



Financial Statements and Independent
Auditor's Report

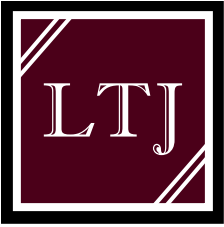
Blue Peaks Developmental Services, Inc.

June 30, 2013



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF ACTIVITIES	7
STATEMENT OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



Logan, Thomas & Johnson, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Blue Peaks Developmental Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Blue Peaks Developmental Services, Inc. (the Center), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5023 W. 120th Ave., #165, Broomfield, CO 80020-5606

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Peaks Developmental Services, Inc. as of June 30, 2013 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 2012 financial statements, and our report dated November 1, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Logan, Thomas + Johnson, LLC

Broomfield, Colorado

December 5, 2013

Financial Statements

Blue Peaks Developmental Services, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2013
(With summarized financial information for June 30, 2012)

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 469,456	\$ 457,547
Short-term certificates of deposit	712,226	712,226
Accounts receivable		
Fees and grants from governmental agencies	245,975	251,093
Other	38,074	35,269
Prepaid expenses and deposits	40,927	39,279
Total current assets	1,506,658	1,495,414
Restricted cash	2,985	13,219
Land, building and equipment, net	1,243,823	1,319,858
Total assets	\$ 2,753,466	\$ 2,828,491
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 210,511	\$ 233,158
Total current liabilities	210,511	233,158
Total liabilities	210,511	233,158
Net assets		
Unrestricted		
Net investment in land, building and equipment	1,243,823	1,319,858
Undesignated	1,299,132	1,275,475
Total unrestricted net assets	2,542,955	2,595,333
Total liabilities and net assets	\$ 2,753,466	\$ 2,828,491

The accompanying notes are an integral part of this statement.

Blue Peaks Developmental Services, Inc.
STATEMENT OF ACTIVITIES
Year ended June 30, 2013
(With summarized financial information for the year ended June 30, 2012)

	Total unrestricted	
	2013	2012
Revenues and support		
Fees and grants from governmental agencies		
Fees for services		
State of Colorado		
State General Fund	\$ 233,002	\$ 245,413
Medicaid	3,542,021	3,574,803
Part C	57,894	71,188
Counties	-	8,450
Grants and other		
Community Services Block Grant	-	3,203
Total fees and grants from governmental agencies	3,832,917	3,903,057
Public support - contributions	573	985
Residential room and board	360,653	346,545
In-kind contributions	5,975	5,067
Other revenue	121,952	141,202
Total revenues and support	4,322,070	4,396,856
Expenses		
Program services		
Medicaid comprehensive	2,915,625	2,857,036
State adult supported living	66,743	72,527
Medicaid adult supported living	430,754	412,213
Children's extensive support	31,016	36,547
Early intervention	220,443	247,289
Family support	19,760	22,589
Case management	161,635	164,407
Total program services	3,845,976	3,812,608
Supporting services		
Management and general	528,472	523,571
Total expenses	4,374,448	4,336,179
CHANGE IN NET ASSETS	(52,378)	60,677
Net assets, beginning of year	2,595,333	2,534,656
Net assets, end of year	\$ 2,542,955	\$ 2,595,333

The accompanying notes are an integral part of this statement.

Blue Peaks Developmental Services, Inc.
STATEMENT OF CASH FLOWS
Year ended June 30, 2013
(With summarized financial information for the year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ (52,378)	\$ 60,677
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	157,216	161,927
Loss (gain) on sale of land, building and equipment	9,135	(786)
In-kind contributions of property, plant and equipment	(5,975)	(4,760)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	2,313	(16,411)
Increase in prepaid expenses and deposits	(1,648)	(21,225)
Decrease in accounts payable and accrued expenses	<u>(22,647)</u>	<u>(47,473)</u>
Net cash provided by operating activities	86,016	131,949
Cash flows from investing activities		
Purchase of land, building and equipment	(86,561)	(92,629)
Proceeds from sale of land, building and equipment	2,220	786
Purchase of certificates of deposit	(712,226)	(712,226)
Proceeds from redemption of certificates of deposit	<u>712,226</u>	<u>710,966</u>
Net cash used in investing activities	(84,341)	(93,103)
Cash flows from financing activities		
(Increase) decrease in restricted cash	<u>10,234</u>	<u>(10,884)</u>
Net cash provided by (used in) financing activities	<u>10,234</u>	<u>(10,884)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,909	27,962
Cash and cash equivalents, beginning of year	<u>457,547</u>	<u>429,585</u>
Cash and cash equivalents, end of year	<u>\$ 469,456</u>	<u>\$ 457,547</u>
Noncash investing and financing activities		
Fixed assets additions from contributions	\$ 5,975	\$ 4,760

The accompanying notes are an integral part of this statement.

Blue Peaks Developmental Services, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE A – 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.

1. *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.

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.

Blue Peaks Developmental Services, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

2. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

Children's Extensive Support is a deeming waiver (only the child's income is considered in determining eligibility) intended to provide needed services and supports to eligible children under the age of eighteen years in order for the children to remain in or return to the family home. Waiver services are targeted to children having extensive support needs, which require constant line-of-sight supervision due to significantly challenging behaviors and/or 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.

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.

Blue Peaks Developmental Services, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

4. *Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

5. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through December 5, 2013, 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.

6. *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 cash equivalents to be certificates of deposit with an original maturity 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.

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

7. *Certificates of Deposit*

Short-term certificates of deposit consist of eight individual certificates with interest rates between 0.195% and 0.40% and maturity dates between October 2013 and April 2014. 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 FINANCIAL STATEMENTS
June 30, 2013

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

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 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.

9. *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

10. *Revenue Recognition*

Revenues are recognized when services are performed.

11. *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.

Blue Peaks Developmental Services, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

11. *Accounting for Contributions (Continued)*

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 year ended June 30, 2013.

12. *In-kind Contributions*

Contributions of property, materials and personal services are reported as in-kind contributions and are recorded at estimated 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.

13. *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, 2013. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Center believes it is no longer subject to income tax examinations for the years prior to the year ended June 30, 2010.

14. *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, 2012 from which the summarized information was derived.

Blue Peaks Developmental Services, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE B – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following at June 30, 2013:

Buildings and improvements	\$ 2,391,746
Equipment	397,328
Vehicles	<u>1,024,849</u>
	3,813,923
Less accumulated depreciation and amortization	<u>2,856,755</u>
	957,168
Land	<u>286,655</u>
	\$ <u>1,243,823</u>

Depreciation expense was \$157,216 for the year ended June 30, 2013.

NOTE C – LEASES

The Center leases office equipment and residential facilities under operating lease arrangements. The leases on office equipment expire on various dates through fiscal year 2015 and the leases for residential facilities are month-to-month. Rental expense under these operating leases was \$6,607 for the year ended June 30, 2013. Future minimum rental payments for all noncancelable operating leases at June 30, 2013, are as follows:

Year ending June 30,	
2014	\$ 5,321
2015	<u>3,184</u>
	\$ <u>8,505</u>

NOTE D – 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% and 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 \$35,610 for the year ended June 30, 2013.

Blue Peaks Developmental Services, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE E – 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 \$245,975 and the Center has a payable to the State of Colorado at June 30, 2013 in the amount of \$278. 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.