



COMMUNITY CONNECTIONS, INC.

Financial Statements

For the Year Ended June 30, 2024

And

Independent Auditors' Report

COMMUNITY CONNECTIONS, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Community Connections, Inc.

We have audited the accompanying financial statements of Community Connections, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2024, 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 the Organization as of June 30, 2024 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Report on Summarized Comparative Information

We have previously audited the financial statements of the Organization as of June 30, 2023 and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan + Co. LLP

January 28, 2025

COMMUNITY CONNECTIONS, INC.

STATEMENT OF FINANCIAL POSITION JUNE 30, 2024 (with comparative totals for 2023)

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 2,157,370	\$ 1,062,279
Fees and grants due from governmental agencies	1,296,315	963,520
Accounts receivable, net	20,248	23,707
Contributions receivable	394,875	9,250
Prepaid expenses and other assets	245,533	72,019
Investments	547,465	1,247,240
Property and equipment, net	<u>861,437</u>	<u>772,137</u>
TOTAL ASSETS	<u>\$ 5,523,243</u>	<u>\$ 4,150,152</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,115,526	\$ 604,894
Due to state	56,678	170,548
Note payable	<u> </u>	<u>65,151</u>
Total liabilities	<u>1,172,204</u>	<u>840,593</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	2,035,996	1,544,739
Designated by board for operating reserve	1,035,972	996,512
Net investment in property and equipment	<u>861,437</u>	<u>706,986</u>
Total net assets without donor restrictions	3,933,405	3,248,237
With donor restrictions	<u>417,634</u>	<u>61,322</u>
Total net assets	<u>4,351,039</u>	<u>3,309,559</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,523,243</u>	<u>\$ 4,150,152</u>

See notes to financial statements.

COMMUNITY CONNECTIONS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024 (with comparative totals for 2023)

	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS ACTIVITY		
SUPPORT AND REVENUE		
Fees from Medicaid services	\$ 4,934,609	\$ 3,649,144
Fees from state contract services	1,871,476	1,804,661
Other grants and revenue	<u>38,163</u>	<u>54,288</u>
Total fees and grants from governmental agencies	6,844,248	5,508,093
Public support - contributions	291,847	67,256
Residential room and board	309,957	323,532
Investment income, net	75,415	36,558
Other revenue	<u>50,304</u>	<u>93,053</u>
Total before reclassifications	7,571,771	6,028,492
Net assets released from restrictions	<u>196,217</u>	<u>10,164</u>
Total support and revenue	<u>7,767,988</u>	<u>6,038,656</u>
EXPENSES		
Program services:		
Comprehensive services (residential)	2,773,313	2,782,745
Case management	1,626,154	567,763
Single entry point	269,339	639,447
Supported living services	401,440	384,324
Other program services	<u>871,238</u>	<u>599,267</u>
Total program services	<u>5,941,484</u>	<u>4,973,546</u>
Supporting Services:		
Management and general	1,046,509	867,509
Fundraising	<u>94,827</u>	<u>73,711</u>
Total supporting services	<u>1,141,336</u>	<u>941,220</u>
Total expenses	<u>7,082,820</u>	<u>5,914,766</u>
Change in net assets without donor restrictions	<u>685,168</u>	<u>123,890</u>

(Continued)

COMMUNITY CONNECTIONS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024 (with comparative totals for 2023)

	2024	2023
NET ASSETS WITH DONOR RESTRICTIONS ACTIVITY		
Public support - contributions	147,529	29,679
Public support - non-financial asset contributions	405,000	
Net assets released from restrictions	<u>(196,217)</u>	<u>(10,164)</u>
Change in net assets with donor restrictions	<u>356,312</u>	<u>19,515</u>
Change in total net assets	1,041,480	143,405
NET ASSETS, Beginning of year	<u>3,309,559</u>	<u>3,166,154</u>
NET ASSETS, End of year	<u>\$ 4,351,039</u>	<u>\$ 3,309,559</u>

See notes to financial statements.

(Concluded)

COMMUNITY CONNECTIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2024 (with comparative totals for 2023)

	2024									
	Program Services					Supporting Services				
	Comprehensive Services (Residential)	Case Management	Single Entry Point	Supported Living Services	Other Program Services	Management and General	Fundraising	Expenses Total	Expenses Total	2023 Total
Salaries, benefits and taxes	\$ 947,786	\$ 1,424,184	\$ 220,999	\$ 309,109	\$ 267,751	\$ 677,233	\$ 52,452	\$ 3,899,514	\$ 3,141,766	
Professional fees	1,595,183	2,245	548	49,017	126,481	159,919	1,740	1,935,133	1,889,816	
Direct payments					419,385	500		419,885	230,969	
IT equipment and maintenance	17,850	72,515	29,694	6,420	3,092	47,268	3,329	180,168	157,323	
Staff development and travel	32,005	14,048	3,840	21,295	17,044	16,886	289	105,407	82,357	
Insurance	35,867	8,391	1,606	4,506	3,338	17,783	503	71,994	52,030	
Depreciation	17,773	41,011	154	507	718	3,944	17	64,124	42,037	
Occupancy	37,783	8,138	3,845	538	189	6,061	5,460	62,014	60,817	
Transportation and auto expense	45,904	1,523	152	2,049	168	195	236	50,227	18,843	
Supplies	6,099	1,965	4,194	1,195	2,596	10,085	23,555	49,689	28,070	
Telephone	4,902	11,040	1,533	1,218	179	8,707	180	27,759	20,497	
Utilities	15,086	3,239		516			62	18,903	20,224	
Dues and subscriptions	240	500		1,275		10,427	299	12,741	11,084	
Equipment lease expense	3,376	1,889	119	126		4,018		9,528	10,167	
Interest expense	3,547							3,547	3,782	
Other	9,912	35,466	2,655	3,669	30,297	83,483	6,705	172,187	144,984	
TOTAL	\$ 2,773,313	\$ 1,626,154	\$ 269,339	\$ 401,440	\$ 871,238	\$ 1,046,509	\$ 94,827	\$ 7,082,820		
PERCENTAGE	39%	23%	4%	6%	12%	15%	1%	100%		
COMPARATIVE TOTALS – 2023	\$ 2,782,745	\$ 567,763	\$ 639,447	\$ 384,324	\$ 599,267	\$ 867,509	\$ 73,711	\$ 5,914,766		
COMPARATIVE PERCENTAGE – 2023	47%	10%	11%	6%	10%	15%	1%	100%		

See notes to financial statements.

COMMUNITY CONNECTIONS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024 (with comparative totals for 2023)

	2024	2023
OPERATING ACTIVITIES		
Cash received from governmental agencies and others	\$ 7,221,365	\$ 5,722,968
Cash paid to employees	(3,772,756)	(3,129,693)
Cash paid to professional providers and suppliers	<u>(2,905,275)</u>	<u>(2,689,964)</u>
Net cash provided by (used in) operating activities	<u>543,334</u>	<u>(96,689)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(153,424)	(29,395)
Purchases of investments		(730,609)
Proceeds from sale and maturities of investments	742,820	713,453
Interest received	<u>31,059</u>	<u>19,955</u>
Net cash provided by (used in) investing activities	<u>620,455</u>	<u>(26,596)</u>
FINANCING ACTIVITIES		
Payments on notes payable	(65,151)	(9,368)
Interest paid	<u>(3,547)</u>	<u>(4,103)</u>
Net cash used in financing activities	<u>(68,698)</u>	<u>(13,471)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,095,091	(136,756)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,062,279</u>	<u>1,199,035</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,157,370</u>	<u>\$ 1,062,279</u>

See notes to financial statements.

COMMUNITY CONNECTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Adult Comprehensive Services (Residential) — Home and community based residential services for persons with IDD provide access to 24-hour supports to assist adults with IDD to live more independently in their community. Services are designed to provide the most integrated options for active community living, including support for basic health and safety needs (such as care of personal hygiene, eating, following medical regimens and care of the home) and participating in valued roles in the community (such as jobs and volunteering). Individuals in services set personal goals for community living and select appropriate support services to reach those goals through supervision, training and physical assistance when needed. The Organization served 48 and 52 individuals in 2024 and 2023, respectively.

Adult Supported Living Services — Home and community based supported living services are provided for individuals with IDD who live independently or with alternative residential supports (such as family). Services may assist caregivers to be more effective in their role or support adults with IDD to increase their independence and social integration into their community of choice. Participants set personal goals and select from a variety of services to meet those goals. Typical services include personal care, homemaking, respite, supported employment, assistive technology and supported community connections. The Organization served 45 and 47 individuals in 2024 and 2023, respectively.

Children's Extensive Supports — Children's extensive supports provide services similar to Supported Living Services. The target population for this program are children under 18 with IDD who are living with family and require frequent and intensive support due to medical condition or behavioral needs. Services provided through this program are intended to supplement the supports provided by the family and ensure successful continued care in the family home, thereby reducing risk of damaging and costly out-of-home placements. Services may include personal care, respite, home modifications, assistive technology and professional services. The Organization served 4 and 5 children in 2024 and 2023, respectively.

Early Intervention — Early intervention is a program for children from birth through age two offering infants and toddlers and their families services and supports to enhance child development in the areas of cognition, speech, communication, physical, motor, vision, hearing,

social-emotional developmental and self-help skills, parent-child or family interactions and early identification, screening and assessment services. The Organization served 193 and 148 individuals in 2024 and 2023, respectively.

Family Support Services Program — Family support services provide an array of supportive services to the person with a development disability and his/her family when the person remains within the family home, thereby preventing or delaying the need for out-of-home placement that is unwanted by the person or the family. The Organization served 111 and 96 individuals in 2024 and 2023, respectively.

Case Management — Case management services often begin with information and referral and determination of eligibility for IDD services and supports. Case managers assist individuals and families with developing goals, selecting appropriate services and supports, coordination services and monitoring to ensure the effectiveness of the services in place in reaching the desired outcomes. The Organization served 1,473 and 482 individuals in 2024 and 2023, respectively.

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

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

Basis of Presentation — The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with the U.S. generally accepted accounting principles (GAAP), whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred. The financial statements reflect all significant receivables, payables, and other liabilities. For financial reporting purposes, the Organization follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

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

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

Net Assets With Donor Restrictions - Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

Comparative Financial Information — The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

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

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

Accounts Receivable and Amounts Due from Governmental Agencies — The majority of the Organization's receivables are due from the State of Colorado through Medicaid funding. Other accounts receivables are primarily due from individuals for room and board. Accounts are due according to contractual terms and are stated at the amount management expects to collect from outstanding balances.

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts considering a number of factors, including the length of time accounts receivables are past due, the Organization's previous collection history, as well as current and future economic conditions.

Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. At June 30, 2024 and 2023, management recorded an allowance for credit losses of \$88,331 and \$67,371, respectively.

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

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

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

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

Recently Issued Accounting Pronouncements — In 2016, FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and subsequent updates to replace the incurred loss methodology for recognizing credit losses with a methodology that reflect the current expected credit losses (CECL) over the life of financial assets. Under the CECL model, financial assets including trade receivables are required to be estimated for credit losses taking considerations of past events, current conditions, and reasonable and supportable forecasts into account. For non-public entities, the amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Organization has adopted this standard and the adoption of such had no impact on the Organization's financial statements.

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

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

2. FUNCTIONAL EXPENSES ALLOCATION METHODS

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

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

3. INVESTMENTS

The Organization is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no significant changes in the methodologies used at June 30, 2024 and 2023.

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

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2024:				
Mutual funds:				
Domestic equity	\$ 170,342			\$ 170,342
International equity	20,101			20,101
Preferred stock	17,006			17,006
Money market fund	15,178			15,178
Exchanged traded funds	10,556			10,556
Certificates of deposit				—
Corporate bonds		\$ 291,733		291,733
Bank loan		22,549		22,549
	<u>233,183</u>	<u>314,282</u>	<u>—</u>	<u>547,465</u>
Total investments in the fair value hierarchy	<u>\$ 233,183</u>	<u>\$ 314,282</u>	<u>\$ —</u>	<u>\$ 547,465</u>

2023:				
Mutual funds:				
Domestic equity	\$ 162,677			\$ 162,677
International equity	15,691			15,691
Preferred stock	14,207			14,207
Money market fund	13,251			13,251
Exchanged traded funds	8,626			8,626
Certificates of deposit		\$ 752,859		752,859
Corporate bonds		259,634		259,634
Bank loan		20,295		20,295
	<u>214,452</u>	<u>1,032,788</u>	<u>—</u>	<u>1,247,240</u>
Total investments in the fair value hierarchy	<u>\$ 214,452</u>	<u>\$ 1,032,788</u>	<u>\$ —</u>	<u>\$ 1,247,240</u>

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

	2024	2023
Interest and dividends	\$ 44,719	\$ 20,432
Net realized and unrealized gains	35,654	19,955
Custodial fees	<u>(4,958)</u>	<u>(3,829)</u>
Investment income, net	<u>\$ 75,415</u>	<u>\$ 36,558</u>

4. FEES AND GRANTS DUE FROM GOVERNMENTAL AGENCIES

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

	2024	2023
State of Colorado:		
Medicaid	\$ 752,192	\$ 433,226
General fund	<u>544,123</u>	<u>530,294</u>
Total	<u>\$ 1,296,315</u>	<u>\$ 963,520</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2024	2023
Buildings and improvements	\$ 1,566,563	\$ 1,556,894
Program and administrative equipment	504,428	360,673
Land	195,065	195,065
Construction in progress	<u>775</u>	<u>775</u>
Total	2,266,831	2,113,407
Less accumulated depreciation	<u>(1,405,394)</u>	<u>(1,341,270)</u>
Property and equipment, net	<u>\$ 861,437</u>	<u>\$ 772,137</u>

Depreciation expense was \$64,124 and \$42,037 during the years ending June 30, 2024 and 2023, respectively.

6. CONTRIBUTED USE OF LAND

In 1984, the City of Durango approved a 20-year lease for the use of land by the Organization for \$1 per year. During that year the Organization had a new facility built with a grant that restricted the use of the building. In 1996, the restriction was removed and the Organization obtained unrestricted use of the facility.

In 2004, the City of Durango renewed the land lease for another 20 years for \$1 per year. The Organization assigned a value of \$185,000 to the land based on the median sale price of similar property in 2004. Since title to the property was not conveyed to the Organization, the Organization cannot recognize the land as an asset; rather, a restricted contribution for the use of the land equal to its estimated value was recognized in 2004, along with a long-term contribution receivable.

In 2024, the City of Durango renewed the land lease for another twenty years for \$1 per year. The Organization assigned a value of \$405,000 to the land based on the median sale price of similar property in 2024. Since title to the property was not conveyed to the Organization, the Organization cannot recognize the land as an asset; rather, a restricted contribution for the use of the land equal to its estimated value was recognized in 2024, along with a long-term contribution receivable.

The receivable is reduced annually through the recognition of rental expense for one-twentieth of the value, which releases that amount from restriction. The balance of the receivable was \$394,875 at June 30, 2024, including \$10,125 classified as current. The balance of the receivable was \$9,250 at June 30, 2023, which was classified as current. Rent expense of \$19,375 and \$9,250 was recognized during the years ended June 30, 2024 and 2023, respectively.

7. NOTE PAYABLE

Note payable to Wells Fargo Bank, due February 2029, payable in monthly installments of \$1,122 including interest at 5.75%, guaranteed by a deed of trust on a residential facility with a carrying value of \$125,766, as of June 30, 2023. The outstanding balance of as June 30, 2023 was \$65,151. The note payable was paid off during the year ended June 30, 2024, and the deed of trust was released.

Interest expense on note payable was \$3,547 and \$3,777 for the years ended June 30, 2024 and 2023, respectively.

8. LINE OF CREDIT

The Organization has a \$200,000 line of credit arrangement with Alpine Bank expiring in April 2025. The line is secured by a deed of trust on one building owned by the Organization. The interest rate applied to outstanding borrowings is fixed at 5.00%. No amounts were borrowed against the line during the years ended June 30, 2024 or 2023.

9. BOARD DESIGNATED OPERATING RESERVES

During 2014, the Board of Directors approved the establishment of an operating reserve. Operating reserves are the portion of available net assets without donor restriction that are specifically reserved for use in emergencies to sustain operations in the event of significant unanticipated increases in operating expenses or reductions in operating revenues, or both. The reserve balance is \$1,035,972 and \$996,512 for the years ended June 30, 2024 and 2023, respectively. Operating reserves give the Organization greater financial stability and flexibility to respond to potential threats in the future. The reserve represents approximately two months of operating expenses.

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	2024		2023
Contributed use of land	\$ 394,875	\$	9,250
CDOT vehicle grant	18,040		
Greenhouse	3,740		3,740
La Plata grant			19,955

	2024	2023
Empire electric grant		14,798
CERF grant		3,624
Other	<u>979</u>	<u>9,955</u>
Total net assets with donor restrictions	<u>\$ 417,634</u>	<u>\$ 61,322</u>

11. SPECIAL EVENTS

During the years ended June 30, 2024 and 2023, the Organization held one special event per year, for the purpose of fundraising. Special events revenue consisted of the following:

	2024	2023
Cash contributions	\$ 64,127	\$ 58,769
Contributions of nonfinancial assets	<u>18,613</u>	<u>11,634</u>
Special event income	<u>82,740</u>	<u>70,403</u>
Direct expenses	(39,902)	(24,415)
Value of donated space and materials	<u>(18,613)</u>	<u>(11,634)</u>
Total event cost	<u>(58,515)</u>	<u>(36,049)</u>
Net special event income	<u>\$ 24,225</u>	<u>\$ 34,354</u>

12. RETIREMENT PLAN

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

13. RELATED PARTY TRANSACTIONS

The State of Colorado is considered a related party by virtue of significant management influence exercised by the State through contract provisions. The Organization received a substantial portion of its revenue from the State of Colorado as identified in the statement of activities. The amount due to the Organization from the State of Colorado is described in Note 4.

The Organization had balances due to the State of Colorado for expenses and reimbursements, which are recorded in accounts payable and accrued expenses. The balances due at June 30, 2024 and 2023 were \$56,678 and \$170,548, respectively.

14. RISKS AND CONCENTRATIONS

The Organization invests in investment securities which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur

in the near term and that such changes could materially affect the recorded amount of investments in the Organization's financial statements.

The Organization had receivables from Medicaid and the State of Colorado of approximately 98% and 97%, respectively, of total accounts receivable at June 30, 2024 and 2023. During the years ended June 30, 2024 and 2023, the Organization received grants and reimbursements from Medicaid, the State of Colorado and the federal government of approximately 84% and 90%, respectively, of total revenues.

15. LIQUIDITY AND AVAILABILITY

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

	2024	2023
Cash and cash equivalents	\$ 2,157,370	\$ 1,062,279
Fees and grants due from governmental agencies	1,296,315	963,520
Accounts receivable, net	20,248	23,707
Contribution receivable	394,875	9,250
Investments	<u>547,465</u>	<u>1,247,240</u>
Total financial assets	<u>4,416,273</u>	<u>3,305,996</u>
Less amounts unavailable for general expenditures within one year, due to:		
Cash restricted for use by client	(9,291)	(19,174)
Restricted by donors with purpose restrictions	(22,761)	(52,072)
Restricted by donors with time restrictions	(394,875)	(9,250)
Board designated for operating reserve	<u>(1,035,972)</u>	<u>(996,512)</u>
Total amounts unavailable for general expenditures within one year	<u>(1,462,899)</u>	<u>(1,077,008)</u>
Total financial assets available to management to meet cash needs for general expenditures within one year	<u>\$ 2,953,374</u>	<u>\$ 2,228,988</u>

The Organization has a goal to maintain financial assets on hand to meet sixty days of normal operating expense. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments, including certificates of deposit. As described in Note 8, the Organization has a line of credit in the amount of \$200,000, which it could draw upon in the event of an unanticipated liquidity need.

16. AMOUNTS DUE TO THE STATE

The Organization is obligated to various audits conducted by the local, state and federal governments related to local, state and federal contracts. The State of Colorado's Medicaid Program (the State) reported findings for the period July 1, 2021 through June 30, 2022. These findings resulted in excess reimbursements paid to the Organization of \$240,329.

The Organization recognized a liability for the entire amount as of June 30, 2022. During the year ended June 30, 2023, this liability was reduced to \$170,548 to account for the State *de minimus* related to the applicable years. During the year ended June 30, 2024, \$113,870 was used for eligible expenses, resulting in the remaining balance of \$56,678 as of June 30, 2024. The Organization believes these reimbursements may be eligible for use by the case management program.

17. CREATION OF NEW ENTITY

Under Title 42 U.S. *Code of Federal Regulations* (CFR) Part 441, *Services: Requirements and Limits Applicable to Specific Services*, Home and Community Based Service (HCBS) providers must not provide both direct client services and case management services. To maintain compliance with this requirement, the Organization created a separate organization, Our Own Lives, as of May 16, 2023 to segregate these services. During the years ended June 30, 2024 and 2023, all activity was recorded and reported under the Organization. Effective July 1, 2024, direct client services and the related activity and underlying assets and liabilities will be transferred to Our Own Lives, which will function as an independent entity. During the year ended June 30, 2024, revenues related to Our Own Lives reported under the Organization were approximately \$58,500 and expenses were \$158,446. During the year ended June 30, 2023, there were no revenues related to Our Own Lives reported under the Organization and expenses were approximately \$2,400.

On July 1, 2024 net assets were transferred to Our Own Lives totaling \$1,936,945. Subsequent to this transfer, there will be quarterly reconciliations done throughout the year ending June 30, 2025 in which more underlying assets and liabilities will be transferred to Our Own Lives as payments are made and received.