

Consolidated Financial Statements and
Independent Auditor's Report

Colorado Bluesky Enterprises, Inc. and Affiliates

June 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONSOLIDATED STATEMENT OF ACTIVITIES	7
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	8
CONSOLIDATED STATEMENT OF CASH FLOWS	10
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	11
SUPPLEMENTARY INFORMATION	
CONSOLIDATED SUMMARY OF REVENUES, SUPPORT AND EXPENSES BY PROGRAM	22
CONSOLIDATING STATEMENT OF FINANCIAL POSITION	26
CONSOLIDATING STATEMENT OF ACTIVITIES	28



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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, 2020, and the related consolidated statements of activities 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, 2020, 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 2019 consolidated financial statements, and our report dated November 17, 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, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated summary of revenues, support and expenses by program, consolidating statement of financial position, and consolidating statement of activities on pages 26 through 33 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 26 through 33 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Logan, Thomas + Johnson, LLC

Broomfield, Colorado

April , 2022

Consolidated Financial Statements

*Working Draft
Subject to Change*

Colorado Bluesky Enterprises, Inc. and Affiliates
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With summarized financial information as of June 30, 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,254,664	\$ 3,872,272
Investments	1,781,217	1,833,958
Accounts receivable		
Fees and grants from governmental agencies	1,099,284	834,441
Other	212,580	124,554
Total current assets	7,347,745	6,665,225
Restricted cash	-	151,584
Restricted cash in reserve funds	88,652	141,471
Land, building and equipment, net	5,207,250	5,696,495
Total assets	\$ 12,643,647	\$ 12,654,775
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 95,086	\$ 155,090
Accrued expenses	301,698	254,350
Current maturities of long-term debt	74,174	95,387
Total current liabilities	470,958	504,827
Long-term debt, less current maturities	946,984	1,021,781
Total liabilities	1,417,942	1,526,608
Net assets		
Without donor restrictions		
Net investment in land, building and equipment	4,215,236	4,645,947
Designated for consumer home financing	2,390	2,390
Designated for transitional program	11,187	11,187
Undesignated	6,959,129	6,432,547
Total unrestricted net assets	11,187,942	11,092,071
With donor restrictions - purpose restrictions	37,763	36,096
Total net assets	11,225,705	11,128,167
Total liabilities and net assets	\$ 12,643,647	\$ 12,654,775

The accompanying notes are an integral part of this statement.

Colorado Bluesky Enterprises, Inc. and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2020

(With summarized financial information for the year ended June 30, 2019)

	Without donor	With donor	Total	
	restrictions	restrictions	2020	2019
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ 1,748,824	\$ -	\$ 1,748,824	\$ 1,614,608
Medicaid	5,038,193	-	5,038,193	4,757,438
County	520,873	-	520,873	496,265
Grants and other				
Department of Housing and Urban Development	343,942	-	343,942	418,290
Total fees and grants from governmental agencies	7,651,832	-	7,651,832	7,286,601
Public support - contributions	28,845	2,569	31,414	58,398
In-kind contributions	-	-	-	300
Residential room and board	272,524	-	272,524	294,341
Investment income	(48,669)	-	(48,669)	126,848
Other revenue	1,161,357	-	1,161,357	1,103,588
Net assets released from restrictions				
Satisfaction of program restrictions	902	(902)	-	-
Total revenues and support	9,066,791	1,667	9,068,458	8,870,076
Expenses				
Program services				
Adult services	4,173,718	-	4,173,718	4,411,611
Children's extensive support	37,595	-	37,595	104,147
Early intervention	1,147,714	-	1,147,714	1,047,187
Family support	185,814	-	185,814	223,025
Case management	1,327,068	-	1,327,068	1,237,706
Affordable housing	691,971	-	691,971	605,889
Total program services	7,563,880	-	7,563,880	7,629,565
Supporting services				
Management and general	1,407,040	-	1,407,040	1,341,770
Total expenses	8,970,920	-	8,970,920	8,971,335
CHANGE IN NET ASSETS	95,871	1,667	97,538	(101,259)
Net assets, beginning of year	11,092,071	36,096	11,128,167	11,229,426
Net assets, end of year	\$ 11,187,942	\$ 37,763	\$ 11,225,705	\$ 11,128,167

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, 2020

(With summarized financial information for the year ended June 30, 2019)

	Program Services				
	Adult services	Early interven- tion	Family support	Case manage- ment	Affordable housing
Salaries, taxes & benefits	\$ 2,256,173	\$ 737,895	\$ -	\$1,122,738	\$ 46,150
Professional services	301,613	232,072	-	41,662	47,485
Staff development and travel	7,113	14,798	-	18,291	-
Vehicles	97,190	-	-	-	-
Occupancy and utilities	261,475	41,128	-	66,663	179,311
Supplies, equipment, dues and subscriptions	241,184	35,548	-	48,423	36,520
Telephone	-	-	-	-	611
Insurance	138,017	20,108	-	20,108	37,113
Interest	-	-	-	-	53,697
Other	433,432	4,155	185,814	3,863	58,394
In-kind donations	-	-	-	-	-
Purchased services	284,757	-	-	-	-
Depreciation	152,764	62,010	-	5,320	232,690
	\$ 4,173,718	\$1,147,714	\$ 185,814	\$1,327,068	\$ 691,971
Total expenses	\$ 4,173,718	\$1,147,714	\$ 185,814	\$1,327,068	\$ 691,971

Working Draft
Subject to Change

Management and general	Total	
	2020	2019
\$ 913,809	\$ 5,076,765	\$ 5,041,560
388,119	1,048,546	1,192,354
2,878	43,080	92,986
7,353	104,543	117,365
36,531	585,108	394,700
(9,437)	352,238	422,714
-	611	37,936
-	215,346	226,836
1,664	55,361	47,337
29,652	715,310	688,647
-	-	300
-	284,757	207,810
36,471	489,255	500,790
<u>\$ 1,407,040</u>	<u>\$ 8,970,920</u>	<u>\$ 8,971,335</u>

Working Draft
Subject to Change

Colorado Bluesky Enterprises, Inc. and Affiliates
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2020

(With summarized financial information for the year ended June 30, 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 97,538	\$ (101,259)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	489,245	500,790
Unrealized/realized (gain) loss on investments	52,741	(30,834)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(352,869)	113,765
Decrease in prepaid expense and other	-	69,020
Decrease in accounts payable and accrued expenses	(12,656)	(133,413)
Net cash provided by operating activities	273,999	418,069
Cash flows from investing activities		
Purchase of land, building and equipment	-	(55,056)
(Purchase) sale of restricted reserve funds	151,584	(50,114)
Proceeds from sale of investments	-	252,493
Purchase of investments	-	(344,786)
Net cash used in investing activities	151,584	(197,463)
Cash flows from financing activities		
Payments on long-term debt	(96,010)	(129,063)
(Increase) decrease in restricted cash	52,819	(3,997)
Net cash used in financing activities	(43,191)	(133,060)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	382,392	87,546
Cash and cash equivalents, beginning of year	3,872,272	3,784,726
Cash and cash equivalents, end of year	\$ 4,254,664	\$ 3,872,272
Supplemental data		
Cash paid for interest	\$ 55,361	\$ 47,337

The accompanying notes are an integral part of this statement.

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

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

Adult Services refers to residential services, adult day services or supports, supported living services 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

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

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

3. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

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

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.

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

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 April 2022, 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.

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

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:

	<u>Years</u>
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.

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

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, 2020. 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.

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

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

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, 2019, from which the summarized information was derived.

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

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

18. *Recent Accounting Pronouncements*

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 adopted this ASU during the year ended June 30, 2020 and there was no effect.

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 adopted this ASU during the year ended June 30, 2020 and there was no effect.

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 implemented ASU 2018-08 where it is a resource recipient. The Center is in the process of evaluating the impact of this new guidance related to the Center serving as a resource provider.

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

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

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

18. *Recent Accounting Pronouncements (Continued)*

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. 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, 2019. 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 new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating 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 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	\$ 4,203,764
Investments	1,781,217
Accounts receivable	<u>1,307,632</u>
	<u>\$ 7,292,613</u>

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

NOTE B – LIQUIDITY AND AVAILABILITY (CONTINUED)

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, 2020:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Mutual funds				
Domestic equity	\$ 532,550	\$ 532,550	\$ -	\$ -
International equity	254,893	254,893	-	-
Balanced	242,811	242,811	-	-
Domestic bond	596,495	596,495	-	-
International bond	148,842	148,842	-	-
Equity securities	<u>5,625</u>	<u>5,625</u>	-	-
	<u>\$ 1,781,217</u>	<u>\$ 1,781,217</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE D – 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, 2020 is as follows:

	<u>Replacement reserve</u>	<u>Minimum capital</u>	<u>Operating reserve</u>
Beginning balance	\$ 81,299	\$ 5,398	\$ 54,774
Deposits	1,363	-	-
Withdrawals	<u>50,896</u>	<u>3,286</u>	-
Ending balance	<u>\$ 31,766</u>	<u>\$ 2,112</u>	<u>\$ 54,774</u>

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

NOTE E – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following at June 30, 2020:

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

Depreciation expense was \$489,255 for the year ended June 30, 2020.

NOTE F – LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2020:

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, 2020, the rate is 4.653%. (1)	\$ 23,204
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	515,829
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	193,477
4.99% loan, due February 2029, payable in monthly installments of \$3,457, collateralized by a deed of trust on real estate	<u>290,547</u>
	1,023,057
Less current maturities	<u>95,387</u>
	<u>\$ 1,021,781</u>

(1) This loan contains a debt covenant that requires a global debt service coverage ratio. The Center met this covenant at June 30, 2020.

Interest expense for the year ended June 30, 2020 was \$55,361.

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

NOTE F – LONG-TERM DEBT (CONTINUED)

Future maturities of long-term debt are as follows:

Year ending June 30,	
2021	\$ 77,013
2022	56,596
2023	59,526
2024	62,498
2025	65,845
Thereafter	<u>697,460</u>
	<u>\$ 1,018,938</u>

NOTE G – RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2020:

Early intervention	\$ 32,399
In-service courses	<u>5,697</u>
	<u>\$ 38,096</u>

NOTE H – 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, 2020, which totaled \$138,483.

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,

Colorado Bluesky Enterprises, Inc. and Affiliates
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2020

NOTE H – RETIREMENT PLANS (CONTINUED)

401(k) Plan (Continued)

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, 2020.

NOTE I – 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 J – 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 \$985,776 at June 30, 2020. 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 K – CONTINGENCIES

The Center has the following contingencies as of June 30, 2020:

<u>Grantor</u>	<u>Year of Grant</u>	<u>Amount</u>	<u>Requirement</u>	<u>Result of Failure to Comply</u>
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

Colorado Bluesky Enterprises, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

NOTE K – CONTINGENCIES (CONTINUED)

<u>Grantor</u>	<u>Year of Grant</u>	<u>Amount</u>	<u>Requirement</u>	<u>Result of Failure to Comply</u>
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
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
HUD/HOME Grant Special Projects	2005	90,000	Property must be used for affordable housing for 20 years	Funds must be repaid

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Working Draft
Subject to Change

Supplementary Information

*Working Draft
Subject to Change*

Colorado Bluesky Enterprises, Inc. and Affiliates
CONSOLIDATED SUMMARY OF REVENUES, SUPPORT AND EXPENSES BY PROGRAM
Year ended June 30, 2020
(With summarized financial information for the year ended June 30, 2019)

	<u>Program Services</u>			<u>Program</u>	
	<u>Non specified</u>	<u>Adult services</u>	<u>Children's extensive support</u>	<u>Early interven- tion</u>	<u>Family support</u>
Revenues and support					
Fees and grants from governmental agencies					
Fees for services					
State of Colorado					
State General Fund	\$ -	\$ 52,571	\$ -	\$ 861,346	\$ 196,333
Medicaid	-	3,588,964	37,660	-	-
County	-	-	-	-	-
Grants and other					
Department of Housing and Urban Development	-	343,942	-	-	-
Total fees and grants from governmental agencies	-	3,985,477	37,660	861,346	196,333
Public support - contributions	-	-	-	4,446	-
In-kind contributions	-	-	-	-	-
Residential room and board	-	272,524	-	-	-
Investment income	(48,895)	-	-	-	-
Other revenue	53,915	(292)	-	67,358	-
Total revenues and support	<u>\$ 5,020</u>	<u>\$ 4,257,709</u>	<u>\$ 37,660</u>	<u>\$ 933,150</u>	<u>\$ 196,333</u>
Expenses					
Salaries					
Direct care	\$ -	\$ 1,791,159	\$ -	\$ 607,610	\$ -
Other	-	-	-	-	-
Payroll taxes	-	212,131	-	49,264	-
Employee benefits	-	252,883	-	81,021	-
Total personal services	-	2,256,173	-	737,895	-
Medical professional services					
Other	-	178,002	-	-	-
Other professional services	-	123,611	37,595	232,072	-
Staff development	-	1,466	-	540	-
Staff travel	-	5,647	-	14,258	-

Services

Case management	Affordable housing	Management and general	Total	
			2020	2019
\$ 33,544	\$ -	\$ 371,426	\$ 1,515,220	\$ 1,614,608
1,242,854	-	168,715	5,038,193	4,757,438
-	-	520,873	520,873	496,265
-	-	-	343,942	418,290
1,276,398	-	1,061,014	7,418,228	7,286,601
-	-	-	4,446	58,398
-	-	-	-	300
-	-	-	272,524	294,341
-	-	-	(48,895)	126,848
6,775	511,158	535,825	1,174,739	1,103,588
<u>\$1,283,173</u>	<u>\$ 511,158</u>	<u>\$ 1,596,839</u>	<u>\$ 8,821,042</u>	<u>\$ 8,870,076</u>
\$ -	\$ -	\$ -	\$ 2,398,769	\$ 2,158,096
911,320	46,150	715,445	1,672,915	1,831,291
70,588	-	49,877	381,860	479,908
140,830	-	148,487	623,221	572,265
1,122,738	46,150	913,809	5,076,765	5,041,560
-	-	-	178,002	187,160
41,662	47,485	388,119	870,544	1,005,194
-	-	882	2,888	35,268
18,291	-	1,996	40,192	57,718

(Continued)

Colorado Bluesky Enterprises, Inc. and Affiliates
CONSOLIDATED SUMMARY OF REVENUES, SUPPORT AND EXPENSES BY PROGRAM (CONTINUED)
Year ended June 30, 2020
(With summarized financial information for the year ended June 30, 2019)

	Program Services			Program	
	Non specified	Adult services	Children's extensive support	Early intervention	Family support
Vehicles					
Fuel and oil	\$ -	\$ 48,240	\$ -	\$ -	\$ -
Maintenance	-	48,950	-	-	-
Occupancy					
Maintenance	-	59,818	-	12,809	-
Utilities	-	80,689	-	28,148	-
Janitorial	-	9,086	-	171	-
Equipment					
Maintenance	-	-	-	-	-
Supplies					
Medical and client care supplies	-	129,311	-	-	-
Other	-	10,545	-	8,279	-
Telephone	-	-	-	-	-
Dues and subscriptions	-	55,455	-	27,269	-
Food	-	45,873	-	-	-
Insurance	-	138,017	-	20,108	-
Interest	-	-	-	-	-
Other	-	433,432	-	4,155	185,814
In-kind donations	-	-	-	-	-
Total direct program expenses	-	3,624,315	37,595	1,085,704	185,814
Purchased services	-	284,757	-	-	-
Expenses before depreciation	-	3,909,072	37,595	1,085,704	185,814
Depreciation	-	152,764	-	62,010	-
Total expenses	\$ -	\$ 4,061,836	\$ 37,595	\$ 1,147,714	\$ 185,814

Services

Case management	Affordable housing	Management and general	Total	
			2020	2019
\$ -	\$ -	\$ 2,669	\$ 50,909	\$ 42,129
-	-	4,684	53,634	75,236
21,969	136,455	14,854	245,905	217,045
42,979	42,856	20,608	215,280	177,655
1,715	-	1,069	12,041	-
-	-	-	-	50,763
-	-	-	129,311	66,002
18,949	1,076	15,952	54,801	69,665
-	611	-	611	37,936
29,474	35,444	(25,389)	122,253	179,752
-	-	-	45,873	56,532
20,108	37,113	-	215,346	226,836
-	53,697	1,664	55,361	47,337
-	58,394	29,652	711,447	688,647
-	-	-	-	300
1,317,885	459,281	1,370,569	8,081,163	8,262,735
-	-	-	284,757	207,810
1,317,885	459,281	1,370,569	8,365,920	8,470,545
5,320	232,690	36,471	489,255	500,790
<u>\$1,323,205</u>	<u>\$ 691,971</u>	<u>\$ 1,407,040</u>	<u>\$ 8,855,175</u>	<u>\$ 8,971,335</u>

Colorado Bluesky Enterprises, Inc. and Affiliates
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2020

ASSETS	Colorado Bluesky Enterprises, Inc.	Colorado Bluesky Foundation	Fearnow Group Home Corporation
Current assets			
Cash and cash equivalents	\$ 4,052,768	\$ 110,953	\$ -
Investments	1,775,592	5,625	-
Accounts receivable			
Fees and grants from governmental agencies	1,099,284	-	-
Other	212,000	-	-
Total current assets	<u>7,139,644</u>	<u>116,578</u>	<u>-</u>
Restricted cash in reserve funds	28,936	-	-
Land, building and equipment, net	1,075,155	-	161,318
Total assets	<u>\$ 8,243,735</u>	<u>\$ 116,578</u>	<u>\$ 161,318</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 69,926	\$ 5,647	\$ -
Accrued expenses	229,216	-	-
Current maturities of long-term debt	23,204	-	-
Total current liabilities	<u>322,346</u>	<u>5,647</u>	<u>-</u>
Long-term debt, less current maturities	-	-	-
Total liabilities	<u>322,346</u>	<u>5,647</u>	<u>-</u>
Net assets			
Unrestricted			
Net investment in land, building and equipment	1,118,571	-	161,318
Designated for consumer home financing	2,390	-	-
Designated for transitional program	11,187	-	-
Undesignated	6,751,219	111,190	-
Total unrestricted net assets	<u>7,883,367</u>	<u>111,190</u>	<u>161,318</u>
Temporarily restricted	37,763	-	-
Total net assets	<u>7,921,130</u>	<u>111,190</u>	<u>161,318</u>
Total liabilities and net assets	<u>\$ 8,243,476</u>	<u>\$ 116,837</u>	<u>\$ 161,318</u>

Lawrence William, Limited Partnership	Lawrence William III, Limited Partnership	Eliminations	Consolidated
\$ 81,503	\$ 9,440	\$ -	\$ 4,254,664
-	-	-	1,781,217
-	-	-	1,099,284
580	-	-	212,580
82,083	9,440	-	7,347,745
4,942	54,774	-	88,652
1,778,448	2,192,329	-	5,207,250
<u>\$ 1,865,473</u>	<u>\$ 2,256,543</u>	<u>\$ -</u>	<u>\$ 12,643,647</u>
\$ 7,401	\$ 12,112	\$ -	\$ 95,086
30,999	41,483	-	301,698
26,010	24,960	-	74,174
64,410	78,555	-	470,958
2,848,224	2,061,746	(3,962,986)	946,984
2,912,634	2,140,301	(3,962,986)	1,417,942
(1,095,786)	105,623	3,925,510	4,215,236
-	-	-	2,390
-	-	-	11,187
48,625	48,095	-	6,959,129
(1,047,161)	153,718	3,925,510	11,187,942
-	-	-	37,763
(1,047,161)	153,718	3,925,510	11,225,705
<u>\$ 1,865,473</u>	<u>\$ 2,294,019</u>	<u>\$ (37,476)</u>	<u>\$ 12,643,647</u>

Colorado Bluesky Enterprises, Inc. and Affiliates
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended June 30, 2020

	<u>Colorado Bluesky Enterprises, Inc.</u>	<u>Colorado Bluesky Foundation</u>	<u>Fearnow Group Home Corporation</u>
Revenues and support			
Fees and grants from governmental agencies			
Fees for services			
State of Colorado			
State General Fund	\$ 1,748,824	\$ -	\$ -
Medicaid	5,038,193	-	-
County	520,873	-	-
Grants and other			
Department of Housing and Urban Development	343,942	-	-
Total fees and grants from governmental agencies	<u>7,651,832</u>	<u>-</u>	<u>-</u>
Public support - contributions	4,446	26,968	-
In-kind contributions	-	-	-
Residential room and board	272,524	-	-
Investment income	(48,895)	226	-
Other revenue	637,256	12,943	-
Total revenues and support	<u>8,517,163</u>	<u>40,137</u>	<u>-</u>
Expenses			
Program services			
Adult services	4,161,065	-	12,653
Children's extensive support	37,595	-	-
Early intervention	1,147,714	-	-
Family support	185,814	-	-
Case management	1,327,068	-	-
Affordable housing	-	-	-
Total program services	<u>6,859,256</u>	<u>-</u>	<u>12,653</u>
Supporting services			
Management and general	1,358,949	48,091	-
Total expenses	<u>8,218,205</u>	<u>48,091</u>	<u>12,653</u>
CHANGE IN NET ASSETS	298,958	(7,954)	(12,653)
Net assets, beginning of year	7,622,172	119,144	173,971
Net assets, end of year	<u>\$ 7,921,130</u>	<u>\$ 111,190</u>	<u>\$ 161,318</u>

<u>Lawrence William, Limited Partnership</u>	<u>Lawrence William III, Limited Partnership</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ -	\$ -	\$ -	\$ 1,748,824
-	-	-	5,038,193
-	-	-	520,873
-	-	-	343,942
-	-	-	7,651,832
-	-	-	31,414
-	-	-	-
-	-	-	272,524
-	-	-	(48,669)
290,719	220,439	-	1,161,357
290,719	220,439	-	9,068,458
-	-	-	4,173,718
-	-	-	37,595
-	-	-	1,147,714
-	-	-	185,814
-	-	-	1,327,068
433,734	323,292	(65,055)	691,971
433,734	323,292	(65,055)	7,563,880
-	-	-	1,407,040
433,734	323,292	(65,055)	8,970,920
(143,015)	(102,853)	65,055	97,538
(904,146)	256,571	3,860,455	11,128,167
<u>\$ (1,047,161)</u>	<u>\$ 153,718</u>	<u>\$ 3,925,510</u>	<u>\$ 11,225,705</u>