



Combined Financial Statements and  
Independent Auditor's Report

**Southern Colorado Developmental  
Disabilities Services, Inc. and Las Animas County  
Rehabilitation Center, Inc.**

June 30, 2015



## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3
COMBINED FINANCIAL STATEMENTS	
COMBINED STATEMENT OF FINANCIAL POSITION	5
COMBINED STATEMENT OF ACTIVITIES	6
COMBINED STATEMENT OF CASH FLOWS	7
NOTES TO COMBINED FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
COMBINED SUMMARY OF REVENUES, SUPPORT AND EXPENSES BY PROGRAM	20
COMBINING STATEMENT OF FINANCIAL POSITION	24
COMBINING STATEMENT OF ACTIVITIES	26



Logan, Thomas & Johnson, LLC  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Southern Colorado Developmental Disabilities Services, Inc.

We have audited the accompanying combined financial statements of Southern Colorado Developmental Disabilities Services, Inc. and Las Animas County Rehabilitation Center, Inc. (jointly, the Center), which comprise the combined statement of financial position as of June 30, 2015, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

**Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We did not audit the financial statements of Las Animas County Rehabilitation Center, Inc.'s three wholly-owned subsidiaries, which statements reflect total assets of \$823,667, as of June 30, 2015, and total revenues and support of \$148,639 for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Las Animas County Rehabilitation Center, Inc.'s three wholly-owned subsidiaries, is based solely upon the reports of the other auditors. 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 combined financial statements are free from material misstatement.

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

---

5023 W. 120<sup>th</sup> Ave., #165, Broomfield, CO 80020

Calvin Logan  
Phone 303 532 1000  
Fax 303 532 1080

Jan Thomas  
Phone 303 569 6030  
Fax 303 569 6031

Pauline Davis  
Phone 719 640-1188  
Fax 719 937 4271

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined 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, based on our audit and the reports of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of Southern Colorado Developmental Disabilities Services, Inc. and Las Animas County Rehabilitation Center, Inc. as of June 30, 2015, 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 2014 combined financial statements, and our report dated May 7, 2015, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

### **Emphasis of Matter**

As discussed in Note K to the financial statements, the 2014 combined financial statements have been restated to correct a misstatement for one of the subsidiaries audited by other auditors. Our opinion is not modified with respect to this matter.

### **Other Matter**

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combined summary of revenues, support and expenses by program, combining statement of financial position, and combining statement of activities on pages 20 through 27 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 20 through 27 is fairly stated in all material respects in relation to the combined financial statements as a whole.

*Logan, Thomas + Johnson, LLC*

Broomfield, Colorado  
February 1, 2016

Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
COMBINED STATEMENT OF FINANCIAL POSITION  
June 30, 2015  
(With summarized financial information for June 30, 2014)

	2015	2014 (as restated)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents		
Checking	\$ 2,447,940	\$ 2,116,882
Savings	38,447	38,371
Certificates of deposit	606,261	601,993
Receivables		
Fees and grants from governmental agencies	401,083	396,303
Other, net of allowance for uncollectible receivables of \$9,807	86,642	94,287
Prepaid expenses and other	31,588	33,297
Total current assets	3,611,961	3,281,133
Restricted reserve accounts	292,300	283,072
Investments	385,245	383,053
Market-linked certificates of deposit	165,000	165,000
Land, buildings and equipment, net	1,849,951	1,998,057
Deposits	7,295	7,409
	\$ 6,311,752	\$ 6,117,724
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 272,302	\$ 256,348
Accrued expenses	535,176	466,086
Capital lease obligation	1,888	2,185
Note payable	17,271	15,751
Deferred revenue	3,956	-
Total current liabilities	830,593	740,370
Long-term liabilities, net of current portion		
Capital lease obligation	-	1,888
Note payable	223,421	240,692
Total liabilities	1,054,014	982,950
Net assets		
Unrestricted		
Net investment in land, building and equipment	1,609,259	1,741,614
Reserved for HUD regulation compliance	292,300	283,072
Undesignated	3,317,617	3,086,444
Total unrestricted	5,219,176	5,111,130
Temporarily restricted	38,562	23,644
Total net assets	5,257,738	5,134,774
	\$ 6,311,752	\$ 6,117,724

The accompanying notes are an integral part of this statement.

Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
COMBINED STATEMENT OF ACTIVITIES  
Year ended June 30, 2015

(With summarized financial information for the year ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Total	
			2015	2014 (as restated)
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund				
Comprehensive	\$ 41,630	\$ -	\$ 41,630	\$ 1,097
Adult supported living	134,425	-	134,425	152,054
Children and families	71,220	-	71,220	73,962
Medicaid				
Comprehensive	2,991,858	-	2,991,858	2,875,569
Adult supported living	566,447	-	566,447	606,184
Children's extensive support	52,005	-	52,005	25,567
Elderly, blind or disabled	623,147	-	623,147	641,463
Grants and other				
Part C	3,245	-	3,245	14,157
Department of Housing and Urban Development	69,606	-	69,606	64,309
Other	1,205	-	1,205	5,587
Total fees and grants from governmental agencies	4,554,788	-	4,554,788	4,459,949
Public support - donations	28,395	126,337	154,732	44,296
In-kind revenue	17,944	-	17,944	-
Residential room and board	255,004	-	255,004	271,067
Day care	99,209	-	99,209	90,429
Other revenue	234,018	-	234,018	207,252
Net assets released from restrictions				
Satisfaction of program restrictions	111,419	(111,419)	-	-
Total revenues and support	5,300,777	14,918	5,315,695	5,072,993
Expenses				
Program services				
Medicaid comprehensive	2,773,543	-	2,773,543	2,765,214
State adult supported living	113,789	-	113,789	114,441
Medicaid adult supported living	820,837	-	820,837	865,832
Elderly, blind or disabled	605,573	-	605,573	572,187
Children's extensive support	26,591	-	26,591	11,657
Early intervention	20,889	-	20,889	8,720
Family support	46,586	-	46,586	39,869
Case management	259,744	-	259,744	259,490
Day care	168,965	-	168,965	140,747
Total program services	4,836,517	-	4,836,517	4,778,157
Supporting services				
Management and general	356,214	-	356,214	321,258
Total expenses	5,192,731	-	5,192,731	5,099,415
CHANGE IN NET ASSETS	108,046	14,918	122,964	(26,422)
Net assets, beginning of year, as previously reported	5,111,130	23,644	5,134,774	5,327,796
Prior period adjustment	-	-	-	(166,600)
Net assets, beginning of year, as adjusted	5,111,130	23,644	5,134,774	5,161,196
Net assets, end of year	\$ 5,219,176	\$ 38,562	\$ 5,257,738	\$ 5,134,774

The accompanying notes are an integral part of this statement.

Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
COMBINED STATEMENT OF CASH FLOWS  
Year ended June 30, 2015

(With summarized financial information for the year ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 122,964	\$ (26,422)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	185,893	172,182
Gain on disposal of land, building and equipment	(63,551)	(3,501)
Net realized and unrealized (gain) loss on investments	16,681	(34,925)
Interest income reinvested in certificates of deposit	(4,268)	(2,858)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	2,865	(18,219)
(Increase) decrease in prepaid expenses and other	1,709	(16,858)
Increase (decrease) in accounts payable and accrued expenses	85,044	(24,362)
Increase in deferred revenue	3,956	-
Net cash provided by operating activities	<u>351,293</u>	<u>45,037</u>
Cash flows from investing activities		
Purchase of land, building and equipment	(87,129)	(222,996)
Proceeds from sale of land, building and equipment	112,893	3,501
(Increase) decrease in deposits	114	(102)
Net (increase) decrease in restricted reserves	(9,228)	9,323
Purchase of investments	(27,563)	(68,063)
Proceeds from sales of investments	8,690	53,390
Net cash used in investing activities	<u>(2,223)</u>	<u>(224,947)</u>
Cash flows from financing activities		
Capital lease payments	(2,185)	(353)
Payments on note payable	(15,751)	(14,364)
Net cash used in financing activities	<u>(17,936)</u>	<u>(14,717)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	331,134	(194,627)
Cash and cash equivalents, beginning of year	<u>2,155,253</u>	<u>2,349,880</u>
Cash and cash equivalents, end of year	<u>\$ 2,486,387</u>	<u>\$ 2,155,253</u>
Supplemental data		
Cash paid for interest	\$ 23,188	\$ 24,479
Noncash investing and financing activities		
Copier acquired through capital leases	\$ -	\$ 4,426

The accompanying notes are an integral part of this statement.

Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 2015

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

This description of Southern Colorado Developmental Disabilities Services, Inc.'s and Las Animas County Rehabilitation Center, Inc.'s (jointly, the Center) nature of activities and summary of significant accounting policies is presented to assist in understanding the Center's combined financial statements.

1. *Summary of Business Activities*

Southern Colorado Developmental Disabilities Services, Inc. (SCDDS), a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado in 1987 for the purpose of providing a community centered board to coordinate programs through interagency cooperation and local agencies to provide services to persons with developmental disabilities in Las Animas and Huerfano Counties. SCDDS is the successor to and result of the combination of Las Animas County Center for the Developmentally Disabled, Inc. and Huerfano County Board for the Developmentally Disabled, Inc. Las Animas County Rehabilitation Center, Inc. (LACRC), a Colorado nonprofit corporation, is a community-based program providing similar services benefiting individuals with disabilities in Las Animas and Huerfano Counties. The Center's revenue comes primarily from the State of Colorado for services provided.

2. *Principles of Combination*

The combined financial statements of SCDDS include its affiliate, LACRC, and its wholly-owned subsidiaries, Casa Allegre, Vista Allegre and Vista Del Rae. Casa Allegre, Vista Allegre and Vista Del Rae each own residential facilities which receive tenant rent assistance from the U.S. Department of Housing and Urban Development (HUD). LACRC is combined with SCDDS due to the fact that SCDDS and LACRC have the same board of directors. Significant intercompany transactions have been eliminated.

3. *Description of Services Provided*

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

**Program Services or Supports**

Comprehensive (Medicaid) refers to residential services, adult day services or supports and transportation activities as specified in the 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



Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 2015

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

3. *Description of Services Provided (Continued)*

**Program Services or Supports (Continued)**

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.

Elderly, Blind or Disabled is a Medicaid funded program that provides personal care, homemaker services and adult day services to the elderly, blind, or disabled.

Children’s Extensive Support is a deeming waiver (only the child’s income is considered in determining eligibility) intended to provide needed services and supports to eligible children under the age of eighteen years in order for the children to remain in or return to the family home. Waiver services are targeted to children having extensive support needs, which require constant line-of-sight supervision due to significantly challenging behaviors and/or coexisting medical conditions. Available services include personal assistance, household modification, specialized medical equipment and supplies, professional services, and community connection services.

Early Intervention is support for children from birth through age two which offer infants and toddlers and their families services and supports to enhance child development in the areas of cognition, speech, communication, physical, motor, vision, hearing, social-emotional development, and self help skills; parent-child or family interaction; and early identification, screening and assessment services.

Family Support provides an array of supportive services to the person with a developmental disability and his/her family when the person remains within the family home, thereby preventing or delaying the need for out-of-home placement, which is unwanted by the person or the family.

Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 2015

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

3. *Description of Services Provided (Continued)*

**Program Services or Supports (Continued)**

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.

Day Care provides private pay day care that is operated in Walsenburg. The day care is licensed to serve twenty-eight children ages 1 thru 5 years of age.

**Supporting Services**

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

4. *Basis of Accounting*

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

5. *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.

6. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through February 1, 2016, the date on which the financial statements were issued. The Center did not identify any events or transactions that would have a material impact on the financial statements.

Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 2015

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

7. *Cash and Cash Equivalents*

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

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 considers cash equivalents to be certificates of deposit with an original maturity of three months or less.

8. *Accounts Receivable*

The majority of the Center's accounts receivable are due from the State of Colorado. Accounts receivable are due according to contractual terms and are stated at the amounts management expects to collect from outstanding balances. The Center determines its allowance for uncollectible receivables by considering a number of factors, including the length of time accounts receivable are past due and the Center's previous collection history. 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.

9. *Investments*

The Center records its investments in mutual funds in the statement of financial position at fair value based on quoted market prices. Investments are held for long-term purposes.

10. *Market-Linked Certificates of Deposit*

The Center has invested in four market-linked certificates of deposits (CD) for a total of \$165,000 with maturity dates between November 28, 2018 and December 17, 2019. Each CD provides minimum annual interest payments and the ability to participate in any average appreciation of the reference shares, subject to a cap, over the term of the CDs. The minimum annual interest payment is based upon the greater of a minimum annual interest rate and arithmetic average of the capped returns on the reference shares. The Center will receive a full return of their deposits at maturity. These certificates of deposits qualify for federal deposit insurance; however, total deposits in the bank generally exceed those limits.

Southern Colorado Developmental Disabilities Services, Inc. and  
 Las Animas County Rehabilitation Center, Inc.  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 June 30, 2015

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

11. *Land, Buildings, and Equipment*

Land, buildings, and equipment are reported at cost for purchased assets and estimated fair value, at date of receipt, for donated property. Depreciation and amortization are provided on the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	10–50
Leasehold improvements	3–10
Administrative and program equipment	2–10

12. *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. Permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity, and only the income from investment thereof be expended for either general purposes or a purpose specified by the donor.

13. *In-kind Contributions*

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

Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 2015

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

14. *Income Taxes*

SCDDS and LACRC are operated as nonprofit organizations 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, 2015. 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, 2012.

15. *Fair Value Measurements*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established under generally accepted accounting principles, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

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

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

Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 2015

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

15. *Fair Value Measurements (Continued)*

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

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

16. *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 for the year ended June 30, 2014, from which the summarized information was derived. Certain financial information as of and for the year ended June 30, 2014 has been reclassified to conform with the presentation for the current year.

NOTE B – INVESTMENTS

The Center's investments of \$385,245 as of June 30, 2015, consist of mutual funds.

The following table presents the Center's fair value hierarchy for those assets measured at fair value as of June 30, 2015:

Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 2015

NOTE B – INVESTMENTS (CONTINUED)

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets – mutual funds:				
Growth & income	\$ 60,710	\$ 60,710	\$ -	\$ -
Income	111,676	111,676	-	-
Conservative	48,704	48,704	-	-
Aggressive	26,652	26,652	-	-
Growth	52,649	52,649	-	-
Equities	68,160	68,160	-	-
Fixed income	<u>16,694</u>	<u>16,694</u>	<u>-</u>	<u>-</u>
	\$ <u>385,245</u>	\$ <u>385,245</u>	\$ <u>-</u>	\$ <u>-</u>

Investment return earned on mutual funds for the year ended June 30, 2015, consists of the following:

Dividend income	\$ 18,872
Net realized gain on investments reported at fair value	2,066
Net unrealized loss on investments reported at fair value	<u>(18,746)</u>
	\$ <u>2,192</u>

NOTE C – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at June 30, 2015:

Buildings and improvements	\$ 2,717,120
Leasehold improvements	34,189
Administrative and program equipment	<u>1,103,548</u>
	3,854,857
Less accumulated depreciation and amortization	<u>2,177,361</u>
	1,677,496
Construction in progress	28,474
Land	<u>143,981</u>
	\$ <u>1,849,951</u>

Depreciation expense was \$185,893 for the year ended June 30, 2015.

Southern Colorado Developmental Disabilities Services, Inc. and  
 Las Animas County Rehabilitation Center, Inc.  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 June 30, 2015

NOTE D – RESTRICTED RESERVE ACCOUNTS

In accordance with the U.S. Department of Housing and Urban Development (HUD) regulations, certain reserve accounts are required to be maintained for properties financed by HUD. The replacement reserve is restricted to the replacement and/or repair of property and equipment with approval from HUD. Distributions from the residual receipts reserve require written approval from HUD. Other reserves are held for capital, insurance and offsite work purposes and also require HUD approval for release. Activity in these reserves for the year ended June 30, 2015 is as follows:

	Residual receipts	Replacement reserve	Other reserves
Beginning balance	\$ 175,116	\$ 101,883	\$ 6,073
Interest earned	82	11	2
Deposits	5,601	6,664	-
Withdrawals	<u>(2,985)</u>	<u>(147)</u>	<u>-</u>
Ending balance	<u>\$ 177,814</u>	<u>\$ 108,411</u>	<u>\$ 6,075</u>

NOTE E – NOTES PAYABLE

Notes payable consist of the following at June 30, 2015:

9.25% mortgage note payable to HUD, payable in monthly installments of \$3,235 including principal and interest, maturing September 1, 2024, collateralized by two residential facilities	\$ 240,692
Less current portion	<u>17,271</u>
	<u>\$ 223,421</u>

Interest expense for the year ended June 30, 2015 was \$23,066.

Future maturities of notes payable at June 30, 2015 are as follows:

Year ending June 30,	
2016	\$ 17,271
2017	18,939
2018	20,766
2019	22,771
2020	24,968
Thereafter	<u>135,977</u>
	<u>\$ 240,692</u>



Southern Colorado Developmental Disabilities Services, Inc. and  
 Las Animas County Rehabilitation Center, Inc.  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 June 30, 2015

NOTE F – CAPITAL LEASE

The Center leases a copier under a capital lease arrangement. The following is a schedule, by years, of future minimum lease payments under this capital lease together with the present value of the net minimum lease payments as of June 30, 2015:

Year ending June 30,	
2016	\$ 1,923
Less amount representing interest	<u>35</u>
Current portion	\$ <u>1,888</u>

Property recorded under the capital lease includes the following amounts at June 30, 2015:

Administrative and program equipment	\$ 4,426
Less accumulated amortization	<u>2,583</u>
	\$ <u>1,843</u>

Amortization expense related to property recorded under the capital lease is combined with depreciation expense.

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2015, temporarily restricted net assets consist of \$38,562 which is to be used for the day care program.

NOTE H – RETIREMENT PLAN

Employees who are eligible for the Plan must have completed one year of service and be at least 21 years of age. Participants may contribute up to 100 percent of their annual wages to the Plan, not to exceed IRS limits. The Center will make safe-harbor matching contributions and can make a matching and a non-matching discretionary contribution to all participants who have completed 1,000 hours of service and are employed at the Plan's year end. The participants are immediately 100% vested in the safe harbor contributions and will vest 100 percent after three years for matching and non-matching discretionary contributions. For the year ended June 30, 2015, the Center made the safe-harbor matching contribution of up to 6% of the participants' compensation and a discretionary matching contribution of up to 4% of the participants' compensation. For the year ended June 30, 2015, the Center contributed \$82,062 to the Plan.

Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 2015

NOTE I – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue from the State of Colorado. The amount of receivables and deferred revenue the Center has from the State of Colorado is \$400,598 and \$3,956, respectively. The Center has a payable to the State of Colorado in the amount of \$11,221 which is recorded in accounts payable. These transactions are considered to be transactions with a related party by virtue of the significant management influence exercised by the State of Colorado through contract provisions.

NOTE J – COMMITMENTS AND CONTINGENCIES

1995 U.S. Department of Housing and Urban Development Capital Advance

On September 21, 1995, the Center received approval for a capital advance from HUD in the amount of \$235,000. This capital advance was awarded for the purpose of acquiring and constructing specific residential facilities. Provided that these facilities remain available for occupancy by very low income people with disabilities through March 15, 2035, the capital advance will not become payable, and will be discharged on that date. If any default occurs, the grant becomes immediately payable in full and bears interest at 8.75%.

2001 U.S. Department of Housing and Urban Development Capital Advance

On September 28, 2001, the Center received approval for a capital advance from HUD in the amount of \$395,000. This capital advance was awarded for the purpose of acquiring and constructing specific residential facilities. Provided that these facilities remain available for occupancy by very low income people with disabilities through March 1, 2042, the capital advance will not become payable, and will be discharged on that date. If any default occurs, the grant becomes immediately payable in full and bears interest at 6%.

NOTE K – PRIOR PERIOD ADJUSTMENT

Casa Allegre, one of the wholly owned subsidiaries of Las Animas County Center for the Developmentally Disabled, Inc., received notice in a prior year that it had excess project funds in the residual receipts account that would be used to offset the Section 8 HAP payments. The amount that was determined to be available in 2012 was \$177,021. This amount should have been recorded as a liability with a corresponding charge to expense for loss due to recapture of residual receipts. The prior period correction of \$166,600 was recorded in accrued expenses less any amounts used in the prior years to offset HAP rent payments. The adjustment was made to undesignated net assets and there was no effect on the change in net assets for the year ended June 30, 2014.

*Supplementary Information*

Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
**COMBINED SUMMARY OF REVENUES, SUPPORT AND EXPENSES BY PROGRAM**  
Year ended June 30, 2015  
(With summarized financial information for the year ended June 30, 2014)

	<b>Program Services</b>			
	<u>Non specified</u>	<u>Medicaid comprehen- sive</u>	<u>State adult supported living</u>	<u>Medicaid adult supported living</u>
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund				
Comprehensive	\$ -	\$ -	\$ -	\$ -
Adult supported living	-	-	105,087	-
Children and families	-	-	-	-
Medicaid				
Comprehensive	-	2,775,266	-	-
Adult supported living	-	-	-	566,447
Children's extensive support	-	-	-	-
Elderly, blind or disabled	-	-	-	-
Grants and other				
Part C	-	-	-	-
Department of Housing and Urban Development	-	69,606	-	-
Other	-	-	1,205	-
Total fees and grants from governmental agencies	-	2,844,872	106,292	566,447
Public support - donations	-	-	-	-
In-kind contributions	-	-	-	-
Residential room and board	-	255,004	-	-
Day care	-	-	-	-
Other revenue	13,890	74,547	4,926	55,863
Total revenues and support	<u>\$ 13,890</u>	<u>\$ 3,174,423</u>	<u>\$ 111,218</u>	<u>\$ 622,310</u>
Expenses				
Salaries				
Direct care	\$ -	\$ 1,545,873	\$ 67,548	\$ 510,495
Other	-	-	-	-
Payroll taxes	-	220,693	8,470	68,922
Employee benefits	-	129,442	5,987	49,086
Total personal services	-	1,896,008	82,005	628,503
Medical professional services				
Other	-	124,973	50	1,231

**Program Services**

Elderly, blind or disabled	Children's extensive support	Early interven- tion	Family support	Case manage- ment	Day care	Management and general	Total	
							2015	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,630	\$ 41,630	\$ 1,097
-	-	-	-	10,793	-	18,545	134,425	152,054
-	-	17,736	28,868	12,701	-	11,915	71,220	73,962
-	-	-	-	186,947	-	29,645	2,991,858	2,875,569
-	-	-	-	-	-	-	566,447	606,184
-	52,005	-	-	-	-	-	52,005	25,567
623,147	-	-	-	-	-	-	623,147	641,463
-	-	-	-	760	-	2,485	3,245	14,157
-	-	-	-	-	-	-	69,606	64,309
-	-	-	-	-	-	-	1,205	5,587
623,147	52,005	17,736	28,868	211,201	-	104,220	4,554,788	4,459,949
-	-	5,900	-	-	148,832	-	154,732	44,296
-	-	2,630	7,118	3,710	-	4,486	17,944	-
-	-	-	-	-	-	-	255,004	271,067
-	-	-	-	-	99,209	-	99,209	90,429
-	-	76	-	-	-	84,716	234,018	207,252
<u>\$ 623,147</u>	<u>\$ 52,005</u>	<u>\$ 26,342</u>	<u>\$ 35,986</u>	<u>\$ 214,911</u>	<u>\$ 248,041</u>	<u>\$ 193,422</u>	<u>\$ 5,315,695</u>	<u>\$ 5,072,993</u>
\$ 472,556	\$ 17,729	\$ 4,973	\$ 11,157	\$ 198,657	\$ -	\$ -	\$ 2,828,988	\$ 2,775,742
-	-	-	-	-	106,416	108,953	215,369	205,051
70,599	1,538	700	825	16,997	12,061	10,652	411,457	369,988
11,111	-	-	1,142	18,466	215	8,430	223,879	247,978
554,266	19,267	5,673	13,124	234,120	118,692	128,035	3,679,693	3,598,759
-	-	5,955	-	-	-	-	132,209	132,990

(Continued)

Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
COMBINED SUMMARY OF REVENUES, SUPPORT AND EXPENSES BY PROGRAM (CONTINUED)  
Year ended June 30, 2015  
(With summarized financial information for the year ended June 30, 2014)

	<u>Program Services</u>			
	<u>Non specified</u>	<u>Medicaid comprehen- sive</u>	<u>State adult supported living</u>	<u>Medicaid adult supported living</u>
Other professional services	\$ -	\$ 183,308	\$ 4,568	\$ 32,379
Staff development	-	5,057	342	996
Staff travel	-	3,910	2,140	7,825
Vehicles				
Fuel and oil	-	30,953	2,620	15,278
Maintenance	-	12,680	1,539	8,477
Occupancy				
Rent	-	25,268	-	-
Maintenance	-	41,055	1,878	7,936
Utilities	-	72,845	4,350	12,024
Equipment				
Leases	-	4,088	612	1,700
Maintenance	-	11,500	1,313	5,484
Supplies				
Medical and client care supplies	-	2,925	68	136
Production materials	-	628	138	1,570
Other	-	34,877	2,825	12,612
Telephone	-	22,724	1,626	5,560
Dues and subscriptions	-	4,063	339	2,618
Food	-	98,199	-	-
Insurance	-	40,800	1,289	16,623
Interest	-	22,943	-	-
Other	-	27,737	294	2,243
In-kind contributions	-	-	-	-
Total direct program expenses	<u>-</u>	<u>2,666,541</u>	<u>107,996</u>	<u>763,195</u>
Purchased services	<u>-</u>	<u>-</u>	<u>1,331</u>	<u>6,985</u>
Expenses before depreciation and amortization	-	2,666,541	109,327	770,180
Depreciation and amortization	<u>-</u>	<u>107,002</u>	<u>4,462</u>	<u>50,657</u>
Total expenses	<u>\$ -</u>	<u>\$ 2,773,543</u>	<u>\$ 113,789</u>	<u>\$ 820,837</u>

**Program Services**

Elderly, blind or disabled	Children's extensive support	Early interven- tion	Family support	Case manage- ment	Day care	Management and general	Total	
							2015	2014
\$ 1,454	\$ 5,182	\$ 5,630	\$ -	\$ -	\$ -	\$ 45,536	\$ 278,057	\$ 284,165
3,277	-	125	-	1,020	1,065	832	12,714	18,406
9	101	35	-	1,544	-	6,457	22,021	24,886
3,858	-	-	-	357	-	2,674	55,740	70,377
2,114	-	-	-	-	-	2,266	27,076	20,547
-	-	-	-	-	-	-	25,268	23,897
3,726	-	-	735	1,754	1,564	10,816	69,464	89,710
10,151	-	-	2,212	2,149	5,683	8,620	118,034	119,268
1,318	-	331	331	-	-	1,283	9,663	11,919
-	-	-	-	-	-	4,192	22,489	35,302
-	-	-	-	-	16,608	-	19,737	7,116
-	-	-	-	-	-	-	2,336	2,746
4,500	1,999	354	203	6,622	1,602	5,718	71,312	97,418
4,129	-	-	1,046	3,266	2,064	4,645	45,060	44,935
2,188	42	-	-	181	5,218	21,458	36,107	26,021
10,358	-	-	-	-	11,714	328	120,599	107,597
3,921	-	-	899	2,351	666	10,628	77,177	77,333
-	-	-	-	-	-	123	23,066	24,369
304	-	156	20,918	-	(231)	81,335	132,756	102,425
-	-	2,630	7,118	3,710	-	4,486	17,944	-
605,573	26,591	20,889	46,586	257,074	164,645	339,432	4,998,522	4,920,186
-	-	-	-	-	-	-	8,316	7,047
605,573	26,591	20,889	46,586	257,074	164,645	339,432	5,006,838	4,927,233
-	-	-	-	2,670	4,320	16,782	185,893	172,182
<u>\$ 605,573</u>	<u>\$ 26,591</u>	<u>\$ 20,889</u>	<u>\$ 46,586</u>	<u>\$ 259,744</u>	<u>\$ 168,965</u>	<u>\$ 356,214</u>	<u>\$ 5,192,731</u>	<u>\$ 5,099,415</u>

Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
COMBINING STATEMENT OF FINANCIAL POSITION  
June 30, 2015

	Southern Colorado Developmental Disabilities Services, Inc.	Las Animas County Rehabilitation Center, Inc.	Casa Allegre
ASSETS			
Current assets			
Cash and cash equivalents			
Checking	\$ 411,722	\$ 2,026,001	\$ 2,755
Savings	38,447	-	-
Certificates of deposit	210,211	396,050	-
Receivables			
Fees and grants from governmental agencies	340,763	59,835	-
Other	44,208	1,068,141	13,589
Prepaid expenses and other	992	30,596	-
Total current assets	1,046,343	3,580,623	16,344
Restricted reserve accounts	-	-	244,864
Investments	84,854	300,391	-
Market-linked certificates of deposit	-	165,000	-
Land, buildings and equipment, net	8,654	1,341,327	113,645
Deposits	-	3,806	1,692
	\$ 1,139,851	\$ 5,391,147	\$ 376,545
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 900,061	\$ 287,455	\$ 72,313
Accrued expenses	32,934	334,388	167,032
Capital lease obligation	-	1,888	-
Note payable	-	-	17,271
Deferred revenue	3,956	-	-
Total current liabilities	936,951	623,731	256,616
Long-term liabilities, net of current portion			
Note payable	-	-	223,421
Total liabilities	936,951	623,731	480,037
Net assets			
Unrestricted			
Net investment in land, building and equipment	8,654	1,341,327	(127,047)
Reserved for HUD regulation compliance	-	-	244,864
Undesignated	194,246	3,387,527	(221,309)
Total unrestricted	202,900	4,728,854	(103,492)
Temporarily restricted	-	38,562	-
Total net assets	202,900	4,767,416	(103,492)
	\$ 1,139,851	\$ 5,391,147	\$ 376,545



<u>Vista Allegre</u>	<u>Vista Del Rae</u>	<u>Eliminations</u>	<u>Combined</u>
\$ 2,759	\$ 4,703	\$ -	\$ 2,447,940
-	-	-	38,447
-	-	-	606,261
485	-	-	401,083
-	3,617	(1,042,913)	86,642
-	-	-	31,588
<u>3,244</u>	<u>8,320</u>	<u>(1,042,913)</u>	<u>3,611,961</u>
14,205	33,231	-	292,300
-	-	-	385,245
-	-	-	165,000
125,130	261,195	-	1,849,951
1,594	203	-	7,295
<u>\$ 144,173</u>	<u>\$ 302,949</u>	<u>\$ (1,042,913)</u>	<u>\$ 6,311,752</u>
\$ 54,582	\$ 804	\$ (1,042,913)	\$ 272,302
619	203	-	535,176
-	-	-	1,888
-	-	-	17,271
-	-	-	3,956
<u>55,201</u>	<u>1,007</u>	<u>(1,042,913)</u>	<u>830,593</u>
-	-	-	223,421
<u>55,201</u>	<u>1,007</u>	<u>(1,042,913)</u>	<u>1,054,014</u>
125,130	261,195	-	1,609,259
14,205	33,231	-	292,300
<u>(50,363)</u>	<u>7,516</u>	<u>-</u>	<u>3,317,617</u>
88,972	301,942	-	5,219,176
-	-	-	38,562
<u>88,972</u>	<u>301,942</u>	<u>-</u>	<u>5,257,738</u>
<u>\$ 144,173</u>	<u>\$ 302,949</u>	<u>\$ (1,042,913)</u>	<u>\$ 6,311,752</u>

Southern Colorado Developmental Disabilities Services, Inc. and  
Las Animas County Rehabilitation Center, Inc.  
COMBINING STATEMENT OF ACTIVITIES  
Year ended June 30, 2015

	<u>Southern Colorado Developmental Disabilities Services, Inc.</u>	<u>Las Animas County Rehabilitation Center, Inc.</u>
Revenues and support		
Fees and grants from governmental agencies		
Fees for services		
State of Colorado		
State General Fund		
Comprehensive	\$ 41,630	\$ -
Adult supported living	10,793	123,632
Children and families	71,220	-
Medicaid		
Comprehensive	216,592	2,775,266
Adult supported living	-	566,447
Children's extensive support	52,005	-
Elderly, blind or disabled	-	623,147
Grants and other		
Part C	3,245	-
Department of Housing and Urban Development	-	-
Other	-	1,205
Total fees and grants from governmental agencies	395,485	4,089,697
Public support - donations	5,900	148,832
In-kind contributions	17,944	-
Residential room and board	-	179,051
Day care	-	99,209
Other revenue	3,273	241,361
Total revenues and support	422,602	4,758,150
Expenses		
Program services		
Medicaid comprehensive	-	2,635,604
State adult supported living	189	113,600
Medicaid adult supported living	947	819,890
Elderly, blind or disabled	-	605,573
Children's extensive support	26,549	42
Early intervention	20,889	-
Family support	46,586	-
Case management	259,744	-
Day care	-	168,965
Total program services	354,904	4,343,674
Supporting services		
Management and general	26,202	330,012
Total expenses	381,106	4,673,686
CHANGE IN NET ASSETS	41,496	84,464
Net assets, beginning of year	161,404	4,682,952
Net assets, end of year	\$ 202,900	\$ 4,767,416

<u>Casa Allegre</u>	<u>Vista Allegre</u>	<u>Vista Del Rae</u>	<u>Eliminations</u>	<u>Combined</u>
\$ -	\$ -	\$ -	\$ -	\$ 41,630
-	-	-	-	134,425
-	-	-	-	71,220
-	-	-	-	2,991,858
-	-	-	-	566,447
-	-	-	-	52,005
-	-	-	-	623,147
-	-	-	-	3,245
48,047	10,504	11,055	-	69,606
-	-	-	-	1,205
48,047	10,504	11,055	-	4,554,788
-	-	-	-	154,732
-	-	-	-	17,944
38,820	14,156	22,977	-	255,004
-	-	-	-	99,209
3,064	4	12	(13,696)	234,018
89,931	24,664	34,044	(13,696)	5,315,695
88,215	30,523	32,897	(13,696)	2,773,543
-	-	-	-	113,789
-	-	-	-	820,837
-	-	-	-	605,573
-	-	-	-	26,591
-	-	-	-	20,889
-	-	-	-	46,586
-	-	-	-	259,744
-	-	-	-	168,965
88,215	30,523	32,897	(13,696)	4,836,517
-	-	-	-	356,214
88,215	30,523	32,897	(13,696)	5,192,731
1,716	(5,859)	1,147	-	122,964
(105,208)	94,831	300,795	-	5,134,774
<u>\$ (103,492)</u>	<u>\$ 88,972</u>	<u>\$ 301,942</u>	<u>\$ -</u>	<u>\$ 5,257,738</u>

