Consolidated Financial Statements and
Independent Auditor's Report

Colorado Bluesky Enterprises, Inc. and Affiliates

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Colorado Bluesky Enterprises, Inc.

We have audited the accompanying consolidated financial statements of Colorado Bluesky Enterprises, Inc. and Affiliates (jointly, the Center), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Colorado Bluesky Enterprises, Inc. and Affiliates as of June 30, 2019, 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 2018 consolidated financial statements, and our report dated October 14, 2021, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
November 17, 2021

Consolidated Financial Statements

Colorado Bluesky Enterprises, Inc. and Affiliates
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With summarized financial information as of June 30, 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,872,272	$ 3,784,726
Investments	1,833,958	1,710,831
Accounts receivable		
Fees and grants from governmental agencies	834,441	1,072,760
Other	124,554	69,020
Total current assets	6,665,225	6,637,337
Restricted cash	151,584	101,470
Restricted cash in reserve funds	141,471	137,474
Land, building and equipment, net	5,696,495	6,142,229
Total assets	$ 12,654,775	$ 13,018,510
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 155,090	$ 270,321
Accrued expenses	254,350	272,532
Lines of credit	-	225,150
Current maturities of long-term debt	95,387	750,333
Total current liabilities	504,827	1,518,336
Long-term debt, less current maturities	1,021,781	270,748
Total liabilities	1,526,608	1,789,084
Net assets		
Without donor restrictions		
Net investment in land, building and equipment	4,645,947	5,187,768
Designated for consumer home financing	2,390	2,390
Designated for transitional program	11,187	11,187
Undesignated	6,432,547	5,993,652
Total unrestricted net assets	11,092,071	11,194,997
With donor restrictions - purpose restrictions	36,096	34,429
Total net assets	11,128,167	11,229,426
Total liabilities and net assets	$ 12,654,775	$ 13,018,510

The accompanying notes are an integral part of this statement.

Colorado Bluesky Enterprises, Inc. and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2019
(With summarized financial information for the year ended June 30, 2018)

	Without donor restrictions	With donor restrictions	Total 2019	Total 2018
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	$ 1,614,608	$ -	$ 1,614,608	$ 1,458,874
Medicaid	4,757,438	-	4,757,438	5,060,256
County	496,265	-	496,265	490,776
Grants and other				
Part C	-	-	-	45,313
Department of Housing and Urban Development	418,290	-	418,290	408,419
Total fees and grants from governmental agencies	7,286,601	-	7,286,601	7,463,638
Public support - contributions	55,829	2,569	58,398	11,331
In-kind contributions	300	-	300	3,000
Residential room and board	294,341	-	294,341	292,062
Investment income	126,848	-	126,848	84,580
Other revenue	1,103,588	-	1,103,588	923,978
Net assets released from restrictions				
Satisfaction of program restrictions	902	(902)	-	-
Total revenues and support	8,868,409	1,667	8,870,076	8,778,589
Expenses				
Program services				
Medicaid comprehensive	3,097,697	-	3,097,697	2,759,339
State adult supported living	368,785	-	368,785	337,587
Medicaid adult supported living	971,912	-	971,912	888,903
Children's extensive support	104,147	-	104,147	252,186
Early intervention	1,050,341	-	1,050,341	748,934
Family support	223,025	-	223,025	166,598
Case management	1,238,537		1,238,537	1,353,119
Affordable housing	605,889	-	605,889	687,452
Total program services	7,660,333	-	7,660,333	7,194,118
Supporting services				
Management and general	1,311,002	-	1,311,002	1,313,366
Total expenses	8,971,335	-	8,971,335	8,507,484
CHANGE IN NET ASSETS	(102,926)	1,667	(101,259)	271,105
Net assets, beginning of year	11,194,997	34,429	11,229,426	10,958,321
Net assets, end of year	$ 11,092,071	$ 36,096	$ 11,128,167	$ 11,229,426

The accompanying notes are an integral part of this statement.

Colorado Bluesky Enterprises, Inc. and Affiliates
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
Year ended June 30, 2019
(With summarized financial information for the year ended June 30, 2018)

	Program Services				
	Medicaid comprehen-sive	State adult supported living	Medicaid adult supported living	Children's extensive support	Early interven-tion
Salaries, taxes & benefits	$ 1,678,691	$ 33,839	$ 625,644	$ 80,087	$ 629,838
Professional services	480,880	59,865	194,762	22,703	289,995
Staff development and travel	8,745	243	6,355	1,357	19,989
Vehicles	64,904	15,187	18,449	-	-
Occupancy and utilities	150,514	903	21,440	-	28,241
Supplies, equipment, dues and subscriptions	195,987	1,653	29,298	-	35,747
Telephone	6,286	636	5,422	-	11,585
Insurance	14,699	2,051	17,434	-	18,802
Interest	-	-	-	-	-
Other	401,882	40,310	(283)	-	388
In-kind donations	129	24	147	-	-
Purchased services	-	207,810	-	-	-
Depreciation	94,980	6,264	53,244	-	15,756
Total expenses	$ 3,097,697	$ 368,785	$ 971,912	$ 104,147	$1,050,341

The accompanying notes are an integral part of this statement.

Program Services					
Family support	Case management	Affordable housing	Management and general	Total 2019	Total 2018
$ 41,211	$1,004,582	$ 138,089	$ 809,579	$ 5,041,560	$ 4,782,922
-	10,271	4,248	129,630	1,192,354	1,212,582
-	30,136	-	26,161	92,986	87,399
-	-	-	18,825	117,365	84,961
-	30,943	124,937	37,722	394,700	363,411
629	64,559	16,741	78,100	422,714	341,283
-	10,578	683	2,746	37,936	40,145
-	71,712	32,509	69,629	226,836	169,157
-	-	43,925	3,412	47,337	54,365
181,185	-	35,610	29,555	688,647	705,312
-	-	-	-	300	3,000
-	-	-	-	207,810	191,168
-	15,756	209,147	105,643	500,790	471,779
$ 223,025	$1,238,537	$ 605,889	$ 1,311,002	$ 8,971,335	$ 8,507,484

The accompanying notes are an integral part of this statement.

Colorado Bluesky Enterprises, Inc. and Affiliates
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended June 30, 2019
(With summarized financial information for the year ended June 30, 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (101,259)	$ 271,105
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	500,790	471,779
Unrealized/realized gain on investments	(30,834)	(6,295)
Loss on disposal of land, building and equipment	-	42,492
Change in assets and liabilities		
(Increase) decrease in accounts receivable	113,765	(263,315)
Decrease in prepaid expense and other	69,020	1,850
Increase (decrease) in deferred revenue	-	(103,221)
Decrease in accounts payable and accrued expenses	(133,413)	(162,964)
Net cash provided by operating activities	418,069	251,431
Cash flows from investing activities		
Purchase of land, building and equipment	(55,056)	(317,121)
Purchase of restricted reserve funds	(50,114)	(4,041)
Proceeds from sale of investments	252,493	1,747,614
Purchase of investments	(344,786)	(1,808,029)
Net cash used in investing activities	(197,463)	(381,577)
Cash flows from financing activities		
Payments on long-term debt	(129,063)	(115,958)
Advance on lines of credit	-	225,150
(Increase) decrease in restricted cash	(3,997)	1,863
Net cash provided by (used in) financing activities	(133,060)	111,055
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	87,546	(19,091)
Cash and cash equivalents, beginning of year	3,784,726	3,803,817
Cash and cash equivalents, end of year	$ 3,872,272	$ 3,784,726
Supplemental data		
Cash paid for interest	$ 47,337	$ 58,440
Noncash financing activities		
Line of credit rolled into long-term debt	225,150	-
Long-term debt increased for pay off of line of credit	225,150	-

The accompanying notes are an integral part of this statement.

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

This description of Colorado Bluesky Enterprises, Inc. and Affiliates' (the Center) nature of activities and summary of significant accounting policies is presented to assist in understanding the Center's consolidated financial statements.

1. *Summary of Business Activities*

Pueblo County Board for Developmental Disabilities, Inc. was incorporated under the laws of the State of Colorado in 1963 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 Pueblo County. On March 11, 1998, the Center changed its official name to Colorado Bluesky Enterprises, Inc. (CBE), a Colorado nonprofit corporation. Colorado Bluesky Foundation (Foundation), a Colorado nonprofit corporation, was created for charitable and educational purposes in support of the Center. Fearnow Group Home Corporation (Fearnow), a Colorado nonprofit corporation, was created to build a home for developmentally disabled individuals. Lawrence William, Limited Partnership (LWLP) and Lawrence William III, Limited Partnership (LWIIILP), Colorado limited partnerships, were formed to develop and operate apartment complexes in Pueblo, Colorado, to provide low-income housing. The Center's revenue comes primarily from the State of Colorado for services provided.

2. *Principles of Consolidation*

The consolidated financial statements of Colorado Bluesky Enterprises, Inc. include its affiliates, Colorado Bluesky Foundation, Fearnow Group Home Corporation, Lawrence William, Limited Partnership and Lawrence William III, Limited Partnership. The Foundation, Fearnow, LWLP and LWIIILP are affiliates of CBE due to the fact that CBE exercises control over both entities. Significant intercompany transactions have been eliminated.

3. *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

<u>Comprehensive</u> (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

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

3. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

provide opportunities for individuals to experience and actively participate in valued roles in the community. These services and supports enable individuals to access and participate in typical community activities such as work, recreation, and senior citizen activities. Finally, transportation activities refer to "Home to Day Program transportation" services relevant to an individual's work schedule as specified in the IP. For these purposes, "work schedule" is defined broadly to include adult and retirement activities such as education, training, community integration and employment.

Adult Supported Living (State and Medicaid) provides individualized living services for persons who are responsible for their own living arrangements in the community.

Children's Extensive Support is a deeming waiver (only the child's income is considered in determining eligibility) intended to provide needed services and supports to eligible children under the age of 18 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 offers 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.

Affordable Housing provides low-income housing to residents in Pueblo, Colorado.

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

3. *Description of Services Provided (Continued)*

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.

4. *Basis of Accounting*

Financial statements of the Center have been prepared on the accrual basis, whereby revenue is recorded when services are performed and expenses are recognized when incurred.

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 November 17, 2021, 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. *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.

7. *Cash and Cash Equivalents*

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

The Center maintains its cash balances in financial institutions located in the Pueblo, Colorado area, 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.

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

8. *Accounts Receivable*

The majority of the Center's accounts receivable is 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. *Investments*

The Center records its investments at fair value in the statement of financial position.

10. *Land, Building and Equipment*

Land, building and equipment acquired in excess of $5,000 are capitalized at cost for purchased assets and an estimated fair value, at date of receipt, for donated property. Depreciation is provided on the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	3 – 20
Administrative and program equipment	2 – 10
Transportation equipment	2 – 10

11. *Accounting for Contributions*

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes are reported as increases in net asset with donor restrictions. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as net assets with donor restrictions.

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as increases in net assets without donor restrictions.

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

12. *In-kind Contributions*

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

13. *Net Assets*

From time to time, the Center's Board of Directors approves designating net assets for future use for a specific purpose.

14. *Income Taxes*

The Center is operated as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Center recognizes tax liabilities when, despite the Center's belief that its tax return positions are supportable, the Center believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The Center has concluded there is no tax liability or benefit required to be recorded as of June 30, 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, 2016.

15. *Functional Allocation of Expenses*

The costs of supporting various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated to program and management and general based on estimates of time and effort, square footage of the office and other methods.

16. *Fair Value Measurements*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established under generally

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

16. *Fair Value Measurements (Continued)*

accepted accounting principles, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and mutual funds that are traded in an active exchange market.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government agency debt securities and corporate-debt securities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. The disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

17. *Prior Year Summarized Information*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements as of and for the year ended June 30, 2018, from which the summarized information was derived.

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

18. *Recent Accounting Pronouncements*

In August 2016, the FASB issued ASU No. 2016-14, *Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit organization's liquidity, financial performance and cash flows. For the year ended June 30, 2019, the Center has implemented ASU No. 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented and no adjustments were needed to the financial statements.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (US GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Center has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Changes to the lessor accounting model include: (a) synchronizing key aspects of the model with the new revenue recognition guidance, such as basing whether a lease is similar to a sale or whether control of the underlying asset has transferred to the lessee and (b) prospectively eliminating the specialized accounting for leveraged leases. The ASU will be effective for fiscal years beginning after December 15, 2019, with early adoption permitted. In November 2019, the FASB issued ASU 2019-10, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05, which allows certain entities the option to delay the adoption by one year, making it effective for annual reporting periods beginning after December 15, 2021. The Center is in the process of evaluating the impact of this new guidance.

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

18. *Recent Accounting Pronouncements (Continued)*

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this update clarify the guidance regarding the classification of operating, investing and financing activities for certain types of cash receipts and payments. The amendments in this update are effective for the annual periods, and the interim periods within those years, beginning after December 15, 2018, and should be applied using a retrospective transition method to each period presented. Early adoption is permitted. The Center is evaluating the impact of adoption, if any, to the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU will be effective for fiscal years beginning after December 15, 2018. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Center is in the process of evaluating the impact of this new guidance.

In June 2018, the FASB issued ASU No. 2018-08 *Not-for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve the scope and the accounting guidance for contributions received and contributions made. The ASU will be effective for all entities that have issued, or is a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market services as a resource recipient, for fiscal years beginning after December 15, 2018. The ASU will be effective for all entities that have not issued or is a conduit bond obligor for securities that are traded, listed or quoted on an exchange or an over-the-counter market services as a resource provider, for fiscal years beginning after December 15, 2019. The Center is in the process of evaluating the impact of this new guidance.

NOTE B – LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	$ 3,872,272
Investments	1,833,958
Accounts receivable	958,995
Total financial assets	6,665,225
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (Note H)	36,096
Amount available for general expenditures within one year	$ 6,629,129

As a part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE C – INVESTMENTS

The following table presents the Center's investments and the fair value hierarchy for those assets measured at fair value as of June 30, 2019:

	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Mutual funds				
Domestic equity	$ 552,962	$ 552,962	$ -	$ -
International equity	256,801	256,801	-	-
Balanced	288,162	288,162	-	-
Domestic bond	580,317	580,317	-	-
International bond	150,099	150,099	-	-
Equity securities	5,617	5,617	-	-
	$ 1,833,958	$ 1,833,958	$ -	$ -

Investment income earned on cash and cash equivalents and mutual funds for the year ended June 30, 2019, consists of the following:

Interest and dividend income	$ 96,014
Net realized/unrealized gain on investments reported at fair value	30,834
	$ 126,848

NOTE D – RESTRICTED CASH

Restricted cash consists of the following at June 30, 2019:

Cash restricted for repayment of debt (Note G)	$ 66,620
Cash restricted for HUD operations	84,964
	$ 151,584

NOTE E – RESTRICTED CASH IN RESERVE FUNDS

In accordance with the U.S. Department of Housing and Urban Development (HUD) regulations, certain reserve accounts are required to be maintained for properties financed by HUD. Distributions for the replacement and/or repair of property and equipment from the replacement reserve account require approval from HUD. Release of funds from the minimum capital reserve account also requires HUD approval. Account activity in these reserves for the year ended June 30, 2019 is as follows:

	Replacement reserve	Minimum capital	Operating reserve
Beginning balance	$ 77,263	$ 5,437	$ 54,774
Deposits	4,036	-	-
Withdrawals	-	39	-
Ending balance	$ 81,299	$ 5,398	$ 54,774

NOTE F – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following at June 30, 2019:

Buildings and improvements	$ 12,778,640
Administrative and program equipment	345,463
Transportation equipment	977,186
	14,101,289
Less accumulated depreciation	9,181,180
	4,920,109
Land	776,386
	$ 5,696,495

Depreciation expense was $500,790 for the year ended June 30, 2019.

NOTE G – LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2019:

6.45% loan payable to Colorado Housing and Finance Authority, payable in monthly installments of $1,195, maturing February 2029, collateralized by deed of trust on real estate	$ 923
Variable rate loan, due July 2021, payable in monthly installments of $2,362, collateralized by deed of trust on real estate. The interest rate is based on a 10-year LIBOR/Swap rate plus 2 percentage points. As of June 30, 2019, the rate is 4.653%. (1)	47,363
6.77% loan, due March 2020, payable in monthly installments of $2,454, collateralized by real estate	17,997
4.99% loan, due September 2028, payable in monthly installments of $3,476, with a balloon payment of the balance due on maturity, collateralized by a deed of trust on real estate	530,950
4.99% loan, due October 2028, payable in monthly installments of $1,665, with a balloon payment of the balance due on maturity, collateralized by a deed of trust on real estate	203,366
4.99% loan, due February 2029, payable in monthly installments of $3,457, collateralized by a deed of trust on real estate	316,569
	1,117,168
Less current maturities	95,387
	$ 1,021,781

(1) This loan contains a debt covenant that requires a global debt service coverage ratio. The Center met this covenant at June 30, 2019.

Interest expense for the year ended June 30, 2019 was $47,337. Future maturities of long-term debt are as follows:

Year ending June 30,	
2020	$ 95,387
2021	75,676
2022	56,596
2023	59,526
2024	62,498
Thereafter	767,485
	$ 1,117,168

NOTE G – LONG-TERM DEBT (CONTINUED)

The loan agreement with the Colorado Housing and Finance Authority requires that the Center maintain a reserve in the amount of $66,620, which is reported as restricted cash, see Note C.

NOTE H – RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2019:

Early intervention	$ 32,399
In-service courses	3,697
	$ 36,096

NOTE I – RETIREMENT PLANS

403(b) Pension Plan

The Center has adopted a Section 403(b) Pension Plan in which all employees who have completed one year of service and have reached age 21, except nonresident alien employees who receive no U.S. source earned income, certain students, employees who work less than 20 hours per week, leased employees, and contract employees are eligible to participate by contributing a percentage of their gross salary. The Center's contributions to the plan are discretionary. The Board of Directors approved a contribution of 6% of employees' salaries for the year ended June 30, 2019, which totaled $106,684.

401(k) Plan

The Colorado Bluesky Enterprises, Inc. Custom 401(k) Plan and Trust (the Plan) was established July 1, 1985 to provide retirement benefits to the employees of the Center and their beneficiaries. Each employee is eligible to participate after six months of full-time service and attaining the age of 18 years for employee contributions. For purposes of receiving employer contributions, employees must attain one year of service with at least 1,000 hours of service. Employees may contribute between 1% and 15% of their recognized compensation, not to exceed the limitations imposed by the Internal Revenue Service. The Center is under no obligation to make contributions into the Plan. At its discretion, however, it may match employee contributions up to 15% of the participants' recognized compensation. The Center authorized no contributions to the Plan for the year ended June 30, 2019.

NOTE J – FUNCTIONALIZED EXPENSES

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

NOTE K – 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 $635,178 at June 30, 2019. 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.

NOTE L – CONTINGENCIES

The Center has the following contingencies as of June 30, 2019:

Grantor	Year of Grant	Amount	Requirement	Result of Failure to Comply
Federal Home Loan Bank of Topeka	1997	$ 98,000	Property must be used for affordable housing for 50 years	Funds must be repaid
US Department of Housing and Urban Development Capital Advance	2002	309,000	Property must be available to very low income people with disabilities through 2043	Funds must be repaid with accrued interest at 5.75% from September 1, 2002
State of Colorado Department of Local Affairs	2000	$135,000	Property must be used for affordable housing for 40 years	Funds must be repaid
State of Colorado Department of Local Affairs	2003	86,000	Property must be used for affordable housing for 40 years	Funds must be repaid
State of Colorado Department of Local Affairs	2004	51,000	Property must be used for affordable housing for 30 years	Funds must be repaid

NOTE L – CONTINGENCIES (CONTINUED)

Grantor	Year of Grant	Amount	Requirement	Result of Failure to Comply
State of Colorado Department of Local Affairs	2006	$ 50,000	Property must be used for affordable housing for 30 years	Funds must be repaid
Community Housing Development Services	2000	139,000	Property must be used for affordable housing for 20 years	Funds must be repaid
Community Housing Development Services	2004	120,000	Property must be used for affordable housing for 15 years	Funds must be repaid
HUD/HOME Grant Special Projects	2005	90,000	Property must be used for affordable housing for 20 years	Funds must be repaid

NOTE M – SUBSEQUENT EVENTS

In June 2021, the Center paid off all debt listed in Note G that previously had not been paid off due to maturity of the debt.

In June 2021, the Center sold two properties utilized for low-income housing for a total sales price of $3,975,000.