



Consolidated Financial Statements  
June 30, 2018

# Developmental Pathways, Inc. and Affiliates

# Developmental Pathways, Inc. and Affiliates

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June 30, 2018

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## Independent Auditor's Report

To the Board of Directors  
Developmental Pathways, Inc. and Affiliates  
Englewood, Colorado

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Developmental Pathways, Inc. and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Developmental Pathways, Inc. and Affiliates as of June 30, 2018, 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.

**Emphasis of Matter**

As discussed in Note 10 to the financial statements, Developmental Pathways, Inc. and Affiliates has adopted the provisions of FASB Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. Net assets at June 30, 2017 have been restated to combine temporarily restricted and permanently restricted net assets into a single category of net assets with donor restrictions. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2018 on our consideration of Developmental Pathways, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Developmental Pathways, Inc. and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Developmental Pathways, Inc. and Affiliates' internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Denver, Colorado  
December 11, 2018

Developmental Pathways, Inc. and Affiliates  
Consolidated Statement of Financial Position  
June 30, 2018

Assets	
Cash and cash equivalents	\$ 6,444,514
Investments	13,525,274
Accounts receivable, net	4,179,708
Prepaid expenses and other assets	217,113
Cash surrender value of life insurance	82,247
Note receivable	839,123
Restricted deposits and replacement reserve	292,448
Property and equipment, net	9,643,917
Endowment investments	1,051,012
Total assets	\$ 36,275,356
Liabilities and Net Assets	
Accounts payable and accrued liabilities	\$ 2,028,491
Deferred revenue	3,616,016
Lease obligations	136,718
Total liabilities	5,781,225
Net Assets	
Without donor restrictions	
Undesignated	15,459,093
Board designated	4,282,297
Invested in property and equipment, net of related debt	9,507,199
	29,248,589
With donor restrictions	
Purpose restrictions	337,580
Perpetual in nature	907,962
	1,245,542
Total net assets	30,494,131
Total liabilities and net assets	\$ 36,275,356

Developmental Pathways, Inc. and Affiliates  
Consolidated Statement of Activities  
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support and Gains</b>			
State of Colorado - Medicaid	\$ 7,676,856	\$ -	\$ 7,676,856
State of Colorado - other	14,498,521	-	14,498,521
Mill levy	15,061,045	-	15,061,045
Service fees and other program income	1,483,311	-	1,483,311
Rental income	1,338,140	-	1,338,140
Contributions	205,004	59,351	264,355
Net special event revenue	50,899	22,100	72,999
Net investment return	367,682	21,434	389,116
Interest and other income	60,820	-	60,820
Net assets released from restrictions	104,361	(104,361)	-
Total revenue, support and gains	<u>40,846,639</u>	<u>(1,476)</u>	<u>40,845,163</u>
<b>Expenses and Losses</b>			
Program services			
Case management	7,755,077	-	7,755,077
Support services	26,904,976	-	26,904,976
Residential services	305,328	-	305,328
Quality assurance	335,672	-	335,672
Total program services	<u>35,301,053</u>	<u>-</u>	<u>35,301,053</u>
Supporting services			
Management and general	5,607,901	-	5,607,901
Fundraising and development	206,928	-	206,928
Total supporting services	<u>5,814,829</u>	<u>-</u>	<u>5,814,829</u>
Total expenses	<u>41,115,882</u>	<u>-</u>	<u>41,115,882</u>
Loss on disposal of fixed assets	17,578	-	17,578
Total expenses and losses	<u>41,133,460</u>	<u>-</u>	<u>41,133,460</u>
Change in Net Assets	(286,821)	(1,476)	(288,297)
Net Assets, Beginning of Year (Restated)	<u>29,535,410</u>	<u>1,247,018</u>	<u>30,782,428</u>
Net Assets, End of Year	<u>\$ 29,248,589</u>	<u>\$ 1,245,542</u>	<u>\$ 30,494,131</u>

Developmental Pathways, Inc. and Affiliates  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2018

	Program services				Supporting services			
	Case management	Support services	Residential services	Quality assurance	Total	Management and general	Fundraising and development	Total
Salaries, benefits, and taxes	\$ 6,438,359	\$ 5,896,020	\$ -	\$ 328,257	\$ 12,662,636	\$ 40,077	\$ -	\$ 12,702,713
Professional services	644,912	10,002,539	-	1,160	10,648,611	733,721	166,000	11,548,332
Staff development and travel	117,696	117,408	-	695	235,799	27,589	3,009	266,397
Occupancy	429,742	297,897	47,441	376	775,456	-	-	775,456
Office expenses	7,559	27,854	-	-	35,413	238,624	6,864	280,901
Information technology	95,964	90,400	-	5,184	191,548	127,156	-	318,704
Dues and subscriptions	204	496	-	-	700	46,507	345	47,552
Insurance	-	-	9,209	-	9,209	78,640	-	87,849
Interest	-	-	-	-	-	3,413	-	3,413
Maintenance	24	317	112,181	-	112,522	71,856	-	184,378
Client assistance and activities	-	10,391,200	-	-	10,391,200	-	-	10,391,200
Management fee	-	-	-	-	-	3,325,043	-	3,325,043
Depreciation and amortization	-	5,697	136,497	-	142,194	835,699	16,044	993,937
Other	20,617	75,148	-	-	95,765	79,576	56,659	232,000
<b>Total functional expenses</b>	<b>\$ 7,755,077</b>	<b>\$ 26,904,976</b>	<b>\$ 305,328</b>	<b>\$ 335,672</b>	<b>\$ 35,301,053</b>	<b>\$ 5,607,901</b>	<b>\$ 248,921</b>	<b>\$ 41,157,875</b>
Less expenses netted with revenue								
Cost of direct benefits to donors	-	-	-	-	-	-	(41,993)	(41,993)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 7,755,077</b>	<b>\$ 26,904,976</b>	<b>\$ 305,328</b>	<b>\$ 335,672</b>	<b>\$ 35,301,053</b>	<b>\$ 5,607,901</b>	<b>\$ 206,928</b>	<b>\$ 41,115,882</b>

Developmental Pathways, Inc. and Affiliates  
Consolidated Statement of Cash Flows  
Year Ended June 30, 2018

Cash Flows from Operating Activities	
Change in net assets	\$ (288,297)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	993,937
Realized and unrealized loss on investments	(367,682)
Loss on disposal of fixed assets	17,578
Change in cash surrender value of life insurance	(22,294)
Endowment net investment return	(21,434)
Changes in operating assets and liabilities	
Accounts receivable, net	(38,943)
Prepaid expenses and other assets	93,647
Accounts payable and accrued liabilities	1,756
Deferred revenue	314,757
Net Cash from Operating Activities	<u>683,025</u>
Cash Flows used for Investing Activities	
Purchases of investments	(13,921,638)
Proceeds from sales of investments	11,116,756
Purchases of property and equipment	(1,461,371)
Addition to restricted deposits and replacement reserve	(67,454)
Net Cash used for Investing Activities	<u>(4,333,707)</u>
Cash Flows from Financing Activities	
Principal payments received on note receivable	22,347
Principal payments made on capital leases	(19,531)
Net Cash from Financing Activities	<u>2,816</u>
Net Change in Cash and Cash Equivalents	(3,647,866)
Cash and Cash Equivalents, Beginning of Year	<u>10,092,380</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,444,514</u></u>
Supplemental Disclosure of Non-cash Investing and Financing Activity	
Accounts payable for property and equipment	\$ 20,100
Equipment financed through capital lease arrangement	<u>\$ 156,249</u>



## **Note 1 - Principal Activities and Significant Accounting Policies**

### **Organization**

Developmental Pathways, Inc. (DPI, we, us, our) is a Colorado nonprofit agency created to serve individuals with developmental disabilities and their families. Formed in 1964 as a community-based alternative to institutional care, DPI provides a broad array of services based on the principle that full inclusion and participation in community life is attainable for every individual with a developmental disability. DPI serves citizens of Arapahoe and Douglas Counties, and that portion of Adams County within the city of Aurora.

We are one of 20 Colorado Community Centered Boards (CCBs) established by state statute in 1963. The role of a CCB is to be responsible for community services for children with developmental disabilities and/or delays in their development, and for adults with developmental disabilities. We enrich the lives of individuals with developmental disabilities and/or delays by partnering to provide expertise, support, and advocacy in their pursuit of a meaningful life. We foster choice and independence by collaborating with individuals and their families to provide high-quality lifetime supports that will empower them to thrive in the community.

On July 1, 2017, we effected a restructuring among certain affiliated entities as part of our continuing commitment towards providing conflict-free case management services to the individuals and families we serve. As part of the restructuring, DPI relinquished control of Continuum of Colorado, which now operates under an independent board of directors, and Nonprofit Management Services of Colorado, which became a supporting organization to Continuum of Colorado.

We conduct our activities in cooperation with, and assistance from, our affiliated organizations: Developmental Pathways Housing Corporations I, II and III, SUN Foundation, and Youth Housing Colorado. The consolidated financial statements include the accounts of these affiliates. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, the consolidated entity is hereinafter referred to as “Pathways,” “we,” “us,” and “our.”

Our primary service areas include the following:

#### *Case Management*

As a CCB, we determine eligibility for state and Medicaid-waiver funded programs, and provide services for individuals with developmental disabilities in our service area. Services within each type of program are available to eligible, enrolled individuals based upon the identification and prioritization of individual needs. Services to address identified needs are purchased from approved contractors and program-approved service agencies, using program funds available and as authorized through each individual’s plan.

### *Support Services*

This program is comprised of a variety of specific services targeting the full spectrum of needs encountered by the individuals in our programs, and their families:

#### Early Intervention

Our Early Intervention program serves families with a child under three years old who has a significant delay in their development and/or a qualifying diagnosis. We partner with local school districts to determine eligibility for the program and then deliver services in the child's home. We also provide assistance to connect the family to funding and providers of the needed services.

#### Children with Autism

The Home and Community Based Services Waiver for Children with Autism is for children with a medical diagnosis of Autism, and provides intensive behavioral supports and services to those children. The Autism Waiver allows access to Medicaid services for children who may not otherwise qualify for Medicaid State Plan Benefits, and it provides funding for the purchase of specific services not covered under the Medicaid State Plan.

#### Children's Extensive Support

Children's Extensive Support (CES) services are provided through the Medicaid Home and Community Based Services Waiver for children with the most challenging developmental disabilities. The CES Waiver allows children who may not otherwise qualify for Medicaid State Plan Benefits to access Medicaid services. Children continue to reside in the community with their families. The services allowed include personal assistance with daily living, respite, homemaking skills, day services, assistive technology, home modification, professional services, transportation and emergency assistance.

#### Family Support

This state funded program provides individualized supports to families caring for a family member with developmental disabilities/delays, including connecting them with resources and providing limited financial assistance.

#### Adult Supported Living

This program provides a variety of services and supports for adults living in their own homes, or with family in the community. The services allowed include personal assistance with daily living, homemaking skills, employment, day services, assistive technology, home modification, professional services, transportation and emergency assistance.

#### Community Outreach and Support of Families Waiting for Services

This program provides information and support to individuals and families waiting for state or federally-funded services, and helps bridge the gap until such time as funding becomes available.

### *Residential Services*

Residential services provide living options in group home settings administered by Developmental Pathways Housing Corporations I, II and III.

### *Quality Assurance*

We have developed an extensive quality assurance program to ensure compliance with state rules and regulations, but more importantly, to ensure that all individuals we serve receive the highest levels of attention and care, and are treated with dignity, respect, and compassion. In addition to extensive and ongoing staff training, we actively track our program-approved service agency (PASA) performance outcomes, and adjust our systems, procedures and controls as needed. We have a Human Rights Committee comprised of independent third-party experts and family member volunteers who meet monthly to review investigation results, psychotropic medication usage, rights suspensions, restrictive programming, and other matters as required under state regulations.

### **Cash and Cash Equivalents**

We consider all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes are excluded from this definition.

### **Investments**

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

### **Receivables and Credit Policy**

Accounts receivable consist primarily of amounts due from the State of Colorado for services provided to individuals under Medicaid. We determine the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2018, the allowance is \$50,667.

### **Cash Surrender Value of Life Insurance**

We maintain variable universal life insurance policies on our key executives. The policies are recorded at their net cash surrender values as determined by the insurance carrier. At June 30, 2018, the carrying value of the policies is \$82,247.

### **Restricted Deposits and Replacement Reserve**

These funds represent reserves for improvements and replacements for our housing projects that are restricted as to their use and require approval of HUD prior to expenditure.

## Property and Equipment

We record property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years, or in the case of capitalized leased assets, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2018.

## Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for identified needs (Note 7).

*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 of 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.

## Revenue Recognition

Revenue is recognized when earned. Amounts received in advance of performance of the underlying services are deferred to the period in which the services are performed. Our revenue consists primarily of funds received from the State of Colorado for Medicaid and other services, proceeds from mill levies in Douglas and Arapahoe Counties, miscellaneous smaller grants and awards from federal, state, county and municipal sources, and rental income from housing projects. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

### **Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received. No significant donations of materials or professional services were received in fiscal year 2018.

### **Expenses**

Expenses are recognized when incurred. Expenses paid in advance but not yet incurred are deferred to the applicable period.

### **Functional Allocation of Expenses**

The costs of program and supporting services 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable 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 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.

### **Income Taxes**

Developmental Pathways, Inc., Developmental Pathways Housing Corporations I, II, and III, SUN Foundation, and Youth Housing Colorado are organized as Colorado nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) or (viii), and have been determined not to be private foundations under Section 509(a)(1), (a)(2), or (a)(3). Each entity annually is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that each entity is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and money market accounts with financial institutions we believe to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies. Investments are made by an investment manager whose performance is monitored by management and the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the investment manager and the Finance Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

### Subsequent Events

We have evaluated subsequent events through December 11, 2018, the date the financial statements were available to be issued.

### Note 2 - Liquidity and Availability

We operate on a balanced budget, and regularly monitor liquidity to meet our operating needs and other contractual commitments while also striving to maximize the investment of our available funds. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 6,444,514
Investments	12,392,858
Accounts receivable, net	4,179,708
Cash surrender value of life insurance	82,247
Note receivable due in one year	22,855
	<u>\$ 23,122,182</u>

Our endowment funds consist of a single donor-restricted endowment. Income from the donor-restricted endowment is restricted for medical and dental expenses. Donor-restricted endowment funds are not available for general expenditure. Our governing board has designated a portion of our unrestricted net assets for various initiatives described in Note 7. These funds remain available and may be spent at the discretion of the Board.

### **Note 3 - Fair Value Measurements and Disclosures**

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset.

A significant portion of our investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. We use Net Asset Value (NAV) per share, as a practical expedient to estimate the fair values of certain hedge funds that do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified below, at June 30, 2018:

	<u>Fair Value Measurements at Reporting Date Using</u>				Investments Measured at NAV
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Investments</b>					
Money market (at cost)	\$ 23,516	\$ -	\$ -	\$ -	\$ -
Bond funds	5,218,719	5,218,719	-	-	-
Domestic equity funds	4,756,540	4,756,540	-	-	-
International equity funds	2,394,083	2,394,083	-	-	-
Multi-strategy hedge fund	1,132,416	-	-	-	1,132,416
	<u>\$ 13,525,274</u>	<u>\$ 12,369,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,132,416</u>
<b>Endowment investments</b>					
Money market (at cost)	\$ 8,404	\$ -	\$ -	\$ -	\$ -
Bond funds	286,838	286,838	-	-	-
Domestic equity funds	540,864	540,864	-	-	-
International equity funds	214,906	214,906	-	-	-
	<u>\$ 1,051,012</u>	<u>\$ 1,042,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment in the multi-strategy hedge fund is measured at fair value using NAV per share as a practical expedient at June 30, 2018. This fund is a “fund of hedge funds,” with the objective of capital appreciation with limited variability of returns. The fund attempts to achieve this objective by allocating capital among a number of underlying funds employing a variety of alternative investment strategies. Units are not redeemable at our discretion as the fund makes a tender offer to repurchase members’ units at NAV on certain repurchase dates.

#### **Note 4 - Property and Equipment**

Property and equipment at June 30, 2018 consists of the following:

Land	\$ 1,337,578
Buildings and improvements	10,424,670
Vehicles	196,260
Furniture and fixtures	164,906
Computers and equipment	<u>2,567,915</u>
	14,691,329
Less accumulated depreciation and amortization	<u>(5,050,724)</u>
	9,640,605
Assets not yet placed in service	<u>3,312</u>
	<u>\$ 9,643,917</u>



**Note 5 - Endowment**

Our endowment (Endowment) consists of a single donor-restricted fund established to provide funding for medical and dental assistance to individuals with disabilities. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Our Board of Directors has interpreted the Colorado Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2018, there were no such donor stipulations. As a result of this interpretation, we classify as permanently restricted net assets (a) the original value of gifts to the Endowment, (b) the original value of subsequent gifts to the Endowment, and (c) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence described by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2018, we had the following donor-restricted endowment net asset composition by type of fund:

	With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 907,962
Accumulated investment gains	143,050
	\$ 1,051,012

*Investment and Spending Policies*

We have adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the Endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. Under these policies, as approved by the Board of Directors, endowment assets are invested in a manner intended to produce results, measured over full market cycles, which equal or exceed the price and yield results of a blended portfolio of investment securities while assuming a low-to-moderate level of investment risk. To satisfy long-term rate-of-return objectives, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Board of Directors may appropriate for distribution each year a portion of the accumulated earnings in excess of the permanently restricted net assets of the Endowment to fund medical and dental expenses. In establishing this policy, the Board of Directors considered the long-term expected return on our Endowment. Accordingly, over the long term, the current spending policy is expected to preserve the permanently restricted net assets of the Endowment. This is consistent with the Foundation's objective to preserve the fair values of the original gifts made to the Endowment while providing an opportunity for real growth through new gifts and undistributed investment return. No distributions were made during the year ended June 30, 2018.

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 1,029,578
Net investment return	21,434
Endowment net assets, end of year	\$ 1,051,012

**Note 6 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2018:

Subject to expenditure for specified purpose:	
3+ initiative (support for children ages 3-21)	\$ 119,219
Respite care	65,919
Community outreach	9,248
Employee assistance fund	144
	194,530
Endowments:	
Subject to appropriation and expenditure when specified event occurs:	
Restricted by donors for medical and dental expenditures	143,050
Subject to endowment spending policy and appropriation	907,962
Total endowments	1,051,012
	\$ 1,245,542

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose as follows during the year ended June 30, 2018:

Satisfaction of purpose restrictions:	
3+ initiative (support for children ages 3-21)	\$ 64,070
Respite care	33,483
Community outreach	3,725
Recreational activities	3,083
	\$ 104,361

**Note 7 - Net Assets Without Donor Restrictions**

At June 30, 2018, our Board of Directors has designated certain net assets without donor restrictions for the following purposes:

Capacity building	\$ 1,362,077
Infrastructure development	750,000
Youth housing	549,576
Transportation	462,822
Wellness	400,000
3+ initiative (support for children ages 3-21)	193,921
Family engagement	190,000
Contingency reserves	150,000
Respite care	123,901
Housing exploration	100,000
	\$ 4,282,297

**Note 8 - Employee Benefits**

We sponsor a retirement plan (the Plan) qualified under Section 401(k) of the Internal Revenue Code covering substantially all full-time employees who have attained the age of 18 and completed one year of service. Employees may contribute up to the maximum contribution allowed by the IRS. We contribute 4%, and may make additional discretionary contributions determined by the Board of Directors each plan year. During the year ended June 30, 2018, our 4% contributions to the plan totaled \$237,584; there were no discretionary contributions.

**Note 9 - Contingencies**

*HUD Capital Advances*

We have received capital advances from HUD totaling \$3,173,036 related to our housing activities. Provided that we continue to make our housing projects available to eligible very-low-income households for a total of 40 years, and operate the projects in accordance with Section 811 of the National Affordable Housing Act of 1959, repayment of the advances, with accrued interest thereon, will not be required. We consider the possibility we will be unable to remain in compliance with the terms and conditions of operation to be remote, and therefore have not recorded any liability in our financial statements.

*Other Forgivable Advances*

We have received certain housing rehabilitation advances from state, county and municipal funding sources totaling \$732,000. Provided that we meet certain compliance requirements throughout the periods specified by the agreements, ranging from 20 to 40 years, repayment of the advances will not be required. We consider the possibility we will be unable to remain in compliance with the terms and conditions of the agreements to be remote, and therefore have not recorded any liability in our financial statements.

**Note 10 - Adoption of Accounting Standards Update 2016-14**

We early adopted the provisions of FASB Accounting Standards Update 2014-16, *Presentation of Financial Statements of Not-For-Profit Entities*, as of July 1, 2017 because we believe the standard improves the usefulness and understandability of our financial statement reporting.

The following financial statement line items for the year ended June 30, 2017 were restated as a result of the adoption:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Temporarily restricted net assets	\$ 339,056	\$ (339,056)	\$ -
Permanently restricted net assets	\$ 907,962	\$ (907,962)	\$ -
Net assets with donor restrictions	\$ -	\$ 1,247,018	\$ 1,247,018