



Financial Statements and  
Independent Auditor's Report

**Eastern Colorado Services for the  
Developmentally Disabled, Inc.  
dba Eastern Colorado Services**

June 30, 2016



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# Logan, Thomas & Johnson, LLC

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Eastern Colorado Services for the Developmentally  
Disabled, Inc. dba Eastern Colorado Services

We have audited the accompanying financial statements of Eastern Colorado Services for the Developmentally Disabled, Inc. dba Eastern Colorado Services (the Center), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility 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; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Colorado Services for the Developmentally Disabled, Inc. dba Eastern Colorado Services as of June 30, 2016, 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.

## **Report on Summarized Comparative Information**

We have previously audited the Center's 2015 financial statements, and our report dated October 19, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Logan, Thomas + Johnson, LLC*

Broomfield, Colorado

October 18, 2016

## *Financial Statements*

Eastern Colorado Services for the Developmentally Disabled, Inc.  
dba Eastern Colorado Services  
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	\$ 2,489,943	\$ 2,564,541
Accounts receivable		
Fees and grants from governmental agencies	833,476	789,230
Vocational contracts and other	124,513	13,338
Prepaid expenses and other	14,120	1,853
Workshop inventory	7,647	7,700
Total current assets	3,469,699	3,376,662
Land, buildings and equipment, net	2,575,535	2,638,304
Total assets	\$ 6,045,234	\$ 6,014,966
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 876,414	\$ 822,130
Deferred revenue	-	21,041
Total current liabilities	876,414	843,171
Net assets		
Unrestricted		
Net investment in land, buildings and equipment	2,575,535	2,638,304
Undesignated	2,593,285	2,533,491
Total net assets	5,168,820	5,171,795
Total liabilities and net assets	\$ 6,045,234	\$ 6,014,966

The accompanying notes are an integral part of this statement.

Eastern Colorado Services for the Developmentally Disabled, Inc.  
dba Eastern Colorado Services  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2016  
(With summarized financial information for the year ended June 30, 2015)

	Total unrestricted	
	2016	2015
Revenues and support		
Fees and grants from governmental agencies		
Fees for services		
State of Colorado		
State General Fund	\$ 757,826	\$ 735,605
Medicaid	6,777,815	7,236,467
Counties and cities	203,196	198,566
Grants and other		
Part C	67,781	56,092
Other	4,143	6,120
Total fees and grants from governmental agencies	7,810,761	8,232,850
Public support – contributions	23,031	13,778
Public support – grants	49,149	24,427
Residential room and board	560,495	740,989
Other revenue	385,445	169,102
Total revenues and support	8,828,881	9,181,146
Expenses		
Program services		
Medicaid comprehensive	6,495,204	6,727,597
State adult supported living	102,139	107,497
Medicaid adult supported living	340,347	391,898
Children's extensive support	68,790	56,012
Early intervention	351,061	376,507
Family support	136,991	122,823
Case management	818,767	758,174
Total program services	8,313,299	8,540,508
Supporting services		
Management and general	518,557	542,268
Total expenses	8,831,856	9,082,776
CHANGE IN NET ASSETS	(2,975)	98,370
Net assets, beginning of year	5,171,795	5,073,425
Net assets, end of year	\$ 5,168,820	\$ 5,171,795

The accompanying notes are an integral part of this statement.

Eastern Colorado Services for the Developmentally Disabled, Inc.  
dba Eastern Colorado Services  
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	\$ (2,975)	\$ 98,370
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities		
Depreciation	222,507	209,251
Gain on disposal of land, buildings and equipment	(156,948)	(1,060)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(155,421)	2,685
(Increase) decrease in prepaid expenses	(12,267)	50,123
Decrease (increase) in inventories	53	(327)
Increase in accounts payable and accrued expenses	54,284	113,346
(Decrease) increase in deferred revenue	(21,041)	21,041
Net cash provided by (used in) operating activities	(71,808)	493,429
Cash flows from investing activities		
Purchase of land, buildings and equipment	(271,226)	(286,235)
Proceeds from disposal of land, buildings and equipment	268,436	1,060
Net cash used in investing activities	(2,790)	(285,175)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(74,598)	208,254
Cash and cash equivalents, beginning of year	2,564,541	2,356,287
Cash and cash equivalents, end of year	\$ 2,489,943	\$ 2,564,541

The accompanying notes are an integral part of this statement.



Eastern Colorado Services for the Developmentally Disabled, Inc.  
dba Eastern Colorado Services  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

This description of Eastern Colorado Services for the Developmentally Disabled, Inc. dba Eastern Colorado Services' (the Center) nature of activities and summary of significant accounting policies is presented to assist in understanding the Center's financial statements.

1. *Summary of Business Activities*

Eastern Colorado Services for the Developmentally Disabled, Inc., a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado in 1973 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 various Colorado counties. The Board of Directors approved a change to the Center's name to Eastern Colorado Services for the Developmentally Disabled, Inc. dba Eastern Colorado Services, a Colorado nonprofit corporation, on January 31, 2013 to more accurately represent the broader populations served. The Center's revenue comes primarily from the State of Colorado for services provided.

2. *Description of Services Provided*

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

**Program Services or Supports**

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

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

Eastern Colorado Services for the Developmentally Disabled, Inc.  
dba Eastern Colorado Services  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

2. *Description of Services Provided (Continued)*

**Program Services or Supports (Continued)**

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 co-existing medical conditions. Available services include personal assistance, household modification, specialized medical equipment and supplies, professional services and community connection services.

Early Intervention is support for children from birth through age two which offers 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.

3. *Basis of Accounting*

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

Eastern Colorado Services for the Developmentally Disabled, Inc.  
dba Eastern Colorado Services  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

4. *Use of Estimates*

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

5. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through October 18, 2016, the date on which the financial statements were issued, and the Center did not identify any events or transactions that would have a material impact on the financial statements.

6. *Cash and Cash Equivalents*

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

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

7. *Accounts Receivable*

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

8. *Workshop Inventory*

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

Eastern Colorado Services for the Developmentally Disabled, Inc.  
dba Eastern Colorado Services  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

9. *Land, Buildings and Equipment*

Land, buildings and equipment acquired in excess of \$5,000 are capitalized at cost for purchased assets and at estimated fair value, at the date of receipt, for donated property. Depreciation is provided on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	20–40
Building improvements	5-15
Administrative equipment	3–5
Program equipment	3–5
Transportation equipment	3–5

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 statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as unrestricted revenue, rather than temporarily restricted revenue.

11. *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.

Eastern Colorado Services for the Developmentally Disabled, Inc.  
dba Eastern Colorado Services  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

11. *Income Taxes (Continued)*

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.

12. *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 as of and for the year ended June 30, 2015, from which the summarized information was derived.

NOTE B – LAND, BUILDINGS AND EQUIPMENT

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

Buildings and improvements	\$ 3,723,135
Administrative equipment	658
Program equipment	255,185
Transportation equipment	<u>782,790</u>
	4,761,768
Less accumulated depreciation and amortization	<u>2,588,822</u>
	2,172,946
Land	.290,953
Construction in progress	<u>111,636</u>
	\$ <u>2,575,535</u>

Depreciation expense was \$222,507 for the year ended June 30, 2016.

NOTE C – LINE OF CREDIT

The Center established a \$100,000 unsecured line of credit with a bank at an annual interest rate of prime plus 1.75% to be no less than 5%. The interest rate was 5.25% at June 30, 2016, and the line of credit matures on May 5, 2017. There was no balance outstanding on the line of credit as of June 30, 2016.

Eastern Colorado Services for the Developmentally Disabled, Inc.  
dba Eastern Colorado Services  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE D – LEASES

The Center leases numerous case management offices, an adult day facility and an apartment for residential services under operating lease arrangements which expire through fiscal year 2020. Rental expense under these leases for the year ended June 30, 2016 was \$27,316.

Future minimum rental payments for these leases at June 30, 2016 are as follows:

Year ending June 30,	
2017	\$ 8,520
2018	8,520
2019	5,170
2020	<u>3,375</u>
	\$ <u>25,585</u>

NOTE E – TAX DEFERRED ANNUITY PLAN

The Center has adopted an Employees' Tax Deferred Annuity 403(b) Plan to which both the Center and eligible employees contribute. Center contributions are 5% of the employees' compensation. All employees who have completed one year of service and have reached the age of eighteen are eligible for employer contributions. The Center's contribution for the year ended June 30, 2016 totaled \$164,543.

NOTE F – 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 as of June 30, 2016 totaled \$742,567. The Center has a payable to the State of Colorado in the amount of \$57,784 which is recorded in accounts payable and accrued expenses. 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.