

Consolidated Financial Statements and
Independent Auditor's Report

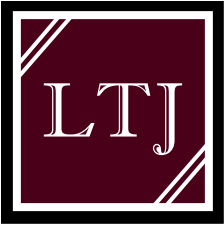
Horizons Specialized Services and Affiliate

June 30, 2016



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Logan, Thomas & Johnson, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Horizons Specialized Services

We have audited the accompanying consolidated financial statements of Horizons Specialized Services and Affiliate (jointly, the Center), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Horizons Specialized Services and Affiliate as of June 30, 2016 and the consolidated changes in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center's 2015 consolidated financial statements, and our report dated January 12, 2016, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Logan, Thomas + Johnson, LLC

Broomfield, Colorado
January 18, 2017

Consolidated Financial Statements

Horizons Specialized Services and Affiliate
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2016
(With summarized financial information as of June 30, 2015)

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,235,912	\$ 1,286,467
Certificates of deposit	1,100,000	1,100,000
Accounts receivable		
Fees and grants from governmental agencies	404,038	372,745
Other	5,515	14,012
Accrued interest receivable	73,016	69,721
Prepaid expenses and other	114,613	40,803
Total current assets	2,933,094	2,883,748
Investments	117,283	117,283
Charitable gift annuity investment	92,457	92,457
Deferred loan costs, net of accumulated amortization of \$18,327	8,493	8,493
Land, buildings and equipment, net	4,071,605	4,142,065
Total assets	\$ 7,222,932	\$ 7,244,046
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 124,579	\$ 117,668
Accrued payroll and employee benefits	233,964	262,660
Deferred revenue	286,691	170,656
Current portion of long-term debt	56,979	54,367
Current portion of annuity obligation	-	2,016
Total current liabilities	702,213	607,367
Long-term liabilities		
Notes payable, net of current portion	546,657	603,612
Total liabilities	1,248,870	1,210,979
Net assets		
Unrestricted		
Board designated		
Operating reserve	1,154,746	1,154,746
Mill levy funds	825,930	805,973
Net investment in land, buildings and equipment	3,476,462	3,492,579
Undesignated	512,391	572,830
Total unrestricted	5,969,529	6,026,128
Temporarily restricted	4,533	6,939
Total net assets	5,974,062	6,033,067
Total liabilities and net assets	\$ 7,222,932	\$ 7,244,046

The accompanying notes are an integral part of this statement.

Horizons Specialized Services and Affiliate
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2016

(With summarized financial information for the year ended June 30, 2015)

	Unrestricted	Temporarily restricted	Total	
			2016	2015
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ 433,152	\$ -	\$ 433,152	\$ 358,802
Medicaid	3,473,477	-	3,473,477	3,435,389
Counties and cities	1,078,528	-	1,078,528	1,055,407
Grants and other				
Child find	4,752	-	4,752	8,451
Part C	58,935	-	58,935	41,000
Colorado Department of Transportation	75,112	-	75,112	-
Department of Housing and Urban Development	67,118	-	67,118	74,723
Total fees and grants from governmental agencies	5,191,074	-	5,191,074	4,973,772
Public support - contributions				
Individuals and foundations	68,900	17,400	86,300	116,643
Community organizations	29,750	-	29,750	26,169
Total public support - contributions	98,650	17,400	116,050	142,812
Residential room and board	333,031	-	333,031	327,608
In-kind contributions	61,939	-	61,939	41,199
Other revenue	135,474	-	135,474	172,602
Net assets released from restrictions				
Satisfaction of program restrictions	19,806	(19,806)	-	-
Total revenues and support	5,839,974	(2,406)	5,837,568	5,657,993
Expenses				
Program services				
Medicaid comprehensive	3,711,880	-	3,711,880	3,717,396
State adult supported living	35,937	-	35,937	35,624
Medicaid adult supported living	504,176	-	504,176	450,022
Children's extensive services	50,590	-	50,590	21,314
Early intervention	295,409	-	295,409	251,425
Family support	135,195	-	135,195	127,377
Case management	396,331	-	396,331	415,746
Total program services	5,129,518	-	5,129,518	5,018,904
Supporting services				
Management and general	767,055	-	767,055	751,648
Total expenses	5,896,573	-	5,896,573	5,770,552
CHANGE IN NET ASSETS	(56,599)	(2,406)	(59,005)	(112,559)
Net assets, beginning of year	6,026,128	6,939	6,033,067	6,145,626
Net assets, end of year	\$ 5,969,529	\$ 4,533	\$5,974,062	\$6,033,067

The accompanying notes are an integral part of this statement.

Horizons Specialized Services and Affiliate
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2016

(With summarized financial information for the year ended June 30, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (59,005)	\$ (112,559)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	240,232	207,474
Unrealized gain on investments	-	(4,108)
Gain on sale of land, buildings and equipment	(1,420)	-
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(22,796)	67,650
Increase in accrued interest receivable	(3,295)	(3,312)
Increase in prepaid expenses and other	(73,810)	(7,460)
Increase (decrease) in accounts payable	6,911	(106,547)
Increase (decrease) in accrued payroll and employee benefits	(28,696)	29,649
Increase (decrease) in deferred revenue	116,035	(8,205)
Decrease in annuity obligation	(2,016)	(5,913)
Net cash provided by operating activities	172,140	56,669
Cash flows from investing activities		
Purchase of land, buildings and equipment	(169,772)	(92,644)
Proceeds from sale of land, buildings and equipment	1,420	-
Net cash used in investing activities	(168,352)	(92,644)
Cash flows from financing activities		
Payments on notes payable	(54,343)	(52,537)
Net cash used in financing activities	(54,343)	(52,537)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(50,555)	(88,512)
Cash and cash equivalents, beginning of year	1,286,467	1,374,979
Cash and cash equivalents, end of year	\$ 1,235,912	\$ 1,286,467
Supplemental data		
Cash paid for interest	\$ 28,996	\$ 30,801

The accompanying notes are an integral part of this statement.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

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

This description of Horizons Specialized Services and Affiliate's (the Center) nature of activities and summary of significant accounting policies is presented to assist in understanding the Center's consolidated financial statements.

1. *Summary of Business Activities*

Horizons Specialized Services, 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 Grand, Jackson, Moffat, Rio Blanco and Routt Counties. The Center's revenue comes primarily from the State of Colorado for services provided and mill levy revenue from Routt County.

2. *Principles of Consolidation*

The consolidated financial statements of the Center include its affiliate, Soda Creek Apartments, Inc. (SCA), a Colorado nonprofit corporation. SCA is an affiliate of the Center due to the fact that the Center exercises control over its Board of Directors. Significant intercompany accounts and transactions have been eliminated.

3. *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.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

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

3. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

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

Early Intervention is supports 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.

Supporting Services

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

4. *Basis of Accounting*

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

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

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

5. *Use of Estimates*

In preparing consolidated 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 consolidated financial statements, and the reported amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

6. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through January 18, 2017, the date on which the consolidated financial statements were issued. The Center did not identify any events or transactions that would have a material impact on the financial statements.

7. *Cash and Cash Equivalents*

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

The Center maintains some of its cash balances in two financial institutions located in Steamboat 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.

8. *Certificates of Deposit and Investments*

The Center records certificates of deposit at each certificate's principal and accrued interest amounts. Certificates of deposit consist of eight individual certificates with interest rates between 0.20% and 0.40%.

Investments consist of one United States Treasury note, with an interest rate of 2.50% maturing in July 2016. This investment and the charitable gift annuity investments are recorded at fair value in the consolidated statement of financial position.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

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

9. *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 uncollectible receivables 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.

10. *Accounting for Contributions*

All contributions are considered to be available for unrestricted use 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 temporarily restricted or permanently restricted support that increases those net asset classes. 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 temporarily restricted net assets.

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, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are reported as unrestricted revenues rather than temporarily restricted. Permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity, and only the income from investment thereof be expended for either general purposes or a purpose specified by the donor.

11. *Loan Issuance Costs*

Loan issuance costs are deferred and amortized to depreciation and amortization expense over the term of the respective loan using the straight-line method, which approximates the effective interest method.

12. *Annuity Obligations*

Annuity obligations represent the present value of the remaining payments due to annuitants under annuity contracts, based upon the remaining life expectancies of the respective annuitants.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

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

13. *Land, Buildings and Equipment*

Land, buildings and equipment are reported at cost for purchased assets greater than \$2,500 and at estimated fair value, at date of receipt, for donated property greater than \$2,500.

Depreciation is provided on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	2–35
Administrative and other equipment	2–5
Program equipment	2–5
Transportation equipment	3–5

14. *In-kind Contributions*

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

15. *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, 2016. 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, 2013.

16. *Fair Value Measurements*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established under generally

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

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

16. *Fair Value Measurements (Continued)*

accepted accounting principles, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and mutual funds that are traded in an active exchange market.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. This category generally includes certain U.S. Government agency debt securities and corporate debt securities. The Center's Level 2 securities are primarily valued using quoted market prices for similar instruments and nonbinding market prices that are corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. The disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

17. *Prior Year Summarized Information*

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

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

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

17. *Prior Year Summarized Information (Continued)*

generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE B – CHARITABLE GIFT ANNUITY

During fiscal year 2007, the Center became the trustee for a charitable gift annuity which provides for monthly annuity payments of \$493 to the annuitant during his life with the remainder to be paid to the Center. Trust assets are recorded at fair market value at the time of donation and the related liability is calculated as the present value of future annuity payments based on the life expectancy of the donor and the current applicable Internal Revenue Service actuarial tables. Contribution revenue was recorded for the balance of assets donated less the annuity liability at the time of donation. The discount rate used to determine the present value of the future obligations to the annuitant was 2.8%. The assets for the annuity are invested in growth mutual funds totaling \$92,457 at June 30, 2016. These investments are recorded at fair value in the consolidated statement of financial position.

NOTE C – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at June 30, 2016:

Buildings and improvements	\$ 4,800,596
Administrative and other equipment	185,769
Program equipment	71,566
Transportation equipment	<u>553,070</u>
	5,611,001
Less accumulated depreciation	<u>2,403,135</u>
	3,207,866
Land	<u>863,739</u>
	\$ <u>4,071,605</u>

Depreciation expense was \$240,232 for the year ended June 30, 2016.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

NOTE D – DEFERRED REVENUE

Deferred revenue of \$286,691 at June 30, 2016 consists of unspent mill levy funds from Routt County.

NOTE E – NOTES PAYABLE

In March 2005, the Center entered into a loan agreement in the amount of \$1,101,000 with Yampa Valley Housing Authority to refinance its existing debt. Yampa Valley Housing Authority funded the loan through issuance of refunding revenue bonds. The loan is payable in monthly principal and interest installments of \$6,945 and matures March 2025. The interest rate on the loan was 4.50%. The loan is collateralized by certain real property. At June 30, 2016, the outstanding principal balance is \$603,636. This loan contains a debt service coverage ratio, which the Center met at June 30, 2016. The Center incurred loan costs of \$26,820 for the bond issue. Deferred loan costs at June 30, 2016, net of accumulated amortization, are \$8,493.

Interest expense for the year ended June 30, 2016 was \$28,996.

Future maturities for the notes payable at June 30, 2016, are as follows:

Year ending June 30,	
2017	\$ 56,979
2018	59,633
2019	60,244
2020	64,935
2021	68,009
Thereafter	<u>293,836</u>
	603,636
Less current portion	<u>56,979</u>
	<u>\$ 546,657</u>

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$4,533 as of June 30, 2016 consist of contributions to be used for various client programs.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

NOTE G – LEASES

The Center rents several residences used primarily for the residential program under operating lease agreements. Some of these leases are on a month-by-month basis and, therefore, are not subject to future minimum rental commitments. Rent expense for the year ended June 30, 2016 was \$137,756.

Future minimum lease payments under noncancelable operating leases at June 30, 2016 are as follows:

Year ending June 30,	
2017	\$ 108,450
2018	76,210
2019	9,688
2020	4,200
2021	<u>1,400</u>
	\$ <u>199,948</u>

NOTE H – RETIREMENT PLAN

The Center has adopted a profit sharing plan, which is a defined contribution pension plan. All full-time employees who have completed one full year of service and are age 18 or older are eligible to participate. Employees participating in the plan are 100% vested after six years of service. The Center's contributions to the plan are discretionary. The Board of Directors did not approve a contribution to the profit sharing plan for the year ended June 30, 2016. The profit sharing plan was terminated as of June 30, 2016.

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 \$404,038. The Center has a payable to the State of Colorado in the amount of \$64,387 which is recorded in accounts payable. These transactions are considered to be transactions with a related party by virtue of the significant management influence exercised by the State of Colorado through contract provisions.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

NOTE J – FAIR VALUE MEASUREMENTS

The following table presents the Center’s fair value hierarchy for those assets measured at fair value as of June 30, 2016:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
U.S. Treasury Inflation- Protected Security	\$ 117,283	\$ -	\$ 117,283	\$ -
Mutual funds	<u>92,457</u>	<u>92,457</u>	_____	_____
	\$ <u>209,740</u>	\$ <u>92,457</u>	\$ <u>117,283</u>	\$ _____

NOTE K – COMMITMENTS AND CONTINGENCIES

During fiscal year 2013, the Center received a Community Development Block Grant (CDBG) from the City of Steamboat Springs, Colorado in the amount of \$233,842 for the purchase of land on which the Center constructed an apartment building to be occupied by very low income people with disabilities. The grant contract provides that as long as the facility is used to provide affordable housing for a period of 40 years from the construction close out date, which was during fiscal year 2014, the Center will not be required to repay any portion of the grant. If any default occurs, the grant becomes immediately payable in full, but bears no interest.

During fiscal year 2014, the Center received a capital advance from HUD in the amount of \$1,272,700 to construct an apartment complex for very low income people with disabilities. Provided the facility remains available for occupancy by very low income people with disabilities through February 1, 2054, the capital advance will not become payable back to HUD. If any default occurs, the capital advance bears interest at 3.0% accruing from the closeout date and becomes immediately payable.

During fiscal year 2014, the Center received a grant from the Affordable Housing Program through First National Bank of the Rockies in the amount of \$105,000. If the constructed property is not used for affordable housing, as defined by the Federal Housing Finance Board, then the Center must repay the funds back to the First National Bank of the Rockies. This contingency expires 15 years from the contract date, which was June 17, 2013.