Consolidated Financial Statements and Independent Auditor's Report

Horizons Specialized Services and Affiliate

June 30, 2019

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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, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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.

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, 2019 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 2018 consolidated financial statements, and our report dated February 11, 2019, 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, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
June 3, 2020

Consolidated Financial Statements

Horizons Specialized Services and Affiliate
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With summarized financial information as of June 30, 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,127,559	$ 1,538,187
Certificates of deposit	1,071,810	1,280,940
Accounts receivable		
Fees and grants from governmental agencies	446,647	403,573
Other	2,893	30,877
Prepaid expenses and other	68,195	40,883
Total current assets	2,717,104	3,294,460
Charitable gift annuity investment	119,272	109,981
Beneficial interest in assets held by others	28,570	-
Land, buildings and equipment, net	3,607,668	3,772,021
Total assets	$ 6,472,614	$ 7,176,462
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 89,289	$ 109,448
Accrued payroll and employee benefits	278,954	264,737
Deferred revenue	138,630	339,197
Current portion of long-term debt	-	64,445
Total current liabilities	506,873	777,827
Long-term liabilities		
Notes payable, net of current portion and deferred loan costs	-	401,627
Total liabilities	506,873	1,179,454
Net assets		
Without donor restrictions		
Board designated		
Operating reserve	1,154,746	1,154,746
Mill levy funds	994,965	1,136,615
Net investment in land, buildings and equipment	3,607,668	3,305,949
Undesignated	187,016	378,579
Total without donor restrictions	5,944,395	5,975,889
With donor restrictions	21,346	21,119
Total net assets	5,965,741	5,997,008
Total liabilities and net assets	$ 6,472,614	$ 7,176,462

The accompanying notes are an integral part of this statement.

Horizons Specialized Services and Affiliate
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2019
(With summarized financial information for the year ended June 30, 2018)

	Without donor restrictions	With donor restrictions	Total 2019	Total 2018
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	$ 528,703	$ -	$ 528,703	$ 451,260
Medicaid	3,443,555	-	3,443,555	3,375,622
Counties and cities	1,214,363	-	1,214,363	1,171,383
Grants and other				
Child find	-	-	-	29,501
Part C	97,842	-	97,842	88,917
Colorado Department of Transportation	-	-	-	32,800
Department of Housing and Urban Development	64,492	-	64,492	66,400
Total fees and grants from governmental agencies	5,348,955	-	5,348,955	5,215,883
Public support - contributions				
Individuals and foundations	114,596	28,988	143,584	117,958
Community organizations	24,850	-	24,850	21,760
Total public support - contributions	139,446	28,988	168,434	139,718
Residential room and board	335,795	-	335,795	335,267
In-kind contributions	79,666	-	79,666	39,179
Other revenue	247,937	-	247,937	217,490
Net assets released from restrictions				
Satisfaction of program restrictions	28,761	(28,761)	-	-
Total revenues and support	6,180,560	227	6,180,787	5,947,537
Expenses				
Program services				
Medicaid comprehensive	3,934,746	-	3,934,746	3,720,567
State adult supported living	98,481	-	98,481	70,696
Medicaid adult supported living	407,715	-	407,715	464,472
Children's extensive supports	16,675	-	16,675	33,545
Early intervention	384,235	-	384,235	348,508
Family support	127,708	-	127,708	135,419
Case management	424,670	-	424,670	418,480
Total program services	5,394,230	-	5,394,230	5,191,687
Supporting services				
Management and general	817,824	-	817,824	775,444
Total expenses	6,212,054	-	6,212,054	5,967,131
CHANGE IN NET ASSETS	(31,494)	227	(31,267)	(19,594)
Net assets, beginning of year	5,975,889	21,119	5,997,008	6,016,602
Net assets, end of year	$ 5,944,395	$ 21,346	$5,965,741	$5,997,008

The accompanying notes are an integral part of this statement.

Horizons Specialized Services and Affiliate
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2019
(With summarized financial information for the year ended June 30, 2018)

	Program Services			
	Medicaid comprehen-sive	State adult supported living	Medicaid adult supported living	Children's extensive supports
Salaries, benefits & taxes	$ 3,026,033	$ 88,803	$ 350,994	$ 13,228
Professional services	49,553	2,962	8,261	1,164
Staff development & travel	25,260	1,434	4,443	758
Occupancy	191,320	3,957	11,337	558
Repairs and maintenance	122,990	316	6,609	34
Vehicles fuel and oil	15,899	-	7,000	-
Supplies	108,282	900	4,849	94
Dues and subscriptions	6,213	10	68	5
Insurance	42,755	-	5,538	-
Interest	7,254	-	-	-
Client assistance	68,992	99	437	834
Other	409	-	511	-
In-kind contributions	63,231	-	1,649	-
Depreciation and amortization	206,555	-	6,019	-
Total expenses	$ 3,934,746	$ 98,481	$ 407,715	$ 16,675

Program Services					
Early intervention	Family support	Case management	Management and general	Total 2019	Total 2018
$ 323,951	$ 18,419	$ 366,369	$ 598,610	$ 4,786,407	$ 4,535,706
2,600	70,652	1,626	54,354	191,172	224,764
16,537	510	9,789	5,310	64,041	57,982
13,848	3,876	21,236	11,576	257,708	257,059
2,908	603	6,356	22,543	162,359	141,615
1,374	-	26	1,489	25,788	25,187
2,177	3,930	8,163	28,145	156,540	161,487
4,155	34	2,293	10,644	23,422	19,052
2,303	1,036	3,116	14,845	69,593	67,981
213	123	1,145	3,084	11,819	23,751
-	28,114	-	-	98,476	117,003
615	40	469	25,742	27,786	29,888
995	-	-	13,791	79,666	39,179
12,559	371	4,082	27,691	257,277	266,477
$ 384,235	$ 127,708	$ 424,670	$ 817,824	$ 6,212,054	$ 5,967,131

Horizons Specialized Services and Affiliate
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended June 30, 2019
(With summarized financial information for the year ended June 30, 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (31,267)	$ (19,594)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	257,277	266,477
Realized/unrealized gain on investments	(9,291)	(7,857)
Interest income reinvested in certificates of deposit	(7,765)	(5,523)
Noncash change in beneficial interest in assets held by others	(1,247)	-
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(15,090)	47,717
(Increase) decrease in prepaid expenses and other	(27,312)	40,556
Decrease in accounts payable	(20,159)	(29,433)
Increase in accrued payroll and employee benefits	14,217	17,462
Increase (decrease) in deferred revenue	(200,567)	108,373
Net cash provided by (used in) operating activities	(41,204)	418,178
Cash flows from investing activities		
Purchase of land, buildings and equipment	(84,431)	(160,361)
Purchase of certificates of deposit	-	(100,000)
Proceeds from sale of investments	216,895	-
Purchase of beneficial assets	(27,323)	-
Net cash provided by (used in) investing activities	105,141	(260,361)
Cash flows from financing activities		
Payments on notes payable	(474,565)	(72,113)
Net cash used in financing activities	(474,565)	(72,113)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(410,628)	85,704
Cash and cash equivalents, beginning of year	1,538,187	1,452,483
Cash and cash equivalents, end of year	$ 1,127,559	$ 1,538,187
Supplemental data		
Cash paid for interest	$ 11,819	$ 23,751

The accompanying notes are an integral part of this statement.

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

<u>Comprehensive</u> (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.

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 Supports 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.

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 June 3, 2020, 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 1.80%.

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

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

10. *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.

11. *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:

	Years
Buildings and improvements	2–35
Administrative and other equipment	2–5
Program equipment	2–5
Transportation equipment	3–5

12. *Net Assets*

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

13. *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.

14. *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 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.

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

14. *Accounting for Contributions (Continued)*

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 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 net assets without donor restrictions.

15. *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.

16. *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, 2019. 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, 2016.

17. *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 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:

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

17. *Fair Value Measurements (Continued)*

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.

18. *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 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, 2018, from which the summarized information was derived.

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

19. *Recent Accounting Pronouncements*

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit organization's liquidity, financial performance and cash flows. For the year ended June 30, 2019, the Center has implemented ASU No. 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented and no adjustments were needed to the financial statements.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (US GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Center has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

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 lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Changes to the lessor accounting model include: (a) synchronizing key aspects of the model with the new revenue recognition guidance, such as basing whether a lease is similar to a sale or whether control of the underlying asset has transferred to the lessee and (b) prospectively eliminating the specialized accounting for leveraged leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU will be effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Center is in the process of evaluating the impact of this new guidance.

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

19. *Recent Accounting Pronouncements (Continued)*

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this update clarify the guidance regarding the classification of operating, investing and financing activities for certain types of cash receipts and payments. The amendments in this update are effective for the annual periods, and the interim periods within those years, beginning after December 15, 2018, and should be applied using a retrospective transition method to each period presented. Early adoption is permitted. The Center is evaluating the impact of adoption, if any, to the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU will be effective for fiscal years beginning after December 15, 2018. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Center is in the process of evaluating the impact of this new guidance.

In June 2018, the FASB issued ASU No. 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve the scope and the accounting guidance for contributions received and contributions made. The ASU will be effective for all entities that have issued, or is a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market services as a resource recipient, for fiscal years beginning after December 15, 2018. The ASU will be effective for all entities that have not issued or is a conduit bond obligor for securities that are traded, listed or quoted on an exchange or an over-the-counter market services as a resource provider, for fiscal years beginning after December 15, 2019. The Center is in the process of evaluating the impact of this new guidance.

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:

	2019	2018
Cash and cash equivalents	$ 1,127,559	$ 1,538,187
Certificates of deposit	1,071,810	1,280,940
Accounts receivable	449,540	434,450
	$ 2,648,909	$ 3,253,577

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.

NOTE C – 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 $119,272 at June 30, 2019. These investments are recorded at fair value in the consolidated statement of financial position.

NOTE D – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Center transferred assets to the Yampa Valley Community Foundation (YVCF) to establish permanent funds that benefit the Center. Under the terms of the agreement, the Center receives income generated by the transferred assets and reinvests the income in the fund. The Center can withdraw all or a portion of the original amount transferred, any appreciation on those transferred assets, or both, at its discretion. At the time of the transfer, the Center granted variance power to YVCF. That power gives YVCF the right to distribute the investment income and principal to another nonprofit organization of its choice if the Center ceases to exist. If YVCF ceases to exist, the net assets of the permanent funds shall be distributed to such charitable organizations as the governing board of YVCF may select, with primary consideration being given to the Center. At June 30, 2019, the permanent fund has a value of $28,570, which is reported in the statement of financial position as beneficial interest in assets held by others.

NOTE E – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at June 30, 2019:

Buildings and improvements	$ 4,930,038
Administrative and other equipment	211,314
Program equipment	82,172
Transportation equipment	677,594
	5,901,118
Less accumulated depreciation	3,157,189
	2,743,929
Land	863,739
	$ 3,607,668

Depreciation expense was $257,277 for the year ended June 30, 2019.

NOTE F – DEFERRED REVENUE

Deferred revenue of $138,630 at June 30, 2019 consists of unspent mill levy funds from Routt County.

NOTE G – 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. During fiscal year 2019, the Center paid the loan off. The interest rate on the loan was 2.93%. The Center incurred loan costs of $26,820 for the bond issue. Unamortized deferred loan costs of $8,493 were fully amortized during the year ended June 30, 2019.

Interest expense for the year ended June 30, 2019 was $11,819.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of $21,346 as of June 30, 2019 consist of contributions to be used for various client programs.

NOTE I – 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, 2019 was $152,295.

Future minimum lease payments under noncancelable operating leases at June 30, 2019 are as follows:

Year ending June 30,	
2020	$ 131,083
2021	84,228
2022	6,200
	$ 221,511

NOTE J – 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 K – 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 $446,647. 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.

NOTE L – FAIR VALUE MEASUREMENTS

The following table presents the Center's fair value hierarchy for those assets measured at fair value as of June 30, 2019:

	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Mutual funds	$ 119,272	$ 119,272	$ -	$ -
Beneficial interest in assets held by others	28,570	-	28,570	-
	$ 147,842	$ 119,272	$ 28,570	$ -

NOTE M – 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.