

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
ALAMOSA, COLORADO

FINANCIAL STATEMENTS

June 30, 2020 and 2019



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.

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June 30, 2020 and 2019

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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, 2020 and 2019, and the related statements of activities, revenues and 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, 2020 and 2019, 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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

October 20, 2020

Certified Public Accountants

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BLUE PEAKS DEVELOPMENTAL SERVICES, INC.

FINANCIAL STATEMENTS

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

| | 2020 | 2019 |
|--|--------------|--------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 1,726,855 | \$ 885,527 |
| Short-term Certificates of Deposit | 612,966 | 512,966 |
| Accounts Receivable | | |
| Fees and Grants from Governmental Agencies | 252,184 | 261,006 |
| Other | 3,951 | 10,529 |
| Prepaid Expenses | 18,696 | 16,597 |
| Total Current Assets | 2,614,652 | 1,686,625 |
| Restricted Cash | 4,341 | 57,354 |
| Land, Building, and Equipment (Net) | 769,312 | 832,653 |
| Total Assets | \$ 3,388,305 | \$ 2,576,632 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts Payable and Accrued Expenses | \$ 238,998 | \$ 260,187 |
| Deferred Revenue | - | - |
| Current Portion of Capital Lease Obligation | 6,878 | 6,511 |
| Current Portion of SBA Paycheck Protection Program Loan | 273,186 | - |
| Total Current Liabilities | 519,062 | 266,698 |
| Long-term Capital Lease Obligation, Net of Current Portion | 21,755 | 28,633 |
| SBA Paycheck Protection Program Loan, Net of Current Portion | 347,964 | - |
| Total Liabilities | 888,781 | 295,331 |
| Net Assets | | |
| Without Donor Restrictions | | |
| Net Investment in Land, Building, and Equipment | 740,679 | 797,509 |
| Undesignated | 1,758,845 | 1,483,792 |
| Total Net Assets Without Donor Restrictions | 2,499,524 | 2,281,301 |
| Total Liabilities and Net Assets | \$ 3,388,305 | \$ 2,576,632 |

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

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2020 and 2019

| | Total Without Donor Restrictions | |
|-------------------------------------|---|--------------|
| | 2020 | 2019 |
| Revenues and Support | | |
| Fees for services | | |
| State of Colorado General Fund | \$ 289,988 | \$ 333,149 |
| Medicaid | 3,281,612 | 3,576,423 |
| Room and Board | 341,822 | 351,571 |
| Grants and Contributions | | |
| Public Support - Contributions | 10,879 | 9,138 |
| In-kind Contributions | 15,494 | 43,679 |
| Other | 10,793 | 20,609 |
| Gain/(Loss) on Sale of Fixed Assets | 164,009 | (4,987) |
| Other Revenue | 24,409 | 26,696 |
| | 4,139,006 | 4,356,278 |
| | | |
| Operating Expenses | | |
| Program Services | | |
| Comprehensive | 2,780,152 | 3,063,752 |
| Adult Supported Living | 332,864 | 431,008 |
| Children's Extensive Support | - | 9,085 |
| Early Intervention | 161,753 | 278,816 |
| Family Support | 56,436 | 55,870 |
| Case Management | 150,450 | 141,437 |
| Non-Specified | 8,274 | - |
| Total Program Services | 3,489,929 | 3,979,968 |
| Supporting Services | | |
| Management and General | 430,854 | 420,663 |
| Total Expenses | 3,920,783 | 4,400,631 |
| | | |
| CHANGE IN NET ASSETS | 218,223 | (44,353) |
| | | |
| Net Assets, Beginning of Year | 2,281,301 | 2,325,654 |
| | | |
| Net Assets, End of Year | \$ 2,499,524 | \$ 2,281,301 |

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

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
STATEMENT OF REVENUES AND FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020
with Comparative Totals For the Year Ended June 30, 2019

| | Program Services | | | | |
|--|-------------------------------|--------------------|--------------------|---------------------------------------|-------------------------------|
| | Medicaid Comprehensive | | | Adult Supported Living | Early Intervention |
| | Day Services | Residential | Total | | |
| Revenues and Support | | | | | |
| Fees for services | | | | | |
| State of Colorado General Fund | \$ 16 | \$ 4 | \$ 20 | \$ 62,886 | \$ 139,611 |
| Medicaid | 609,574 | 2,169,662 | 2,779,236 | 323,198 | 27,191 |
| Room and Board | - | 341,822 | 341,822 | - | - |
| Grants and Contributions | | | | | |
| Part C | - | - | - | - | - |
| Public Support - Contributions | - | - | - | - | - |
| In-kind Contributions | 100 | - | 100 | - | - |
| Other | - | - | - | 10,793 | - |
| Gain/(Loss) on Sale of Fixed Assets | - | - | - | - | - |
| Other Revenue | 10,094 | 823 | 10,917 | - | - |
| Total Revenues and Support | \$ 619,784 | \$2,512,311 | \$3,132,095 | \$ 396,877 | \$ 166,802 |
| Expenses | | | | | |
| Employee Compensation | \$ 374,148 | \$1,760,415 | \$2,134,563 | \$ 248,278 | \$ 79,731 |
| Consumer Compensation | 11,799 | - | 11,799 | 22,314 | - |
| Medical and Professional Services | 3,974 | 24,535 | 28,509 | 8,776 | 70,464 |
| Board and Staff Travel and Development | 3,104 | 8,539 | 11,643 | 2,132 | 247 |
| Occupancy | 27,292 | 284,035 | 311,327 | 17,060 | 4,252 |
| Equipment | 640 | 14,964 | 15,604 | 416 | 242 |
| Client Assistance | 5,625 | 23,238 | 28,863 | 4,699 | 1,447 |
| Vehicles | 33,422 | 19,435 | 52,857 | 6,393 | 214 |
| Supplies | 3,169 | 18,969 | 22,138 | 2,079 | 1,084 |
| Other | 15,936 | 43,804 | 59,740 | 6,814 | 1,038 |
| Expenses Before Depreciation | 479,109 | 2,197,934 | 2,677,043 | 318,961 | 158,719 |
| Depreciation | 22,872 | 80,237 | 103,109 | 13,903 | 3,034 |
| Total Expenses | \$ 501,981 | \$2,278,171 | \$2,780,152 | \$ 332,864 | \$ 161,753 |

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

**Supporting
Services**

| Family Support | Case Management | Non- specified | Management and General | Total 2020 | Total 2019 |
|---------------------------|----------------------------|---------------------------|-----------------------------------|-----------------------|-----------------------|
| \$ 68,625 | \$ 18,846 | \$ - | \$ - | \$ 289,988 | \$ 333,149 |
| - | 128,729 | - | 23,258 | 3,281,612 | 3,576,423 |
| - | - | - | - | 341,822 | 351,571 |
| - | - | - | - | - | - |
| - | - | 10,879 | - | 10,879 | 9,138 |
| - | - | - | 15,394 | 15,494 | 43,679 |
| - | - | - | - | 10,793 | 20,609 |
| - | - | 164,009 | - | 164,009 | (4,987) |
| - | 22 | 13,470 | - | 24,409 | 26,696 |
| <u>\$ 68,625</u> | <u>\$ 147,597</u> | <u>\$ 188,358</u> | <u>\$ 38,652</u> | <u>\$4,139,006</u> | <u>\$4,356,278</u> |
| \$ 7,390 | \$ 133,838 | \$ - | \$ 358,223 | \$2,962,023 | \$3,171,259 |
| - | - | - | - | 34,113 | 36,590 |
| 15,618 | 491 | - | 3,797 | 127,655 | 250,958 |
| 4 | 2,587 | - | 5,863 | 22,476 | 29,876 |
| 257 | 5,701 | - | 22,940 | 361,537 | 383,622 |
| 12 | 421 | - | 6,036 | 22,731 | 14,506 |
| 32,820 | - | - | - | 67,829 | 95,601 |
| - | 179 | - | 9,670 | 69,313 | 122,113 |
| 28 | 948 | - | 7,416 | 33,693 | 40,647 |
| 78 | 1,821 | 8,274 | 6,221 | 83,986 | 102,570 |
| 56,207 | 145,986 | 8,274 | 420,166 | 3,785,356 | 4,247,742 |
| 229 | 4,464 | - | 10,688 | 135,427 | 152,889 |
| <u>\$ 56,436</u> | <u>\$ 150,450</u> | <u>\$ 8,274</u> | <u>\$ 430,854</u> | <u>\$3,920,783</u> | <u>\$4,400,631</u> |

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

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 218,223 | \$ (44,353) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Depreciation | 135,427 | 152,889 |
| In-Kind Contributions of Property, Plant, and Equipment | (15,344) | (20,953) |
| (Gain) Loss on Sale of Land, Building, and Equipment | (164,009) | 4,987 |
| Change in Net Assets and Liabilities | | |
| (Increase) Decrease in Accounts Receivable | 15,400 | 21,210 |
| (Increase) Decrease in Prepaid Expenses and Deposits | (2,099) | 3,807 |
| Increase (Decrease) in Accounts Payable and Accrued Expenses | (21,189) | (112,807) |
| Increase (Decrease) in Deferred Revenue | - | (8,341) |
| Net Cash Provided (Used) By Operating Activities | <u>166,409</u> | <u>(3,561)</u> |
| Cash Flows from Investing Activities | | |
| Purchase of Land, Building, and Equipment | (64,096) | (54,726) |
| Proceeds from the Sale of Land, Building, and Equipment | 171,363 | 8,500 |
| Purchase of Certificates of Deposit | (280,000) | - |
| Proceeds from Redemption of Certificates of Deposits | 180,000 | 75,000 |
| Net Cash Provided (Used) By Investing Activities | <u>7,267</u> | <u>28,774</u> |
| Cash Flows from Financing Activities | | |
| Capital Lease Proceeds | - | 36,128 |
| SBA Paycheck Protection Program Loan Proceeds | 621,150 | - |
| Capital Lease Payments | (6,511) | (9,974) |
| Net Cash Provided (Used) By Financing Activities | <u>614,639</u> | <u>26,154</u> |
| NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, | 788,315 | 51,367 |
| Cash, Cash Equivalents, and Restricted Cash Beginning of Year | <u>942,881</u> | <u>891,514</u> |
| Cash, Cash Equivalents, and Restricted Cash End of Year | <u>\$ 1,731,196</u> | <u>\$ 942,881</u> |
| Supplemental Data | | |
| Cash Paid for Interest | <u>\$ 1,608</u> | <u>\$ 331</u> |
| Noncash Investing and Financing Activities | | |
| Land, Building, and Equipment Additions from Contributions | <u>\$ 15,344</u> | <u>\$ 20,953</u> |
| Reconciliation to the Statement of Financial Position | | |
| Cash and Cash Equivalents | \$ 1,726,855 | \$ 885,527 |
| Restricted Cash | 4,341 | 57,354 |
| | <u>\$ 1,731,196</u> | <u>\$ 942,881</u> |

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

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

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 three 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, 2020 and 2019

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 20, 2020, 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, 2020 and 2019, the Center had \$1,763,572 and \$732,732, respectively, in uninsured cash balances.

Certificates of Deposit

Short-term certificates of deposit consist of five individual certificates with interest rates between 0.25% and 2.0% and maturity dates between July 2020 and February 2021. 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, 2020 and 2019

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 Center are entitled to paid vacation depending on the length of service and other factors. Accrued vacation has been accrued in the amount of \$33,383 and \$37,999 at June 30, 2020 and 2019 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, 2020 and 2019.

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, 2020 and 2019

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, 2020 and 2019. 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, 2017.

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 2019 have been reclassified to conform to the 2020 financial statement presentation.

New Accounting Pronouncements

During fiscal year 2020, the Organization adopted the provisions of FASB Accounting Standards Update 2018-08, Not-For-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies and improves the scope and accounting guidance for contributions received and contributions made and will assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchanges (reciprocal) transaction and (2) determining whether a contribution is conditional. Adoption of ASU 2018-08 did not have an effect on the financial statements for the period ending June 30, 2019.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Center has \$2,343,772 and \$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 \$1,726,855 and \$885,527, short-term certificates of deposit of \$612,966 and \$512,966, and other accounts receivable of \$3,951 and \$10,529 at June 30, 2020 and 2019, respectively. 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, 2020 and 2019

NOTE 3 LAND, BUILDING, AND EQUIPMENT

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

| | 2020 | 2019 |
|--------------------------------|--------------|--------------|
| Buildings and Improvements | \$ 2,419,581 | \$ 2,541,802 |
| Equipment | 504,748 | 478,504 |
| Vehicles | 980,296 | 1,028,160 |
| | 3,904,625 | 4,048,466 |
| Less: Accumulated Depreciation | 3,403,218 | 3,489,078 |
| | 501,407 | 559,388 |
| Land | 267,905 | 273,265 |
| | \$ 769,312 | \$ 832,653 |

Depreciation expense for the years ended June 30, 2020 and 2019 were \$135,427 and \$152,889, respectively.

NOTE 4 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 were \$1,279 and \$1,306, for the years ended June 30, 2020 and 2019, respectively. Future minimum rental payments for all noncancelable operating leases at June 30, 2020 are as follows:

| Year Ending June 30, | |
|----------------------|----------|
| 2021 | \$ 1,279 |
| 2022 | 1,279 |
| 2023 | 1,279 |
| 2024 | 213 |
| | \$ 4,050 |

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 \$8026. The outstanding balance was \$28,633 and \$35,144 as of June 30, 2020 and 2019, respectively.

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

Year Ending June 30,

| | | |
|------|-----------|---------------|
| 2021 | \$ | 6,878 |
| 2022 | | 7,266 |
| 2023 | | 7,676 |
| 2024 | | 6,813 |
| | <u>\$</u> | <u>28,633</u> |

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

NOTE 5 LONG TERM LIABILITIES

Note Payable

2020 Paycheck Protection Program Loan

A note payable, dated April 20, 2020, was entered into between a San Luis Valley Federal Bank and Blue Peaks Developmental Services, Inc. and matures on April 20, 2022. The Bank issued \$621,150 to the Center and funds from the loan may only be used for payroll costs, mortgage interest, rent, and utility costs incurred over the 24 week period after the loan was made. Under the terms of the Paycheck Protection Program, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. While the Center believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it is unknown as to whether or not they will be. In the case it is not, the unforgiven portion will have payments that are due monthly in the amount of \$34,956, which includes interest at a rate of 1.0%. Payments begin on November 20, 2020. Principal balance at June 30, 2020 was \$621,150.

The annual debt service for the note, is as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|-------------------|-----------------|-------------------|
| 2021 | \$ 273,186 | \$ 6,465 | \$ 279,652 |
| 2022 | 347,964 | 1,601 | 349,565 |
| | <u>\$ 621,150</u> | <u>\$ 8,066</u> | <u>\$ 629,216</u> |

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 \$19,406 and \$29,336, for the years ended June 30, 2020 and 2019, respectively.

NOTE 7 COMMITMENTS AND CONTINGENCIES

The Center 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 Center expects such amounts to be immaterial.

BLUE PEAKS DEVELOPMENTAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact net income. The Organization has been awarded \$84,671 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funding to mitigate some of the costs/losses incurred as a result of the pandemic. Other financial impact could occur though such potential impact is unknown at this time.

Litigation

The Center 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.