

Financial Statements and
Independent Auditor's Report

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

June 30, 2020

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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, 2020, and the related statements of activities, functional expenses 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. 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.

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, 2020, 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 2019 financial statements, and our report dated October 28, 2019, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Logan, Thomas + Johnson, LLC

Broomfield, Colorado
October 23, 2020

Financial Statements

Eastern Colorado Services for the Developmentally Disabled, Inc.
 dba Eastern Colorado Services
 STATEMENT OF FINANCIAL POSITION
 June 30, 2020
 (With summarized financial information as of June 30, 2019)

ASSETS	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 3,802,133	\$ 2,140,597
Accounts receivable		
Fees and grants from governmental agencies	1,002,535	1,124,607
Vocational contracts and other	19,484	17,760
Prepaid expenses and other	35,353	23,921
Workshop inventory	8,630	8,046
Total current assets	<u>4,868,135</u>	<u>3,314,931</u>
Restricted cash funds held for others	159,017	98,228
Land, buildings and equipment, net	<u>2,488,815</u>	<u>2,584,086</u>
Total assets	<u><u>\$ 7,515,967</u></u>	<u><u>\$ 5,997,245</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 875,042	\$ 724,761
Funds held for others	159,017	98,228
Current portion of loans payable	533,065	-
Total current liabilities	<u>1,567,124</u>	<u>822,989</u>
Long-term debt, net of current portion		
Loans payable	<u>650,969</u>	<u>-</u>
Total liabilities	2,218,093	822,989
Net assets		
Without donor restrictions		
Net investment in land, buildings and equipment	2,488,815	2,584,086
Funds held for others	159,017	98,228
Undesignated	2,650,042	2,491,942
Total net assets without donor restrictions	<u>5,297,874</u>	<u>5,174,256</u>
Total liabilities and net assets	<u><u>\$ 7,515,967</u></u>	<u><u>\$ 5,997,245</u></u>

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, 2020
(With summarized financial information for the year ended June 30, 2019)

	Without donor restrictions	
	2020	2019
Revenues and support		
Fees and grants from governmental agencies		
Fees for services		
State of Colorado		
State General Fund	\$ 1,045,539	\$ 954,424
Medicaid	7,162,876	6,962,772
Counties and cities	216,001	219,446
Grants and other		
Part C	-	74,068
Other	6,107	11,010
Total fees and grants from governmental agencies	8,430,523	8,221,720
Public support – contributions	9,167	11,467
Residential room and board	588,396	588,114
Other revenue	351,915	300,270
Total revenues and support	9,380,001	9,121,571
Expenses		
Program services		
Medicaid comprehensive	6,751,535	6,391,638
State adult supported living	86,365	101,555
Medicaid adult supported living	319,511	379,139
Children's extensive support	25,609	45,791
Early intervention	557,955	481,955
Family support	79,278	121,585
Case management	892,100	873,522
Total program services	8,712,353	8,395,185
Supporting services		
Management and general	544,030	545,181
Total expenses	9,256,383	8,940,366
CHANGE IN NET ASSETS	123,618	181,205
Net assets, beginning of year	5,174,256	4,993,051
Net assets, end of year	\$ 5,297,874	\$ 5,174,256

The accompanying notes are an integral part of this statement.

Eastern Colorado Services for the Developmentally Disabled, Inc.
dba Eastern Colorado Services
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2020
(With summarized financial information for the year ended June 30, 2019)

	Program Services			
	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living	Children's extensive support
Expenses				
Salaries, benefits and taxes	\$ 5,091,378	\$ 36,238	\$ 253,306	\$ -
Professional services	484,641	-	-	-
Staff development and travel	7,385	87	612	-
Vehicles	170,340	659	4,630	-
Occupancy and equipment	210,802	1,766	12,407	-
Supplies	210,064	1,613	11,332	25,609
Other	56,423	497	23,833	-
Food	179,359	-	-	-
Insurance	110,560	734	5,157	-
Interest	-	-	-	-
Purchased services	-	43,498	-	-
Depreciation	230,583	1,273	8,234	-
Total expenses	<u>\$ 6,751,535</u>	<u>\$ 86,365</u>	<u>\$ 319,511</u>	<u>\$ 25,609</u>

The accompanying notes are an integral part of this statement.

Program Services

Early interven- tion	Family support	Case manage- ment	Management and general	Total	
				2020	2019
\$144,968	\$ -	\$755,266	\$ 408,862	\$ 6,690,018	\$ 6,301,117
404,175	-	5,827	4,796	899,439	823,914
406	-	11,676	1,143	21,309	35,768
-	-	9,499	2,825	187,953	191,388
1,409	-	29,764	6,481	262,629	334,913
3,416	457	41,510	55,717	349,718	353,655
1,255	78,821	18,846	46,351	226,026	294,237
-	-	-	-	179,359	182,632
380	-	6,788	5,937	129,556	102,064
-	-	-	2,236	2,236	-
-	-	-	-	43,498	58,625
1,946	-	12,924	9,682	264,642	262,053
<u>\$557,955</u>	<u>\$ 79,278</u>	<u>\$892,100</u>	<u>\$ 544,030</u>	<u>\$ 9,256,383</u>	<u>\$ 8,940,366</u>

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, 2020
(With summarized financial information for the year ended June 30, 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 123,618	\$ 181,205
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation	264,642	262,053
Loss (gain) on disposal of land, buildings and equipment	68,967	(400)
Gain on insurance proceeds for damage to buildings and vehicle	(3,314)	(400)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	120,348	(254,186)
Increase in prepaid expenses	(11,432)	(7,236)
(Increase) decrease in inventories	(584)	717
Increase (decrease) in accounts payable and accrued expenses	157,862	(24,868)
Net cash provided by operating activities	720,107	156,885
Cash flows from investing activities		
Purchase of land, buildings and equipment	(232,698)	(193,402)
Proceeds from disposal of land, buildings and equipment	1,200	400
Insurance proceeds received for damage to buildings and vehicles	49,682	1,694
Net cash used in investing activities	(181,816)	(191,308)
Cash flows from financing activities		
Proceeds from loans payable	1,184,034	-
Net cash provided by financing activities	1,184,034	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	1,722,325	(34,423)
Cash, cash equivalents, and restricted cash at beginning of year	2,238,825	2,273,248
Cash, cash equivalents, and restricted cash at end of year	\$ 3,961,150	\$ 2,238,825
Noncash investing activities		
Fixed asset additions in accounts payable	\$ 53,208	\$ -

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, 2020

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, 2020

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, 2020

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 23, 2020, 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 and Restricted Cash*

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. Restricted cash consists of monies held for individuals receiving the Center's services. 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, 2020

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:

	Years
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 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 increases in 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.

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 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 an increase in net assets without donor restrictions.

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, 2020.

Eastern Colorado Services for the Developmentally Disabled, Inc.
dba Eastern Colorado Services
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2017.

12. *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 number of employees per department and mileage.

13. *Prior Year Summarized Information and Reclassifications*

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, 2019, from which the summarized information was derived. Certain financial information as of and for the year ended June 30, 2019 has been reclassified to conform with the presentation for the current year.

14. *Recent Accounting Pronouncements*

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 implemented ASU 2014-09. There was no effect on the financial statements.

Eastern Colorado Services for the Developmentally Disabled, Inc.
dba Eastern Colorado Services
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

14. *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 adopted this ASU during the year ended June 30, 2020 which resulted in a change on the statement of cash flows for 2019 related to insurance monies received due to damage to vehicles.

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. For the year ended June 30, 2020, the Center has implemented ASU 2016-18 which resulted in a change in beginning cash, cash equivalents, and restricted cash on the statement of cash flows

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. In November 2019, the FASB issued ASU 2019-10, which defers the effective date of ASU 2016-02 one year, making it effective for annual

Eastern Colorado Services for the Developmentally Disabled, Inc.
 dba Eastern Colorado Services
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

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

14. *Recent Accounting Pronouncements (Continued)*

reporting periods beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05, which allows certain entities the option to delay the adoption by one year, making it effective for annual reporting periods beginning after December 15, 2021. 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 – CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

Cash and cash equivalents		\$ 3,802,133
Restricted cash		<u>159,017</u>
		\$ <u>3,961,150</u>

NOTE C – 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:

Cash and cash equivalents		\$ 3,802,133
Accounts receivable		<u>1,022,019</u>
		\$ <u>4,824,152</u>

Eastern Colorado Services for the Developmentally Disabled, Inc.
dba Eastern Colorado Services
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE C – LIQUIDITY AND AVAILABILITY (CONTINUED)

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 D – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at June 30, 2020:

Buildings and improvements	\$ 4,105,098
Administrative equipment	658
Program equipment	270,515
Transportation equipment	<u>947,864</u>
	5,324,135
Less accumulated depreciation and amortization	<u>3,126,273</u>
	2,197,862
Land	<u>290,953</u>
	\$ <u>2,488,815</u>

Depreciation expense was \$264,642 for the year ended June 30, 2020.

NOTE E – LOANS PAYABLE AND LINE OF CREDIT

On April 17, 2020, the Center obtained an unsecured loan of \$1,184,034 through the Paycheck Protection Program (PPP) from a financial institution with a fixed rate of 1.00%. Monthly payments of \$66,633 are due beginning November 17, 2020 with final payment due April 17, 2022. The loan is intended to cover qualifying expenses which include qualifying payroll and occupancy costs. Under the CARES Act, the Center must submit a Loan Forgiveness Application and meet various criteria as defined in the Paycheck Protection Flexibility Act, which was not available through the date of financial statement issuance, in order for the loan to be potentially be forgiven. The outstanding balance of this note at June 30, 2020 was \$1,184,034.

The Center established a \$100,000 unsecured line of credit with a bank at an annual interest rate of prime plus 2% to be no less than 5%. The prime rate was 3.25% at June 30, 2020. The interest rate was 5.25% at June 30, 2020, and the line of credit matures on April 5, 2021. There was no balance outstanding on the line of credit as of June 30, 2020.

Interest expense for the year ended June 30, 2020 was \$2,236. Future maturities of the loans payable at June 30, 2020, are as follows:

Eastern Colorado Services for the Developmentally Disabled, Inc.
dba Eastern Colorado Services
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE E – LOANS PAYABLE AND LINE OF CREDIT (CONTINUED)

Year ending June 30,	
2021	\$ 533,065
2022	<u>650,969</u>
	1,184,034
Less current portion	<u>533,065</u>
	\$ <u>650,969</u>

NOTE F – LEASES

The Center leases numerous case management offices, and an adult day facility under operating lease arrangements which expire through fiscal year 2020. Rental expense under these leases for the year ended June 30, 2020 was \$18,948.

NOTE G – 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, 2020 totaled \$168,859.

NOTE H – 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. Expenses that are allocated included utilities, telephone, supplies, and equipment, which are allocated on the basis of number of employees per department. Transportation costs including gas and oil, vehicle insurance and vehicle repairs and maintenance are allocated to each program based on the mileage used.

Eastern Colorado Services for the Developmentally Disabled, Inc.
dba Eastern Colorado Services
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE I – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue from the State of Colorado. The amount of receivables the Center has from the State of Colorado as of June 30, 2020 totaled \$907,379. The Center has a payable to the State of Colorado in the amount of \$92,351 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.

NOTE J – RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. This contagious disease outbreak has adversely affected workforces, customers, economies, and financial markets globally. This outbreak could adversely affect the Center's ability to provide services, and reduce funding sources available. It is not possible for the Center to predict the duration or magnitude of the adverse results of the outbreak and its effects on the organization's activities or results of operations, financial condition, or liquidity, at this time.