

Financial Statements and
Independent Auditor's Report

Community Options, Inc.

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Options, Inc.

Opinion

We have audited the accompanying financial statements of Community Options, Inc. (the Center), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Options, Inc. as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Logan, Thomas + Johnson, LLC

Broomfield, Colorado
November 6, 2023

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Financial Statements

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Community Options, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2022
(With summarized financial information as of June 30, 2021)

| | 2022 | 2021 |
|---|--------------|--------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,022,280 | \$ 2,213,512 |
| Accounts receivable | | |
| Fees and grants from governmental agencies | 796,173 | 906,192 |
| Workshop trade accounts | - | 2,701 |
| Other | 13,770 | 29,983 |
| Current portion of notes receivable | - | 41,889 |
| Prepaid expenses and other | 33,632 | 34,048 |
| Total current assets | 2,865,855 | 3,228,325 |
| Assets held for sale | - | 875,000 |
| Land, buildings and equipment, net | 3,133,966 | 2,968,495 |
| Total assets | \$ 5,999,821 | \$ 7,071,820 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 885,279 | \$ 915,027 |
| Deferred revenue | - | 158,110 |
| Current portion of note payable | - | 43,089 |
| Total current liabilities | 885,279 | 1,116,226 |
| Long-term debt, net of current portion | | |
| Note payable | - | 1,060,722 |
| Total liabilities | 885,279 | 2,176,948 |
| Net assets | | |
| Without donor restrictions | | |
| Net investment in land, buildings and equipment | 3,133,966 | 2,739,684 |
| Undesignated | 1,850,371 | 2,087,482 |
| Total without donor restrictions | 4,984,337 | 4,827,166 |
| With donor restrictions | 130,205 | 67,706 |
| Total net assets | 5,114,542 | 4,894,872 |
| Total liabilities and net assets | \$ 5,999,821 | \$ 7,071,820 |

The accompanying notes are an integral part of this statement.

Community Options, Inc.
STATEMENT OF ACTIVITIES
Year ended June 30, 2022

(With summarized financial information for the year ended June 30, 2021)

| | Without donor restrictions | With donor restrictions | Total | |
|---|----------------------------------|-------------------------------|--------------|--------------|
| | | | 2022 | 2021 |
| Revenues and support | | | | |
| Fees and grants from governmental agencies | | | | |
| Fees for services | | | | |
| State of Colorado | | | | |
| State General Fund | \$ 507,321 | \$ - | \$ 507,321 | \$ 578,649 |
| Medicaid | 6,281,709 | - | 6,281,709 | 5,887,550 |
| Counties and cities | 18,500 | - | 18,500 | 44,500 |
| Grants and other | | | | |
| Colorado Department of Education - Vocational Rehabilitation | 12,910 | - | 12,910 | 12,407 |
| Colorado Department of Transportation | - | - | - | 118,427 |
| Department of Housing and Urban Development | 10,118 | - | 10,118 | 10,620 |
| Other grants | 158,110 | - | 158,110 | - |
| Total fees and grants from governmental agencies | 6,988,668 | - | 6,988,668 | 6,652,153 |
| Public support - contributions | 50,375 | 69,449 | 119,824 | 151,245 |
| In-kind contributions | 8,075 | - | 8,075 | 6,100 |
| Residential room and board | 661,634 | - | 661,634 | 665,452 |
| Gain on sale of assets | 571,800 | - | 571,800 | 6,775 |
| Other revenue | 220,702 | - | 220,702 | 161,913 |
| Net assets released from restrictions | | | | |
| Satisfaction of program restrictions | 6,950 | (6,950) | - | - |
| Total revenues and support | 8,508,204 | 62,499 | 8,570,703 | 7,643,638 |
| Expenses | | | | |
| Program services | | | | |
| Medicaid comprehensive | 5,948,620 | - | 5,948,620 | 5,257,099 |
| State adult supported living | 56,485 | - | 56,485 | 53,445 |
| Medicaid adult supported living | 531,884 | - | 531,884 | 554,308 |
| Children's extensive support | 19,752 | - | 19,752 | 20,722 |
| Early intervention | 306,718 | - | 306,718 | 271,385 |
| Family support | 123,821 | - | 123,821 | 176,928 |
| Case management | 580,423 | - | 580,423 | 522,095 |
| Total program services | 7,567,703 | - | 7,567,703 | 6,855,982 |
| Supporting services | | | | |
| Management and general | 783,330 | - | 783,330 | 725,038 |
| Total expenses | 8,351,033 | - | 8,351,033 | 7,581,020 |
| CHANGE IN NET ASSETS FROM OPERATIONS | 157,171 | 62,499 | 219,670 | 62,618 |
| Forgiveness of PPP loan and accrued interest | - | - | - | 1,054,389 |
| CHANGE IN NET ASSETS | 157,171 | 62,499 | 219,670 | 1,117,007 |
| Net assets, beginning of year | 4,827,166 | 67,706 | 4,894,872 | 3,777,865 |
| Net assets, end of year | \$ 4,984,337 | \$ 130,205 | \$ 5,114,542 | \$ 4,894,872 |

The accompanying notes are an integral part of this statement.

Community Options, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2022
(With summarized financial information for the year ended June 30, 2021)

| | Program Services | | | |
|------------------------------|--------------------------------|------------------------------------|--|------------------------------------|
| | Medicaid comprehen- sive | State adult supported living | Medicaid adult supported living | Children's extensive support |
| Expenses | | | | |
| Salaries, benefits and taxes | \$ 3,735,900 | \$ 18,520 | \$ 368,464 | \$ 7,577 |
| Professional services | 828,859 | 719 | 43,746 | 9,053 |
| Staff development and travel | 15,536 | 46 | 1,622 | 3 |
| Vehicles | 130,100 | 151 | 15,841 | - |
| Occupancy | 382,803 | 860 | 19,267 | 299 |
| Supplies and equipment | 157,892 | 1,173 | 14,124 | 1,015 |
| Food | 169,894 | 70 | 2,474 | 2 |
| Telephone | 75,775 | 372 | 7,974 | 145 |
| Insurance | 106,424 | 670 | 13,630 | 155 |
| Interest | 26,072 | 643 | 9,598 | 211 |
| Other expense | 46,027 | 436 | 1,110 | 1,289 |
| In-kind contributions | 1,200 | - | - | - |
| Purchased services | 2,014 | 32,084 | - | - |
| Depreciation | 270,124 | 741 | 34,034 | 3 |
| Total expenses | <u>\$ 5,948,620</u> | <u>\$ 56,485</u> | <u>\$ 531,884</u> | <u>\$ 19,752</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 | |
|----------------------------|-------------------|-------------------------|---------------------------|---------------------|---------------------|
| | | | | 2022 | 2021 |
| \$ 120,024 | \$ - | \$ 513,557 | \$ 602,206 | \$ 5,366,248 | \$ 4,961,675 |
| 145,490 | 51,152 | 16,613 | 16,341 | 1,111,973 | 791,135 |
| 477 | - | 5,395 | 3,747 | 26,826 | 19,408 |
| 5,167 | - | - | 9,386 | 160,645 | 95,182 |
| 10,020 | - | 12,379 | 10,524 | 436,152 | 419,965 |
| 8,707 | 32,433 | 10,042 | 37,318 | 262,704 | 190,347 |
| 114 | - | 2,321 | 289 | 175,164 | 179,711 |
| 2,708 | - | 3,736 | 3,604 | 94,314 | 91,300 |
| 7,590 | (60) | 9,546 | 20,531 | 158,486 | 190,466 |
| 2 | - | 4 | 9 | 36,539 | 66,411 |
| 3,154 | 40,296 | 6,570 | 67,171 | 166,053 | 226,637 |
| - | - | - | 6,875 | 8,075 | 6,100 |
| - | - | - | - | 34,098 | 30,944 |
| 3,265 | - | 260 | 5,329 | 313,756 | 311,739 |
| <u>\$ 306,718</u> | <u>\$ 123,821</u> | <u>\$ 580,423</u> | <u>\$ 783,330</u> | <u>\$ 8,351,033</u> | <u>\$ 7,581,020</u> |

The accompanying notes are an integral part of this statement.

Community Options, Inc.
STATEMENT OF CASH FLOWS
Year ended June 30, 2022

(With summarized financial information for the year ended June 30, 2021)

| | 2022 | 2021 |
|--|--------------|--------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 219,670 | \$ 1,117,007 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 313,756 | 311,739 |
| Amortization of debt issuance costs | - | 8,712 |
| Gain on forgiveness of PPP loan | - | (1,048,100) |
| Gain on sale of assets | (602,648) | (6,775) |
| Loss on sale of assets held for sale | 30,848 | - |
| Contributions restricted for purchase of long-term capital assets | (500) | (7,500) |
| Change in assets and liabilities | | |
| (Increase) decrease in accounts receivable | 128,933 | (38,441) |
| (Increase) decrease in prepaid expenses and other | 416 | (315) |
| Increase (decrease) in accounts payable and accrued expenses | (191,258) | 46,278 |
| Increase (decrease) in deferred revenue | (158,110) | 158,110 |
| Decrease in obligation under interest rate swap | - | (40,669) |
| Net cash provided by (used in) operating activities | (258,893) | 500,046 |
| Cash flows from investing activities | | |
| Purchase of land, buildings and equipment | (382,717) | (127,797) |
| Proceeds from sale of assets | 667,648 | 6,775 |
| Proceeds from sale of assets held for sale | 844,152 | - |
| Collection on notes receivable | 41,889 | 4,112 |
| Net cash provided by (used in) investing activities | 1,170,972 | (116,910) |
| Cash flows from financing activities | | |
| Contributions restricted for purchase of long-term capital assets | 500 | 7,500 |
| Payments on bonds payable | - | (277,560) |
| Payments on note payable | (1,103,811) | (257,159) |
| Net cash used in financing activities | (1,103,311) | (527,219) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (191,232) | (144,083) |
| Cash and cash equivalents, beginning of year | 2,213,512 | 2,357,595 |
| Cash and cash equivalents, end of year | \$ 2,022,280 | \$ 2,213,512 |
| Supplemental data | | |
| Cash paid for interest | \$ 36,539 | \$ 63,679 |
| Cash paid for taxes | 306 | 930 |
| Noncash investing activities | | |
| Capital asset additions in accounts payable | 161,510 | - |
| Noncash financing activities | | |
| Forgiveness of PPP loan and accrued interest | - | 1,054,389 |

The accompanying notes are an integral part of this statement.

Community Options, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

This description of Community Options, Inc.'s (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*

Community Options, Inc., a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado in 1972 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 Delta, Montrose, Gunnison, San Miguel, Ouray and Hinsdale Counties. 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.

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

Community Options, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

2. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

Early Intervention is 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 that 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 revenues are recorded when services are performed and expenses are recognized when incurred.

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.

Community Options, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

5. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Center considers cash to be all cash on hand and cash on deposit, subject to immediate withdrawal, and cash equivalents to be money market funds.

The Center maintains its cash balances in financial institutions located in 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.

6. *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 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 when they become uncollectible. Payments subsequently received on such receivables, if any, are recorded as other revenue.

7. *Land, Buildings and Equipment and Assets Held for Sale*

Land, buildings and equipment are reported at cost for purchased assets and estimated fair value, at date of receipt, for donated property. Any asset purchased for \$1,000 or more that has a life expectancy of more than two years is capitalized. Assets held for sale are not depreciated. Depreciation is provided on the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 3–40 |
| Administrative equipment | 3–10 |
| Program equipment | 3–15 |
| Transportation equipment | 3–10 |

8. *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.

Community Options, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

8. *Accounting for Contributions (Continued)*

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 increases in net assets without donor restrictions.

9. *In-kind Contributions*

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

10. *Grant Revenue*

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or as a contribution when received if it is a nonexchange transaction. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the organization.

11. *Revenue Recognition*

Revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing services. Program revenue consists primarily of funds received from the State of Colorado for Medicaid and other services, miscellaneous smaller grants and awards from federal, state, county and municipal sources. Billings for services are billed after the services are performed. As performance obligations are satisfied, revenue is recognized.

Performance obligations are determined based on the nature of the services provided. As performance obligations are satisfied over time, revenue is recognized based on when related services are performed. This method provides for the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligations. Revenue received in advance is deferred to the applicable period in which the related program services are

Community Options, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

11. *Revenue Recognition (Continued)*

performed and at which time will be recognized in the period in which the related services are performed. Transaction price is based on standard charges for services provided, which is set by the State of Colorado. Rent income is recognized in the month in which it is earned rather than received.

12. *Net Assets*

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered in-to in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed.

13. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through November 6, 2023, the date on which the financial statements were issued. Other than the transactions disclosed in Note J, the Center did not identify any events or transactions that would have a material impact on the financial statements.

Community Options, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

14. *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, 2022. 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, 2019.

Interest income derived from the Center's notes receivable are considered unrelated business income, which may be subject to federal tax. The Center estimates taxes due for unrelated business income tax will approximate \$267. For the year ended June 30, 2022, the Center paid \$306 for unrelated business income tax on interest income earned as of June 30, 2021, but no amounts were paid or accrued for current year activity.

15. *Functional Allocation of Expenses*

The costs of supporting various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. Those costs have been allocated to program and management and general based on estimates of time and effort, square footage of the office and other methods.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

16. *Fundraising*

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others. Fundraising activities generated revenue of \$49,125 and incurred expenses of \$25,723 for the year ended June 30, 2022. These amounts are reported under management and general revenue and expense.

Community Options, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

17. *Prior Year Summarized Information*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements as of and for the year ended June 30, 2021, from which the summarized information was derived.

18. *Recent Accounting Pronouncements*

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 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.

Community Options, Inc.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE B – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 2,022,280 |
| Accounts receivable | <u>809,943</u> |
| Total financial assets | 2,832,223 |
| Less financial assets held to meet donor-imposed restrictions: | |
| Purpose-restricted net assets (Note E) | <u>(130,205)</u> |
| Amount available for general expenditures within one year | \$ <u>2,702,018</u> |

NOTE C – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at June 30, 2022:

| | |
|-------------------------------|---------------------|
| Buildings and improvements | \$ 4,913,763 |
| Administrative equipment | 193,154 |
| Program equipment | 97,173 |
| Transportation equipment | <u>1,140,269</u> |
| | 6,344,359 |
| Less accumulated depreciation | <u>4,291,062</u> |
| | 2,053,297 |
| Work in progress | 530,364 |
| Land | <u>550,305</u> |
| | \$ <u>3,133,966</u> |

Depreciation expense was \$313,756 for the year ended June 30, 2022.

NOTE D – LEASES

The Center conducts a portion of its operations from leased facilities under operating lease arrangements. The Center leases housing under operating leases that are currently on a month-to-month basis or terms of a year or less. Total rent expense year ended June 30, 2022 was \$180,778, which includes \$95,406 for host home contract allocation and \$85,372 for operating leases.

NOTE E – NET ASSETS

Net investment in land, building and equipment is comprised of net land, building and equipment plus assets held for sale, less bonds payable net of deferred bond issuance costs and notes payable secured by land, building, and equipment. notes payable as it is an unsecured note and the proceeds were not used to purchase land, building and equipment.

Community Options, Inc.
NOTES TO FINANCIAL STATEMENTS
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NOTE E – NET ASSETS (CONTINUED)

Net assets with donor restrictions consisted of the following purpose-restricted amounts as of June 30, 2022:

| | |
|-------------------------------------|-------------------|
| Medicaid comprehensive | \$ 77,103 |
| Management and general | 29,461 |
| Buildings and building improvements | 23,426 |
| Family support | <u>215</u> |
| | \$ <u>130,205</u> |

NOTE F – FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated included salaries and benefits, telephone, depreciation, insurance, utilities, postage, host home contract costs, and interest which are allocated on the basis of usage studies, square footage and other methods.

NOTE G – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue from the State of Colorado. The amount of receivables the Center has from the State of Colorado is \$789,960 as of June 30, 2022. The Center has a payable at June 30, 2022, to the State of Colorado, in the amount of \$25,000 for services. 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.

One of the Center’s board members is a realtor who sold properties on behalf of the Center. The Board member does not participate in any voting or decision making related to the Center’s realty transactions to which they are involved. Commission paid to the board member as the realtor for the Center totaled \$49,480 for the year ended June 30, 2022.

NOTE H – CONTINGENCIES

The Center is contingently liable to the Daniels Fund for the \$90,000 of funding received for the facilities located at Park Place. The funding agreement provides that as long as the facility is used and managed by the Center for their exempt purpose and as described in the grant agreement, title of the property is not transferred, and the Center complies with the terms and conditions of the grant through May 31, 2028, the Center will not be required to repay any portion of the grant.

Community Options, Inc.
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NOTE H – CONTINGENCIES (CONTINUED)

As of June 30, 2022, the Center owns 5 vehicles for a total cost of \$316,930 which were purchased through grants from the Colorado Department of Transportation (CDOT) for portion of the purchase price. In order to ensure the proper use of vehicles throughout their useful life, CDOT holds a first lien on the vehicles totaling \$252,206.

NOTE I – SELF-INSURED HEALTH PLAN

The Center has established the Community Options Medical Benefits Plan (the Plan) for the purpose of providing certain group-health plan benefits to eligible participants. The Center is the Plan sponsor. The Plan provides a contract to be self-insured. There is also an agreement with a third-party administrator (TPA) which renews automatically on a yearly basis. However, the TPA agreement may be terminated by any of the parties to the agreement with 30 days prior written notice to the other parties. The Center has recorded a liability of \$58,484, which represents the estimated amount medical claims incurred but not reported as of June 30, 2022. The liability is included in accounts payable and accrued expenses in the statement of financial position. Claims are filed directly with a TPA for processing. The TPA dispenses funds to and on behalf of the participants for covered medical claims. The Center carries specific stop-loss insurance coverage for payment of eligible participant claims in excess of certain limits. The individual stop-loss claim deductible per participant is \$20,000. The stop-loss insurance has an aggregate stop-loss limit of approximately \$1,000,000 as of June 30, 2022. There was no amount outstanding for claims in excess of the stop loss at June 30, 2022. Insurance expense for the year ended June 30, 2022 was \$620,198, which includes \$9,000 of Health Reimbursement Arrangement expenses to defray employee cost on their deductible over \$2,000 per year up to \$5,000 per year.

NOTE J – SUBSEQUENT EVENTS

In May 2023, the Center sold one of its residential properties for \$395,000.