits**

We sponsor a retirement plan (the Plan) qualified under Section 401(k) of the Internal Revenue Code (IRC) covering substantially all full-time employees who have attained the age of 18 and completed one year of service. Employees may contribute up to the maximum contribution allowed by the IRS. We contribute 4% and may make additional discretionary contributions determined by the Board of Directors each plan year. During the year ended June 30, 2023, our 4% contributions to the plan totaled \$486,653; there were no discretionary contributions.