

**BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
ALAMOSA, COLORADO**

FINANCIAL STATEMENTS

June 30, 2017 and 2016



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Directors
Blue Peaks Developmental Services, Inc.
Alamosa, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Blue Peaks Developmental Services, Inc. (the Center), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Peaks Developmental Services, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The summary of revenues, support, and expenses by program on pages 11 through 12 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

October 09, 2017

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.

FINANCIAL STATEMENTS

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 652,864	\$ 512,631
Short-term Certificates of Deposit	585,966	585,966
Accounts Receivable		
Fees and Grants from Governmental Agencies	548,630	355,714
Other	11,295	26,569
Prepaid Expenses	27,783	26,733
Total Current Assets	1,826,538	1,507,613
Restricted Cash	13,321	5,329
Land, Building, and Equipment (Net)	1,013,861	1,065,787
Total Assets	\$ 2,853,720	\$ 2,578,729
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 461,535	257,562
Deferred Revenue	34,476	4,999
Current Portion of Capital Lease Obligation	8,456	8,456
Total Current Liabilities	504,467	271,017
Long-term Capital Lease Obligation, Net of Current Portion	8,556	16,321
Total Liabilities	513,023	287,338
Net Assets		
Unrestricted		
Net Investment in Land, Building, and Equipment	996,849	1,041,010
Undesignated	1,343,848	1,250,381
Total Unrestricted Net Assets	2,340,697	2,291,391
Total Liabilities and Net Assets	\$ 2,853,720	\$ 2,578,729

The accompanying notes are an integral part of this financial statement.

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.

STATEMENT OF ACTIVITIES

For the Years Ended June 30, 2017 and 2016

	Total Unrestricted	
	2017	2016
Revenues and Support		
Fees for services		
State of Colorado General Fund	\$ 413,911	\$ 385,899
Medicaid	3,625,063	3,885,418
Room and Board	370,600	398,958
Grants and Contributions		
Part C	59,588	38,760
Public Support - Contributions	14,732	8,740
In-kind Contributions	2,846	21,884
Other	52,035	-
Other Revenue	33,382	40,013
	<u>4,572,157</u>	<u>4,779,672</u>
Expenses		
Program Services		
Comprehensive	3,153,806	3,378,658
Adult Supported Living	410,368	375,124
Children's Extensive Support	21,842	13,742
Early Intervention	304,426	327,361
Family Support	76,110	55,574
Case Management	144,269	143,030
Total Program Services	<u>4,110,821</u>	<u>4,293,489</u>
Supporting Services		
Management and General	412,030	424,276
Total Expenses	<u>4,522,851</u>	<u>4,717,765</u>
CHANGE IN NET ASSETS	49,306	61,907
Net Assets, Beginning of Year	<u>2,291,391</u>	<u>2,229,484</u>
Net Assets, End of Year	<u>\$ 2,340,697</u>	<u>\$ 2,291,391</u>

The accompanying notes are an integral part of this financial statement.

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 49,306	\$ 61,907
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	143,022	148,258
In-Kind Contributions of Property, Plant, and Equipment	(2,300)	(20,389)
Change in Net Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	(177,642)	(8,486)
(Increase) Decrease in Prepaid Expenses and Deposits	(1,050)	13,650
Increase (Decrease) in Accounts Payable and Accrued Expenses	203,973	(196,588)
Increase (Decrease) in Deferred Revenue	29,477	(3,781)
Net Cash Provided By (Used In) Operating Activities	<u>244,786</u>	<u>(5,429)</u>
Cash Flows from Investing Activities		
Purchase of Land, Building, and Equipment	(88,795)	(17,543)
Gain on Sale of Land, Building, and Equipment	-	574
Purchase of Certificates of Deposit	(100,000)	(173,000)
Proceeds from Redemption of Certificates of Deposits	100,000	98,000
Net Cash Provided By (Used In) Investing Activities	<u>(88,795)</u>	<u>(91,969)</u>
Cash Flows from Financing Activities		
(Increase) Decrease in Restricted Cash	(7,992)	2,671
Capital Lease Payments	(7,764)	(7,518)
Net Cash Provided By (Used In) Investing Activities	<u>(15,756)</u>	<u>(4,847)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 140,235	 (102,245)
Cash and Cash Equivalents, Beginning of Year	<u>512,631</u>	<u>614,876</u>
Cash and Cash Equivalents, End of Year	<u>\$ 652,866</u>	<u>\$ 512,631</u>
Supplemental Data		
Cash Paid for Interest	<u>\$ 689</u>	<u>\$ 938</u>
Noncash Investing and Financing Activities		
Land, Building, and Equipment Additions from Contributions	<u>\$ 2,300</u>	<u>\$ 20,389</u>

The accompanying notes are an integral part of this financial statement.

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This description of Blue Peaks Developmental Services, Inc.'s (the Center) nature of activities and summary of significant accounting policies is presented to assist in understanding the Center's financial statements.

Summary of Business Activities

Blue Peaks Developmental Services, Inc., a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado in 1970 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 Saguache, Mineral, Alamosa, Costilla, Conejos, and Rio Grande Counties. The Center was incorporated as San Luis Valley Center for the Handicapped, Inc., and in April 1988, changed its name to Blue Peaks Developmental Services, Inc. The Center is operated as a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Center's revenues come primarily from the State of Colorado for services provided.

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 Supporting 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 old 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-in-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 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.

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

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.

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.

Use of Estimates

In preparing the 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.

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 09, 2017, the date on which the financial statements were issued, and did not identify any events or transactions that would have a material impact on the financial statements.

Cash and Cash Equivalents and Restricted Cash

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 date of three months or less. Restricted cash represents monies held for individuals receiving the Center's services. A liability in the amount equal to the restricted cash is recorded in accounts payable and accrued expenses. These monies are required to be held in a separate account by the Social Security Administration.

Concentrations of Credit Risk

The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2017 and 2016, the Center had \$577,767 and \$431,812, respectively, in uninsured cash balances.

Certificates of Deposit

Short-term certificates of deposit consist of seven individual certificates with interest rates between 0.20% and 1.35% and maturity dates between August 2017 and November 2018. Certificates of deposit are carried at original acquisition cost and accrued interest is recorded in other accounts receivable.

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 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.

Land, Building, and Equipment

Land, building, and equipment are reported at cost for purchased assets and estimated value, at date of receipt, for donated property. Any asset purchased for more than \$1,500 that has a life expectancy of more than two years is capitalized. Depreciation is provided on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	3-40
Equipment	3-10
Vehicles	3-5

Accounting for Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as temporarily restricted net assets.

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are reported as unrestricted revenues rather than temporarily restricted revenue. The Center had no temporarily restricted revenue for the years ended June 30, 2017 and 2016.

In-Kind Contributions

Contributions of property, materials, and personal services are reported 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, building, and equipment) is also included as program costs to properly reflect the total cost of the particular program.

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 the 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

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

required to be recorded as of June 30, 2017 and 2016. 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, 2014.

NOTE 2 LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment at June 30 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Buildings and Improvements	\$ 2,501,628	\$ 2,499,680
Equipment	481,351	477,301
Vehicles	967,566	913,429
	<u>3,950,545</u>	<u>3,890,410</u>
Less: Accumulated Depreciation	3,223,339	3,111,278
	<u>727,206</u>	<u>779,132</u>
Land	286,655	286,655
	<u>\$ 1,013,861</u>	<u>\$ 1,065,787</u>

Depreciation expense for the years ended June 30, 2017 and 2016 were \$143,022 and \$148,258, respectively .

NOTE 3 DEFERRED REVENUE

Deferred revenue of \$34,476 and \$4,999, at June 30, 2017 and 2016, respectively, consists of unearned revenue from the State of Colorado. The revenue is recognized when services are performed.

NOTE 4 LEASES

Operating Leases

The Center leases office equipment under operating lease arrangements. The leases on office equipment expire on various dates through fiscal year 2020. Rental expense under these operating leases was \$1,316 and \$1,448, for the years ended June 30, 2017 and 2016, respectively. Future minimum rental payments for all noncancelable operating leases at June 30, 2017 are as follows:

Year Ending June 30,	
2018	\$ 1,316
2019	1,316
2020	<u>1,316</u>
	<u>\$ 3,948</u>

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

Capital Lease Obligation

The Center leases equipment under a capital lease arrangement due in 2020 in monthly installments of \$705. For financial reporting purposes, minimum lease rentals relating to the equipment have been capitalized in the fixed assets as office equipment at \$38,976, less accumulated depreciation of \$22,736. The outstanding balance was \$17,617 as of June 30, 2017, and \$26,073 as of June 30, 2016.

Year Ending June 30,	
2018	\$ 8,456
2019	8,456
2020	705
	17,617
	17,617

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

NOTE 5 RETIREMENT PLAN

The Center has adopted a Money Purchase Pension Plan and Trust, which is a defined contribution pension plan. All full-time employees who have completed one full year of service are eligible to participate. The Center contributes between 1% to 4% of each eligible employee's compensation to the plan based on the employee's years of service. Employees participating in the plan will vest 20% each year until the fifth year of service when they will be 100% vested. Retirement plan expense was \$39,319 and \$35,850, for the years ended June 30, 2017 and 2016, respectively.

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Organization participates in a number of grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time although the Organization expects such amounts to be immaterial.

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.

SUPPLEMENTARY INFORMATION

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
SUMMARY OF REVENUES, SUPPORT, AND EXPENSES BY PROGRAM
For the Year Ended June 30, 2017

	Program Services				
	Medicaid Comprehensive			Adult Supported Living	Children's Extensive Support
	Day Services	Residential	Total		
Revenues and Support					
Fees for services					
State of Colorado General Fund	\$ -	\$ -	\$ -	\$ 112,984	\$ -
Medicaid	801,833	2,231,531	3,033,364	333,078	14,288
Room and Board	-	370,600	370,600	-	-
Grants and Contributions					
Part C	-	-	-	-	-
Public Support - Contributions	150	-	150	-	-
In-kind Contributions	2,300	-	2,300	-	-
Other	49,060	-	49,060	2,975	-
Other Revenue	24,622	170	24,792	-	-
Total Revenues and Support	\$ 877,965	\$2,602,301	\$3,480,266	\$ 449,037	\$ 14,288
Expenses					
Employee Compensation	\$ 512,299	\$1,831,396	\$2,343,695	\$ 321,450	\$ 4,080
Consumer Compensation	25,729	-	25,729	14,760	-
Medical and Professional Services	7,432	16,220	23,652	12,231	14,576
Board and Staff Travel and Development	2,976	15,155	18,131	1,775	100
Occupancy	31,106	340,445	371,551	22,108	1,382
Equipment	1,198	18,121	19,319	667	5
Client Assistance	10,574	34,167	44,741	7,009	-
Vehicles	45,708	31,132	76,840	7,574	-
Supplies	3,193	19,574	22,767	2,032	124
Other	15,870	81,156	97,026	6,124	286
Expenses Before Depreciation	656,085	2,387,366	3,043,451	395,730	20,553
Depreciation	24,576	85,779	110,355	14,638	1,289
Total Expenses	\$ 680,661	\$2,473,145	\$3,153,806	\$ 410,368	\$ 21,842

<u>Early Intervention</u>	<u>Family Support</u>	<u>Case Management</u>	<u>Non- specified</u>	<u>Management and General</u>	<u>Total 2017</u>	<u>Total 2016</u>
\$ 202,444	\$ 61,653	\$ 36,830	\$ -	\$ -	\$ 413,911	\$ 385,899
67,827	-	152,986	-	23,520	3,625,063	3,885,418
-	-	-	-	-	370,600	398,958
59,588	-	-	-	-	59,588	38,760
4,100	-	-	10,482	-	14,732	8,740
-	-	-	-	546	2,846	21,884
-	-	-	-	-	52,035	-
1,265	-	-	6,515	810	33,382	40,013
<u>\$ 335,224</u>	<u>\$ 61,653</u>	<u>\$ 189,816</u>	<u>\$ 16,997</u>	<u>\$ 24,876</u>	<u>\$4,572,157</u>	<u>\$4,779,672</u>
\$ 76,446	\$ 7,283	\$ 133,026	\$ -	\$ 337,281	\$3,223,261	\$3,416,602
-	-	-	-	-	40,489	40,142
213,791	896	409	-	1,732	267,287	282,534
4,077	857	477	-	9,842	35,259	41,854
2,182	154	3,017	-	17,537	417,931	417,894
28	2	38	-	1,099	21,158	22,529
959	51,519	-	-	-	104,228	111,375
888	-	447	-	7,438	93,187	107,960
1,459	25	597	-	11,786	38,790	44,004
1,839	15,188	2,470	-	15,306	138,239	84,613
301,669	75,924	140,481	-	402,021	4,379,829	4,569,507
2,757	186	3,788	-	10,009	143,022	148,258
<u>\$ 304,426</u>	<u>\$ 76,110</u>	<u>\$ 144,269</u>	<u>\$ -</u>	<u>\$ 412,030</u>	<u>\$4,522,851</u>	<u>\$4,717,765</u>