

Financial Statements and  
Independent Auditor's Report

**Mountain Valley Developmental Services, Inc.**

June 30, 2023

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF ACTIVITIES	7
STATEMENT OF FUNCTIONAL EXPENSES	8
STATEMENT OF CASH FLOWS	10
NOTES TO FINANCIAL STATEMENTS	11



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Mountain Valley Developmental Services, Inc.

### Opinion

We have audited the accompanying financial statements of Mountain Valley Developmental Services, Inc. (the Center), 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 financial statements referred to above present fairly, in all material respects, the financial position of Mountain Valley Developmental Services, 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 of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. We believe 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 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 the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

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

## **Report on Summarized Comparative Information**

We have previously audited the Center's 2022 financial statements, and our report dated September 18, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Logan, Thomas + Johnson, LLC*

Castle Rock, Colorado  
March 5, 2024

## *Financial Statements*

Mountain Valley Developmental Services, Inc.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2023  
(With summarized financial information as of June 30, 2022)

ASSETS	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 3,763,639	\$ 4,081,160
Accounts receivable		
Fees and grants from governmental agencies	2,619,147	2,107,089
Other	17,081	22,445
Inventories	72,427	42,558
Prepaid expenses and other	288,061	325,022
Total current assets	<u>6,760,355</u>	<u>6,578,274</u>
Right of use assets - operating leases	66,352	-
Land, building and equipment, net of accumulated depreciation	3,036,092	2,484,649
Total assets	<u><u>\$ 9,862,799</u></u>	<u><u>\$ 9,062,923</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,721,342	\$ 1,746,512
Current portion of lease obligation - operating leases	28,419	-
Current portion of notes payable	53,228	57,184
Deferred revenue	162,077	93,670
Total current liabilities	<u>1,965,066</u>	<u>1,897,366</u>
Long-term liabilities		
Lease obligation - operating leases	37,933	-
Notes payable, net of current portion	178,368	231,595
Total liabilities	<u>2,181,367</u>	<u>2,128,961</u>
Net assets		
Without donor restrictions		
Invested in property and equipment, net of related debt	2,804,496	2,195,870
Undesignated	4,876,936	4,738,092
Total net assets	<u>7,681,432</u>	<u>6,933,962</u>
Total liabilities and net assets	<u><u>\$ 9,862,799</u></u>	<u><u>\$ 9,062,923</u></u>

The accompanying notes are an integral part of this statement.

Mountain Valley Developmental Services, Inc.  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2023  
(With summarized financial information for the year ended June 30, 2022)

	Total without donor restrictions	
	2023	2022
Revenues and support		
Fees and grants from governmental agencies		
Fees for services		
State of Colorado		
State General Fund	\$ 1,644,138	\$ 1,364,287
Medicaid	8,421,355	7,995,664
Counties	132,524	159,562
Grants and other		
Part C	244,452	202,607
Department of Housing and Urban Development	2,356	1,594
Department of Social Services	14,575	6,375
Colorado Department of Education	35,137	72,600
Colorado Department of Human Services	160,906	135,802
Other	898,718	1,236,971
Total fees and grants from governmental agencies	11,554,161	11,175,462
Public support - contributions	110,991	99,267
Residential room and board	598,345	598,757
In-kind contributions	1,179	-
Production revenue	212,802	224,505
Other revenue	1,330,219	200,175
Total revenues and support	13,807,697	12,298,166
Expenses		
Program services		
Medicaid comprehensive	8,048,819	7,020,575
State adult supported living	60,505	54,463
Medicaid adult supported living	646,708	527,711
Children's extensive support	54,165	27,048
Early intervention	900,525	840,500
Family support	143,060	146,350
Case management	897,733	772,674
Rocky mountain early childhood council	1,069,056	1,337,815
Total program services	11,820,571	10,727,136
Supporting services		
Management and general	1,239,656	1,240,045
Total expenses	13,060,227	11,967,181
CHANGE IN NET ASSETS	747,470	330,985
Net assets, beginning of year	6,933,962	6,602,977
Net assets, end of year	\$ 7,681,432	\$ 6,933,962

The accompanying notes are an integral part of this statement.

Mountain Valley Developmental Services, Inc.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 Year ended June 30, 2023

(With summarized financial information for the year ended June 30, 2022)

**Program Services**

	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living	Children's extensive support
Salaries	\$ 4,547,751	\$ 29,314	\$ 288,725	\$ 40,078
Benefits and taxes	808,251	5,868	49,781	3,594
Professional services	1,132,247	19,618	262,799	-
Occupancy	355,470	2,392	4,973	-
Insurance	79,090	1,223	5,122	-
Supplies	309,353	134	9,147	2,503
Client assistance and activities	3,087	-	-	-
Interest	10,780	-	-	-
Depreciation	203,611	492	8,852	-
Other	599,179	1,464	17,309	7,990
Total expenses	<u>\$ 8,048,819</u>	<u>\$ 60,505</u>	<u>\$ 646,708</u>	<u>\$ 54,165</u>

The accompanying notes are an integral part of this statement.

**Program Services**

Early interven- tion	Family support	Case manage- ment	Rocky mountain early childhood council	Management and general	Total	
					2023	2022
\$ 360,441	\$ 14,549	\$ 675,973	\$ 168,424	\$ 653,666	\$ 6,778,921	\$ 5,604,517
49,134	1,746	146,552	18,876	139,666	1,223,468	1,139,748
468,312	-	750	-	97,342	1,981,068	2,002,155
-	-	11,078	-	24,946	398,859	390,483
91	-	4,579	273	16,348	106,726	93,190
2,019	1,090	5,567	-	44,336	374,149	352,954
-	125,675	-	881,483	-	1,010,245	1,337,748
-	-	-	-	-	10,780	13,137
-	-	3,440	-	35,879	252,274	269,626
20,528	-	49,794	-	227,473	923,737	763,623
<u>\$ 900,525</u>	<u>\$ 143,060</u>	<u>\$ 897,733</u>	<u>\$ 1,069,056</u>	<u>\$ 1,239,656</u>	<u>\$ 13,060,227</u>	<u>\$ 11,967,181</u>

The accompanying notes are an integral part of this statement.

Mountain Valley Developmental Services, Inc.  
STATEMENT OF CASH FLOWS  
Year ended June 30, 2023  
(With summarized financial information for the year ended June 30, 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 747,470	\$ 330,985
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	252,274	269,626
Gain on sale of fixed assets	(1,124,031)	(1,000)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(506,694)	143,640
(Increase) decrease in inventories	(29,869)	2,169
(Increase) decrease in prepaid expenses and other	36,961	(16,439)
Increase (decrease) in accounts payable and accrued expenses	(25,170)	371,687
Increase (decrease) in deferred revenue	68,407	(89,711)
Net cash provided by (used in) operating activities	(580,652)	1,010,957
Cash flows from investing activities		
Purchase of land, building and equipment	(876,901)	(467,422)
Proceeds from sale of fixed assets	1,197,215	1,000
Net cash provided by (used in) investing activities	320,314	(466,422)
Cash flows from financing activities		
Payments on notes payable	(57,183)	(54,817)
Net cash used in financing activities	(57,183)	(54,817)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(317,521)	489,718
Cash and cash equivalents, beginning of year	4,081,160	3,591,442
Cash and cash equivalents, end of year	\$ 3,763,639	\$ 4,081,160
Supplemental data		
Cash paid for interest	\$ 10,780	\$ 13,137

The accompanying notes are an integral part of this statement.

Mountain Valley Developmental Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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

This description of Mountain Valley Developmental Services, Inc.'s (the Center) nature of activities and summary of significant accounting policies is presented to assist in understanding the Center's financial statements.

1. *Summary of Business Activities*

Mountain Valley Developmental Services, Inc., a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado in 1975 for the purpose of providing a community center board to coordinate programs through interagency cooperation and local agencies to provide services to persons with developmental disabilities in Garfield, Eagle, Pitkin and Lake Counties. The Center's revenue comes primarily from the State of Colorado for services provided.

2. *Description of Services Provided*

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

**Program Services or Supports**

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

Adult Supported Living (State and Medicaid) provides individualized living services for persons who are responsible for their own living arrangements in the community.

Children's Extensive Support is a deeming waiver (only the child's income is considered in determining eligibility) intended to provide needed services and supports to eligible children under the age of eighteen years in order for the children to remain in or return to the family home. Waiver services are targeted to children having extensive support

Mountain Valley Developmental Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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

2. *Description of Services Provided (Continued)*

**Program Services or Supports (Continued)**

needs, which require constant line-of-sight supervision due to significantly challenging behaviors and/or co-existing medical conditions. Available services include personal assistance, household modification, specialized medical equipment and supplies, professional services and community connection services.

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

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

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

Rocky Mountain Early Childhood Council promotes and supports a system of quality, accessibility, affordability of early childhood for families in the Rural Resort Region.

**Supporting Services**

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

3. *Basis of Accounting*

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

Mountain Valley Developmental Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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

4. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through March 5, 2024, the date on which the financial statements were issued. The Center did not identify any events or transactions that would have a material impact on the financial statements.

5. *Use of Estimates*

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

6. *Cash and Cash Equivalents*

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

The Center maintains cash balances in financial institutions located in Glenwood Springs, Colorado, which at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

7. *Accounts Receivable*

The majority of the Center's accounts receivable are due from the State of Colorado. Accounts receivable are due according to contractual terms and are stated at the amount management expects to collect from outstanding balances. The Center believes all receivables are collectible and that no allowance for doubtful accounts is necessary. The Center writes off accounts receivable to bad debt expense after reasonable collection efforts have been made. Payments subsequently received on such receivables, if any, are recorded as other revenue.

8. *Inventories*

The cost of inventories was determined principally on a first-in, first-out basis under the lower of cost or market method of accounting.

Mountain Valley Developmental Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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

9. *Land, Building and Equipment*

Land, building and equipment are reported at cost for purchased assets with a cost of \$5,000 or more and an estimated fair value, at date of receipt, for donated property. Depreciation is provided on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5–30
Equipment	2–10
Vehicles	3–6

10. *Leases*

As of July 1, 2022, the Center adopted Accounting Standards Update (ASU) 2016-02, *Leases*, which was amended in some respects by subsequent ASUs (collectively Accounting Standards Codification 842 (ASC 842) and supersedes existing lease guidance. The Standard requires the Center to record operating lease assets and corresponding lease liabilities on the balance sheet and disclose key quantitative and qualitative information about lease contracts.

Under ASC 842, the Center determines if a contract is a leasing arrangement at inception. Operating lease assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Center used the risk-free rate of return. The Center recognized operating lease expense for operating leases on a straight-line basis over the lease term.

The Center leases equipment under noncancelable operating leases which may include renewal or termination options that are reasonably certain of exercise. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are expensed on a straight-line basis. Lease and non-lease components are accounted for together as a single lease component for operating leases associated with office space and equipment leases.

Mountain Valley Developmental Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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

11. *Revenue Recognition*

Revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing services. Program revenue consists primarily of funds received from the State of Colorado for Medicaid and other services, miscellaneous smaller grants and awards from federal, state, county and municipal sources. Billings for services are billed after the services are performed. As performance obligations are satisfied, revenue is recognized.

Performance obligations are determined based on the nature of the services provided. As performance obligations are satisfied over time, revenue is recognized based on when related services are performed. This method provides for the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligations. Revenue received in advance is deferred to the applicable period in which the related program services are performed and at which time will be recognized in the period in which the related services are performed. Transaction price is based on standard charges for services provided, which is set by the State of Colorado. Rent income is recognized in the month in which it is earned rather than received.

12. *Accounting for Contributions*

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

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

Mountain Valley Developmental Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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

13. *In-kind Contributions*

Contributions of property, materials and personal services are known as in-kind contributions and are recorded at estimated fair value at the date of receipt. The amount recorded for these contributions (other than contributions of land, building and equipment) is also included as program costs to properly reflect the total cost of the particular program.

14. *Change in Accounting Policy*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The most significant change for lessee is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. The Center adopted ASU 2016-02 on July 1, 2021, using the modified retrospective approach for operating leases with a term greater than 12 months. As permitted by the guidance, prior comparative periods will not be adjusted under this method.

The adoption of ASU 2016-02, *Leases*, resulted in recognition of operating lease assets in the amount of \$28,829 and lease liabilities in the amount of \$28,829 for operating leases on the statement of financial position as of July 1, 2022.

15. *Net Assets*

From time to time, the Center's Board of Directors approves designating net assets for future use for a specific purpose.

16. *Functional Allocation of Expenses*

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

Mountain Valley Developmental Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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

17. *Income Taxes*

The Center is operated as a nonprofit organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The Center recognizes tax liabilities when, despite the Center's belief that its tax return positions are supportable, the Center believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The Center has concluded there is no tax liability or benefit required to be recorded as of June 30, 2023. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. The Center believes it is no longer subject to income tax examinations for the years prior to the year ended June 30, 2020.

18. *Prior Year Summarized Information and Reclassifications*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements as of and for the year ended June 30, 2022 from which the summarized information was derived.

NOTE B – LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 3,763,639
Accounts receivable	<u>2,636,228</u>
	<u>\$ 6,399,867</u>

As a part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Mountain Valley Developmental Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

NOTE C – LAND, BUILDING AND EQUIPMENT

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

Buildings and improvements	\$ 7,344,127
Equipment	216,827
Vehicles	<u>558,010</u>
	8,118,964
Less accumulated depreciation and amortization	<u>5,925,976</u>
	2,192,988
Land	<u>843,104</u>
	\$ <u>3,036,092</u>

Depreciation expense was \$252,274 for the year ended June 30, 2023.

NOTE D – NOTES PAYABLE

On December 8, 2017, the Center borrowed \$225,000 from a financial institution with a fixed rate of 4.99%, which is due December 8, 2027, payable in monthly installments of \$2,393 including interest, and collateralized by land and building. On October 1, 2020, the loan agreement was amended to change the interest rate to a fixed rate of 4.00% and the monthly installments to \$2,295. The outstanding balance of this note at June 30, 2023 was \$113,867.

On December 20, 2013, the Center borrowed \$100,000 from a financial institution with a fixed rate of 4.85%, which is due December 20, 2023, payable in monthly installments of \$1,057 including interest, and collateralized by a building and deposits held at the financial institution. The outstanding balance of this note at June 30, 2023 was \$6,259.

On February 11, 2009, the Center borrowed \$335,000 from a financial institution which is due February 25, 2029, collateralized by land and building. The interest rate was a 4.25% fixed rate until December 25, 2022, at which time the interest rate becomes variable based on the prime rate. On October 1, 2020, the loan agreement was amended to change the interest rate to a fixed rate of 4.00%. The monthly payment amount of principal and interest is \$2,311 and the loan is due on November 25, 2027. The outstanding balance of this note at June 30, 2023 was \$111,470.

Mountain Valley Developmental Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

NOTE D – NOTES PAYABLE (CONTINUED)

Future maturities of notes payable at June 30, 2023, are as follows:

Year ending June 30,	
2024	\$ 53,228
2025	49,000
2026	50,962
2027	53,068
2028	<u>25,338</u>
	231,596
Less current portion	<u>53,228</u>
	\$ <u>178,368</u>

Interest expense was \$10,780 for the year ended June 30, 2023.

NOTE E – DEFERRED REVENUE

Deferred revenue of \$162,077 at June 30, 2023, consists of \$15,000 of unspent funds from Eagle County, \$34,667 of unspent funds from Garfield County, \$25,000 from Pitkin County, and \$87,410 of unspent funds from Temple Hoyne Buell Foundation.

NOTE F – LEASES

The Center leases facilities and equipment under operating lease arrangements to conduct a portion of its operations. The Center determines if an arrangement is a lease at the inception of a contract and recognizes operating lease expense on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are not recorded on the statement of financial position and are expensed on a straight-line basis.

Total rent expense was \$108,495 for the year ended June 30, 2023 and is included in other on the statement of functional expenses.

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating lease liabilities reported on the statement of financial position:

Mountain Valley Developmental Services, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2023

NOTE F – LEASES (CONTINUED)

Year ending June 30,		
2024	\$	31,544
2025		23,209
2026		<u>16,724</u>
Total lease payments		71,477
Less interest		<u>5,125</u>
Present value of lease liability	\$	<u>66,352</u>

Average operating lease terms and discount rate at June 30, 2023 were as follows:

Weighted average remaining lease term (years)	2.51
Weighted average discount rate	6.40%

The following summarizes cash paid for operating lease liabilities and other non-cash information:

Cash paid for amounts included in the measurement of operating lease liability	\$20,206
Right of use assets obtained in exchange for operating lease obligations	83,890

NOTE G – FUNCTIONALIZED EXPENSES

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

NOTE H – RETIREMENT PLANS

Defined Contribution Plan

The Center has adopted a contributory defined contribution plan for employees. Employees are eligible to participate after one year of full-time employment. The Center is a safe harbor plan with a maximum match of 4%, depending on years of service, which becomes fully vested immediately. During the year ended June 30, 2023, contributions to the plan by the Center were \$111,553.

Mountain Valley Developmental Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

NOTE H – RETIREMENT PLANS (CONTINUED)

Deferred Compensation Plan

The Center has a deferred compensation plan for a select group of management and highly compensated employees. Participants contribute a certain percentage of their salary to the Plan and the Center can make contributions to the Plan. The Center will distribute the balance of the participant's account upon the 90<sup>th</sup> day after the participant separates employment with the Center, unless the participant has elected to commence distribution prior to this date. The Center maintains accounts for the participants. The total amount in these accounts was \$230,425 as of June 30, 2023. The amount is recorded in prepaid expenses and other and accounts payable and accrued expenses. For the year ended June 30, 2023, no deferred compensation contributions were made and \$9,507 in distributions were made.

NOTE I – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue from the State of Colorado. The amount of receivables the Center has from the State of Colorado is \$1,888,401 at June 30, 2023. These transactions are considered to be transactions with a related party by virtue of significant management influence exercised by the State of Colorado through contract provisions.

NOTE J – SUBSEQUENT EVENT

The State of Colorado is undertaking a major initiative called Case Management Redesign (CMRD) that will create new Case Management Agencies (CMA). CMRD will impact all individuals accessing long term supports and services including case management for Home Community and Based Services, the Family Support and Services Program, State Supported Living Services, and Quality Assurance. Rocky Mountain Health Plans received the Notice of Award to become the CMA for Lake County as of November 1, 2023. This change impacted six individuals for whom the Center provided case management and has minimal financial impact.

Garfield County Human Services received the Notice of Award to become the CMA for Garfield, Eagle, and Pitkin Counties as of July 1, 2024. Consequently, the Center will no longer be providing these services as of July 1, 2024.

