

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
ALAMOSA, COLORADO

FINANCIAL STATEMENTS

June 30, 2019 and 2018



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

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.

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June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

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

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, 2019 and 2018, and the related statements of activities, functional expenses 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, 2019 and 2018, 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

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 www.wsbcpa.com

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 – Nature of Activities and Summary of Significant Accounting Policies, in fiscal year 2019 Blue Peaks Developmental Services, Inc. adopted new account guidance, *FASB ASU No. 2016-14 Not-for-Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

August 27, 2019

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.

FINANCIAL STATEMENTS

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.**STATEMENT OF FINANCIAL POSITION****June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 885,527	\$ 874,936
Short-term Certificates of Deposit	512,966	587,966
Accounts Receivable		
Fees and Grants from Governmental Agencies	261,006	282,062
Other	10,529	10,683
Prepaid Expenses	16,597	20,404
Total Current Assets	<u>1,686,625</u>	<u>1,776,051</u>
Restricted Cash	57,354	16,578
Land, Building, and Equipment (Net)	<u>832,653</u>	<u>923,350</u>
Total Assets	<u><u>\$ 2,576,632</u></u>	<u><u>\$ 2,715,979</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 260,187	\$ 372,994
Deferred Revenue	-	8,341
Current Portion of Capital Lease Obligation	<u>6,511</u>	<u>8,456</u>
Total Current Liabilities	266,698	389,791
Long-term Capital Lease Obligation, Net of Current Portion	<u>28,633</u>	<u>534</u>
Total Liabilities	295,331	390,325
Net Assets		
Without Donor Restrictions		
Net Investment in Land, Building, and Equipment	797,509	914,360
Undesignated	<u>1,483,792</u>	<u>1,411,294</u>
Total Net Assets Without Donor Restrictions	<u>2,281,301</u>	<u>2,325,654</u>
Total Liabilities and Net Assets	<u><u>\$ 2,576,632</u></u>	<u><u>\$ 2,715,979</u></u>

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, 2019 and 2018**

	Total Without Donor Restrictions	
	2019	2018
Revenues and Support		
Fees for services		
State of Colorado General Fund	\$ 333,149	\$ 345,207
Medicaid	3,576,423	3,683,527
Room and Board	351,571	352,305
Grants and Contributions		
Part C	-	21,145
Public Support - Contributions	9,138	14,572
In-kind Contributions	43,679	5,035
Other	20,609	33,610
Other Revenue	21,709	28,272
	<u>4,356,278</u>	<u>4,483,673</u>
Total Revenues and Support		
Expenses		
Program Services		
Comprehensive	3,063,752	3,105,394
Adult Supported Living	431,008	465,065
Children's Extensive Support	9,085	16,653
Early Intervention	278,816	288,103
Family Support	55,870	57,991
Case Management	141,437	127,401
Total Program Services	<u>3,979,968</u>	<u>4,060,607</u>
Supporting Services		
Management and General	420,663	438,109
Total Expenses	<u>4,400,631</u>	<u>4,498,716</u>
CHANGE IN NET ASSETS	(44,353)	(15,043)
Net Assets, Beginning of Year	<u>2,325,654</u>	<u>2,340,697</u>
Net Assets, End of Year	<u>\$ 2,281,301</u>	<u>\$ 2,325,654</u>

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

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	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	\$ 256	\$ 102	\$ 358	\$ 81,471	\$ -
Medicaid	725,877	2,165,655	2,891,532	381,148	210
Room and Board	-	351,571	351,571	-	-
Grants and Contributions					
Part C	-	-	-	-	-
Public Support - Contributions	-	-	-	-	-
In-kind Contributions	43,275	404	43,679	-	-
Other	-	-	-	12,989	-
Other Revenue	14,134	-	14,134	-	-
Total Revenues and Support	\$ 783,542	\$2,517,732	\$3,301,274	\$ 475,608	\$ 210
Expenses					
Employee Compensation	\$ 490,311	\$1,813,853	\$2,304,164	\$ 330,130	\$ 1,817
Consumer Compensation	16,137	-	16,137	20,453	-
Medical and Professional Services	4,421	26,075	30,496	10,476	482
Board and Staff Travel and Development	3,752	11,755	15,507	2,617	21
Occupancy	29,029	304,555	333,584	18,904	2,731
Equipment	827	10,768	11,595	551	57
Client Assistance	9,481	25,802	35,283	7,985	-
Vehicles	59,560	39,181	98,741	13,797	-
Supplies	2,842	20,770	23,612	1,863	261
Other	38,299	44,121	82,420	6,566	826
Expenses Before Depreciation	654,659	2,296,880	2,951,539	413,342	6,195
Depreciation	27,941	84,272	112,213	17,666	2,890
Total Expenses	\$ 682,600	\$2,381,152	\$3,063,752	\$ 431,008	\$ 9,085

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

					Supporting Services	
Early Intervention	Family Support	Case Management	Non- specified	Management and General	Total 2019	Total 2018
\$ 165,678	\$ 57,007	\$ 28,635	\$ -	\$ -	\$ 333,149	\$ 345,207
158,515	-	120,657	-	24,361	3,576,423	3,683,527
-	-	-	-	-	351,571	352,305
-	-	-	-	-	-	21,145
-	-	-	9,138	-	9,138	14,572
-	-	-	-	-	43,679	5,035
7,620	-	-	-	-	20,609	33,610
-	-	-	7,184	391	21,709	28,272
\$ 331,813	\$ 57,007	\$ 149,292	\$ 16,322	\$ 24,752	\$4,356,278	\$4,483,673
\$ 62,839	\$ 6,779	\$ 126,323	\$ -	\$ 339,207	\$3,171,259	\$3,229,644
-	-	-	-	-	36,590	38,179
197,641	381	566	-	10,916	250,958	274,389
393	30	2,579	-	8,729	29,876	36,195
4,245	169	3,444	-	20,545	383,622	400,151
228	6	860	-	1,209	14,506	14,801
4,257	48,076	-	-	-	95,601	103,903
125	-	263	-	9,187	122,113	120,146
1,738	27	1,033	-	12,113	40,647	50,275
3,100	188	2,333	-	7,137	102,570	80,708
274,566	55,656	137,401	-	409,043	4,247,742	4,348,391
4,250	214	4,036	-	11,620	152,889	150,325
\$ 278,816	\$ 55,870	\$ 141,437	\$ -	\$ 420,663	\$4,400,631	\$4,498,716

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, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	\$ (44,353)	\$ (15,043)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	152,889	150,325
In-Kind Contributions of Property, Plant, and Equipment	(20,953)	(3,945)
Change in Net Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	21,210	267,180
(Increase) Decrease in Prepaid Expenses and Deposits	3,807	7,379
Increase (Decrease) in Accounts Payable and Accrued Expenses	(112,807)	(88,539)
Increase (Decrease) in Deferred Revenue	(8,341)	(26,135)
Net Cash Provided (Used) By Operating Activities	(8,548)	291,222
Cash Flows from Investing Activities		
Purchase of Land, Building, and Equipment	(49,739)	(55,870)
Proceeds from the Sale of Land, Building, and Equipment	8,500	-
Purchase of Certificates of Deposit	-	(422,966)
Proceeds from Redemption of Certificates of Deposits	75,000	420,966
Net Cash Provided (Used) By Investing Activities	33,761	(57,870)
Cash Flows from Financing Activities		
(Increase) Decrease in Restricted Cash	(40,776)	(3,257)
Capital Lease Proceeds	36,128	-
Capital Lease Payments	(9,974)	(8,023)
Net Cash Provided (Used) By Financing Activities	(14,622)	(11,280)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 10,591	 222,072
Cash and Cash Equivalents, Beginning of Year	874,936	652,864
Cash and Cash Equivalents, End of Year	\$ 885,527	\$ 874,936
Supplemental Data		
Cash Paid for Interest	\$ 331	\$ 434
Noncash Investing and Financing Activities		
Land, Building, and Equipment Additions from Contributions	\$ 20,953	\$ 3,945

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

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

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, 2019 and 2018

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 August 27, 2019, 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, 2019 and 2018, the Center had \$732,732 and \$810,002, respectively, in uninsured cash balances.

Certificates of Deposit

Short-term certificates of deposit consist of five individual certificates with interest rates between 0.9% and 2.4% and maturity dates between July 2019 and December 2019. 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, 2019 and 2018

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

Compensated Absences

Employees of the Organization are entitled to paid vacation depending on the length of service and other factors. Accrued vacation has been accrued in the amount of \$37,999 and \$38,897 at June 30, 2019 and 2018 respectively.

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 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 with donor restrictions.

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are reported as without donor restricted revenues rather than with donor restricted revenue. The Center had no net assets with donor restrictions for the years ended June 30, 2019 and 2018.

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.

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

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 required to be recorded as of June 30, 2019 and 2018. 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, 2016.

Functional Reporting of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, those expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of service units billed, mileage, and time.

Reclassifications

Certain amounts in 2018 have been reclassified to conform to the 2019 financial statement presentation.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) *No. 2016-14 Not-for-Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which is the first phase of a two-phase project makes significant changes in net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The requirement of ASU No. 2016-14 to replace the three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) by two classes of net assets, net assets with donor restrictions and net assets without donor restrictions impacted the classification of net assets which is displayed on the statement of financial position.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Center has \$1,409,022 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenses, consisting of cash of \$885,527, short-term certificates of deposit of \$512,966 and other accounts receivable of \$10,529. None of these amounts are subject to donor restrictions or other contractual restrictions that make them unavailable for general expenses within one year of the statement of financial position.

The Center manages liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Cash inflows can be easily predicted since they are materially comprised of fees for services. Cash outflows are planned accordingly so as not to exceed those expected inflows.

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 3 LAND, BUILDING, AND EQUIPMENT

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

	2019	2018
Buildings and Improvements	\$ 2,541,802	\$ 2,520,849
Equipment	478,504	481,351
Vehicles	1,028,160	1,008,160
	4,048,466	4,010,360
Less: Accumulated Depreciation	3,489,078	3,373,665
	559,388	636,695
Land	273,265	286,655
	\$ 832,653	\$ 923,350

Depreciation expense for the years ended June 30, 2019 and 2018 were \$152,889 and \$150,325, respectively.

NOTE 4 DEFERRED REVENUE

Deferred revenue of \$0 and \$8,341, at June 30, 2019 and 2018, respectively, consists of unearned revenue from Social Security Income on behalf of the clients. The revenue is recognized when services are performed.

NOTE 5 LEASES

Operating Leases

The Center leases office equipment under operating lease arrangements. The leases on office equipment expire in fiscal year 2024. Rental expense under these operating leases was \$1,306 and \$1,316, for the years ended June 30, 2019 and 2018, respectively. Future minimum rental payments for all noncancelable operating leases at June 30, 2019 are as follows:

Year Ending June 30,	
2020	\$ 1,279
2021	1,279
2022	1,279
2023	1,279
2024	213
	\$ 5,329

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

Capital Lease Obligation

The Center leases equipment under a capital lease arrangement due in 2024 in monthly installments of \$690. For financial reporting purposes, minimum lease rentals relating to the equipment have been capitalized in the fixed assets as office equipment at \$36,129, less accumulated depreciation of \$800. The outstanding balance was \$35,144 as of June 30, 2019, and \$8,990 as of June 30, 2018.

Year Ending June 30,	
2020	\$ 6,511
2021	6,878
2022	7,266
2023	7,676
2024	6,813
	<u>\$ 35,144</u>

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

NOTE 6 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 up to 4% of each eligible employee's compensation to the plan based on the employee's contribution. 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 \$29,336 and \$38,467, for the years ended June 30, 2019 and 2018, respectively.

NOTE 7 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.

Litigation

The Organization is a party to various legal actions normally associated with the Center's activities, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to its financial statements.