



COMMUNITY CONNECTIONS, INC.

Financial Statements

For the Year Ended June 30, 2021

And

Independent Auditors' Report

COMMUNITY CONNECTIONS, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2021	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8

INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Connections, Inc.

We have audited the accompanying financial statements of the Community Connections, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 the Community Connections, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of Community Connections, Inc. as of June 30, 2020 and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan + Co. LLP

October 27, 2021

COMMUNITY CONNECTIONS, INC.

STATEMENT OF FINANCIAL POSITION JUNE 30, 2021 (with comparative totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,323,597	\$ 1,964,608
Fees and grants due from governmental agencies	672,475	418,909
Accounts receivable, net	6,023	8,530
Contributions receivable	27,750	37,000
Prepaid expenses and other	31,826	56,301
Investments	1,304,362	1,210,476
Property and equipment, net	<u>806,122</u>	<u>773,803</u>
TOTAL ASSETS	<u>\$ 4,172,155</u>	<u>\$ 4,469,627</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 527,506	\$ 608,525
Note payable	83,265	91,697
Conditional grants	<u></u>	<u>560,400</u>
Total liabilities	<u>610,771</u>	<u>1,260,622</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	1,871,643	1,570,720
Designated by board for operating reserve	919,818	907,114
Net investment in property and equipment	<u>722,857</u>	<u>682,106</u>
Total net assets without donor restrictions	3,514,318	3,159,940
With donor restrictions	<u>47,066</u>	<u>49,065</u>
Total net assets	<u>3,561,384</u>	<u>3,209,005</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,172,155</u>	<u>\$ 4,469,627</u>

See notes to financial statements.

COMMUNITY CONNECTIONS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021 (with comparative totals for 2020)

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS ACTIVITY:		
Support and revenue		
Fees from Medicaid services	\$ 3,203,299	\$ 4,166,419
Fees from State contract services	1,400,843	741,459
Paycheck Protection Program	566,204	
Other grants and revenue	<u>182,245</u>	<u>57,893</u>
Total fees and grants from governmental agencies	5,352,591	4,965,771
Public support - contributions	40,350	60,227
Residential room and board	355,501	378,638
Investment income, net	94,080	22,138
Other revenue	<u>54,844</u>	<u>38,297</u>
Total before reclassifications	5,897,366	5,465,071
Net assets released from restrictions	<u>14,999</u>	<u>18,537</u>
Total support and revenue	<u>5,912,365</u>	<u>5,483,608</u>
Expenses and losses		
Program services		
Comprehensive services (residential)	2,886,234	2,962,576
Single entry point	534,689	
Supported living services	489,970	551,717
Case management	461,599	556,362
Other program services	<u>458,795</u>	<u>474,323</u>
Total program services	<u>4,831,287</u>	<u>4,544,978</u>
Supporting Services		
Management and general	699,694	643,503
Fundraising	<u>27,006</u>	<u>67,465</u>
Total supporting services	<u>726,700</u>	<u>710,968</u>
Total expenses and losses	<u>5,557,987</u>	<u>5,255,946</u>
Change in net assets without donor restrictions	<u>354,378</u>	<u>227,662</u>

(Continued)

COMMUNITY CONNECTIONS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021 (with comparative totals for 2020)

	2021	2020
Net Assets with donor restrictions activity:		
Public support - contributions	13,000	6,051
Net assets released from restrictions	<u>(14,999)</u>	<u>(18,537)</u>
Change in net assets with donor restrictions	<u>(1,999)</u>	<u>(12,486)</u>
Change in total net assets	352,379	215,176
Net assets, beginning of year	<u>3,209,005</u>	<u>2,993,829</u>
Net assets, end of year	<u>\$ 3,561,384</u>	<u>\$ 3,209,005</u>

(Concluded)

See notes to financial statements.

COMMUNITY CONNECTIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021 (with comparative totals for 2020)

	2021											
	Program Services						Supporting Services					
	Comprehensive Services (residential)	Single Entry Point	Supported Living Services	Case Management	Other	Total	Management and General	Fundraising	Total	Total Expenses	2020 Total Expenses	
Salaries, benefits and taxes	\$ 947,578	\$ 504,721	\$ 436,525	\$ 434,752	\$ 199,475	\$ 2,523,051	\$ 486,132	\$ 25,100	\$ 511,232	\$ 3,034,283	\$ 2,803,642	
Professional fees	1,769,493	686	21,897	15	50,004	1,842,095	30,391	438	30,829	1,872,924	1,989,159	
Direct payments					188,225	188,225				188,225		
IT equipment and maintenance	32,638	7,428	3,795	8,030	287	52,178	52,294	420	52,714	104,892	95,875	
Insurance	22,672	4,242	6,065	4,462	1,772	39,213	11,144	276	11,420	50,633	47,171	
Depreciation	35,734	797	2,001	2,080	1,522	42,134	4,518		4,518	46,652	65,177	
Staff development and travel	17,090	2,409	11,474	1,556	1,723	34,252	13,174	164	13,338	47,590	85,853	
Supplies	11,150	2,095	904	2,146	3,532	19,827	10,517	100	10,617	30,444	34,698	
Occupancy	17,242	8,166	177	901		26,486	4,245		4,245	30,731	12,050	
Telephone	4,204	3,610	824	2,068	418	11,124	7,624	120	7,744	18,868	16,359	
Utilities	9,346	16	352	2,440		12,154	115		115	12,269	13,762	
Interest expense	6,727	462	1,072	820	68	9,149	1,268	42	1,310	10,459	6,397	
Equipment lease expense	3,352	6	141	1,813		5,312	4,103		4,103	9,415	8,462	
Dues and subscriptions							6,218		6,218	6,218	16,916	
Transportation and auto expense	2,061		1,279			3,340				3,340	26,666	
Other	6,947	51	3,464	516	11,769	22,747	67,951	346	68,297	91,044	33,759	
TOTAL	<u>\$ 2,886,234</u>	<u>\$ 534,689</u>	<u>\$ 489,970</u>	<u>\$ 461,599</u>	<u>\$ 458,795</u>	<u>\$ 4,831,287</u>	<u>\$ 699,694</u>	<u>\$ 27,006</u>	<u>\$ 726,700</u>	<u>\$ 5,557,987</u>		
PERCENT OF TOTAL	52%	10%	9%	8%	8%	87%	13%	0%	13%	100%		
COMPARATIVE TOTALS – 2020	<u>\$ 2,962,576</u>	<u>\$ -</u>	<u>\$ 551,717</u>	<u>\$ 556,362</u>	<u>\$ 474,323</u>	<u>\$ 4,544,978</u>	<u>\$ 643,503</u>	<u>\$ 67,465</u>	<u>\$ 710,968</u>		<u>\$ 5,255,946</u>	
PERCENT OF TOTAL – 2020	56%	0%	11%	11%	9%	87%	12%	1%	13%		100%	

See notes to financial statements.

COMMUNITY CONNECTIONS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021 (with comparative totals for 2020)

	2021	2020
OPERATING ACTIVITIES		
Cash received from governmental agencies and others	\$ 5,574,126	\$ 5,474,223
Cash paid to employees	(2,968,455)	(2,812,121)
Cash paid to professional providers and suppliers	(2,588,928)	(2,359,933)
Cash received from conditional grants	<u>(560,400)</u>	<u>560,400</u>
Net cash provided by (used in) operating activities	<u>(543,657)</u>	<u>862,569</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(78,971)	(32,225)
Purchases of investments	(888,074)	(759,771)
Proceeds from sale and maturities of investments	907,277	782,586
Interest received	<u>(18,658)</u>	<u>180</u>
Net cash used in investing activities	<u>(78,426)</u>	<u>(9,230)</u>
FINANCING ACTIVITIES		
Payments on notes payable	(8,432)	(7,853)
Interest paid	<u>(10,496)</u>	<u>(5,987)</u>
Net cash used in financing activities	<u>(18,928)</u>	<u>(13,840)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(641,011)	839,499
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,964,608</u>	<u>1,125,109</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,323,597</u>	<u>\$ 1,964,608</u>

See notes to financial statements.

COMMUNITY CONNECTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations — Community Connections, Inc. (CCI) was incorporated under the laws of the State of Colorado in 1985 for the purpose of providing a community center board to coordinate programs through interagency cooperation and local agencies to provide services to persons with intellectual and developmental disabilities (IDD) in La Plata, Archuleta, Montezuma, Dolores and San Juan Counties. CCI's revenue comes primarily from the State of Colorado for services provided. The major program services or supports and functional activities directly provided or purchased by CCI are:

Adult Comprehensive Services (Residential)

Home and Community Based Residential services for persons with IDD provide access to 24-hour supports to assist adults with IDD to live more independently in their community. Services are designed to provide the most integrated options for active community living, including support for basic health and safety needs (such as care of personal hygiene, eating, following medical regimens and care of the home) and participating in valued roles in the community (such as jobs and volunteering). Individuals in services set personal goals for community living and select appropriate support services to reach those goals through supervision, training and physical assistance when needed. CCI served 54 individuals in both 2021 and 2020.

Adult Supported Living Services

Home and Community Based Supported Living Services are provided for individuals with IDD who live independently or with alternative residential supports (such as family). Services may assist caregivers to be more effective in their role or support adults with IDD to increase their independence and social integration into their community of choice. Participants set personal goals and select from a variety of services to meet those goals. Typical services include personal care, homemaking, respite, supported employment, assistive technology and supported community connections. CCI served 52 and 53 individuals in 2021 and 2020, respectively.

Children's Extensive Supports

Children's Extensive Supports provide services similar to Supported Living Services. The target population for this program are children under 18 with IDD who are living with family and require frequent and intensive support due to medical condition or behavioral needs. Services provided through this program are intended to supplement the supports provided by the family and ensure successful continued care in the family home, thereby reducing risk of damaging and costly out-of-home placements. Services may include personal care, respite, home modifications, assistive technology and professional services. CCI served 7 and 8 children in 2021 and 2020, respectively.

Early Intervention

Early intervention is a program for children from birth through age two offering 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 developmental and self-help skills, parent-child or family interactions and early identification, screening and assessment services. CCI served 111 and 146 individuals in 2021 and 2020, respectively.

Family Support Services Program

Family support services provide an array of supportive services to the person with a development disability and his/her family when the person remains within the family home, thereby preventing or delaying the need for out-of-home placement that is unwanted by the person or the family. CCI served 62 and 44 individuals in 2021 and 2020, respectively.

Case Management

Case Management services often begin with information and referral and determination of eligibility for IDD services and supports. Case Managers assist individuals and families with developing goals, selecting appropriate services and supports, coordination services and monitoring to ensure the effectiveness of the services in place in reaching the desired outcomes. CCI served 329 and 361 individuals in 2021 and 2020, respectively.

Single Entry Point

The Single Entry Point (SEP) program provides case management, care planning, and makes referrals to other resources for Health First Colorado (Colorado's Medicaid Program) members with the following qualifying needs: elderly, blind and disabled, persons living with HIV/AIDS, mental health, brain injury, children with a life-limiting illness, and medically fragile children. Single Entry Point also offers the Home Care Allowance program. Home Care Allowance is a financial assistance program for elderly, low income and/or disabled Colorado residents. It is intended to help program participants avoid placement in a nursing home by paying for unskilled home care services, which allow them to continue living independently.

Other Program Services

Other program services include contractual employment opportunities for individuals in the community.

Basis of Presentation — The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with the U.S. generally accepted accounting principles (GAAP), whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred. The financial statements reflect all significant receivables, payables, and other liabilities.

For financial reporting purposes, CCI follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. CCI reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Descriptions of the two net asset categories and the types of transactions affecting each category follow:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or certain grantor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Comparative Financial Information — The financial statements include certain prior year summarized comparative information in total. 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 CCI's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents — For purposes of the statement of cash flows, CCI defines cash or cash equivalents as all cash on hand and cash on deposit subject to immediate withdrawal, and certificates of deposit with an original maturity of three months or less.

Accounts Receivable and Amounts due from Governmental Agencies — The majority of CCI's receivables are due from the State of Colorado through Medicaid funding. Other accounts receivables are primarily due from individuals for room and board. Accounts are due according to contractual terms and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts considering a number of factors,

including the length of time accounts receivables are past due and CCI's previous collection history. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. At June 30, 2021 and 2020, management recorded an allowance of \$14,179 and \$11,541, respectively.

Investments — Investments are recorded at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. Earnings and losses on investments are recognized as increases or decreases in net assets according to the nature of the restrictions on the original gift. Donated investments are recorded at fair market value on the date of donation.

Fair Value of Financial Instruments — Generally accepted accounting principles (GAAP) requires disclosure of an estimate of fair value of certain financial instruments. CCI's significant financial instruments are cash, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Property and Equipment — Property and equipment are stated at cost at date of acquisition or estimated fair value at date of donation. CCI capitalizes property and equipment acquisitions of \$3,000 or more that have a useful life of more than two years. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Lives are estimated at five to forty years for buildings and improvements, and three to ten years for equipment.

Revenue Recognition — Revenues are recognized when services are performed. Deferred revenue represents payments received by CCI not spent in the current year, but for which CCI has met certain control points. Under contract provisions, CCI is allowed to defer a portion of unspent awards to the following year.

In-Kind Contributions — Donations of property, material, and personal services are known as in-kind contributions and are recorded at estimated value as of the date received. These donations (other than contributions of property and equipment) are included as program costs to properly reflect the total cost of the particular program.

Income Taxes — CCI is a exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, CCI qualifies for the charitable contribution deduction. CCI believes that it does not have any uncertain tax positions that are material to the financial statements.

Reclassifications — Certain reclassifications have been made to the prior year statement presentation to correspond to the current year's format. Total net assets and the change in net assets are unchanged by these reclassifications.

Subsequent Events — CCI has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. FUNCTIONAL EXPENSES ALLOCATION METHODS

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of CCI. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, staff development and travel, office expenses, information technology, insurance and other, which are allocated on the basis of estimates of time and effort.

3. INVESTMENTS

CCI is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that CCI has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no significant changes in the methodologies used at June 30, 2021 and 2020.

Mutual Funds, Money Market Fund, Preferred stock, and Exchange Traded Funds — Fair value is determined principally through quoted market prices in active markets.

Corporate Bonds, Bank Loan, and Certificates of Deposit – Price is determined by the asset custodian based on quoted prices for identical or similar assets in active markets.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2021:				
Mutual funds:				
Domestic equity	\$ 196,305			\$ 196,305
International equity	21,289			21,289
Money market fund	16,378			16,378
Preferred stock	15,880			15,880
Exchanged traded funds	8,010			8,010
Certificates of deposit		\$ 747,160		747,160
Corporate bonds		273,529		273,529
Bank loan		25,811		25,811
Total investments in the fair value hierarchy	<u>\$ 257,862</u>	<u>\$ 1,046,500</u>	<u>\$ —</u>	<u>\$ 1,304,362</u>
2020:				
Mutual funds:				
Domestic equity	\$ 146,196			\$ 146,196
International equity	29,025			29,025
Money market fund	17,929			17,929
Preferred stock	14,170			14,170
Exchanged traded funds	5,430			5,430
Certificates of deposit		\$ 743,179		743,179
Corporate bonds		218,292		218,292
Bank loan		36,255		36,255
Total investments in the fair value hierarchy	<u>\$ 212,750</u>	<u>\$ 997,726</u>	<u>\$ —</u>	<u>\$ 1,210,476</u>

Net investment income was comprised of the following for the years ended June 30:

	2021	2020
Interest and dividends	\$ 23,184	\$ 28,810
Net realized and unrealized gains (losses)	74,964	(2,984)
Custodial fees	<u>(4,068)</u>	<u>(3,688)</u>
Investment income, net	<u>\$ 94,080</u>	<u>\$ 22,138</u>

4. FEES AND GRANTS DUE FROM GOVERNMENTAL AGENCIES

Amounts due from governmental agencies consist of the following at June 30:

	2021	2020
State of Colorado		
General Fund	\$ 380,480	\$ 115,617
Medicaid	<u>264,308</u>	<u>292,730</u>
Total	644,788	408,347
Local governments	9,900	2,086
Other	<u>17,787</u>	<u>8,476</u>
Total	<u>\$ 672,475</u>	<u>\$ 418,909</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2021	2020
Land	\$ 195,065	\$ 195,065
Buildings and improvements	1,535,918	1,514,314
Program and administrative equipment	274,620	275,981
Construction in progress	<u>57,433</u>	<u> </u>
Total	2,063,036	1,985,360
Less accumulated depreciation	<u>(1,256,914)</u>	<u>(1,211,557)</u>
Property and equipment, net	<u>\$ 806,122</u>	<u>\$ 773,803</u>

Depreciation expense was \$46,652 and \$65,177 during the years ending June 30, 2021 and 2020, respectively.

6. CONTRIBUTED USE OF LAND

In 1984, the City of Durango approved a 20-year lease for the use of land by CCI for \$1 per year. During that year CCI had a new facility built with a grant that restricted the use of the building. In 1996, the restriction was removed and CCI obtained unrestricted use of the facility. In 2004, the City of Durango renewed the land lease for another 20 years for \$1 per year. CCI assigned a value of \$185,000 to the land based on the median sale price of similar property in 2004. Since title to the property was not conveyed to CCI, CCI cannot recognize the land as an asset; rather, a restricted contribution for the use of the land equal to its estimated value was recognized in 2004, along with a long-term contribution receivable. The receivable is reduced annually through the recognition of rental expense for one-twentieth of the value, which releases that amount from restriction. The balance of the receivable was \$27,750 and \$37,000 at June 30, 2021 and 2020, respectively, including \$9,250 classified as current each year. Rent expense of \$9,250 was recognized during each of the years ended June 30, 2021 and 2020.

7. NOTE PAYABLE

Note payable consists of the following as of June 30:

	2021	2020
Note payable to Wells Fargo Bank, due February 2029, payable in monthly installments of \$1,122 including interest at 5.75%, guaranteed by a deed of trust on a residential facility with a carrying value of \$125,766.	\$ 83,265	\$ 91,697
Current portion	<u>8,930</u>	<u>8,432</u>
Long-term portion	<u>\$ 74,335</u>	<u>\$ 83,265</u>

Future maturities of note payable as of June 30, 2021 are as follows:

2022	\$ 8,930
2023	9,457
2024	10,015
2025	10,607
2026	11,233
Thereafter	<u>33,023</u>
Total	<u>\$ 83,265</u>

Interest expense on note payable was \$4,655 and \$6,397 for the years ended June 30, 2021 and 2020, respectively.

8. LINE OF CREDIT

CCI has a \$200,000 line of credit arrangement with Alpine Bank expiring in April 2022. The line is secured by a lien on all assets of CCI. The interest rate applied to outstanding borrowings is fixed at 6.08%. No amounts were borrowed against the line during the years ended June 30, 2021 or 2020.

9. CONDITIONAL GRANTS

During the year ended June 30, 2020, CCI received a \$560,400 Paycheck Protection Program (PPP) Loan established by the CARES Act and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. During the year ended June 30, 2021, the conditions were met, as the refundable advance was forgiven. The amount of \$566,204, which represents principal and interest, has been recorded as being forgiven and recognized in the accompanying statement of activities for the year ended June 30, 2021.

10. COMMITMENTS

CCI leases office space under non-cancellable operating lease through June 2021. Upon expiration, the lease will become month-to-month until a new lease or lease extension is signed. CCI also has multiple operating leases for the use of office equipment with varying expiration dates through May 2023.

As of June 30, 2021, future minimum lease payments under the leases are as follows:

2022	\$	12,950
2023		11,905
2024		<u>1,124</u>
Total	\$	<u>25,979</u>

Rental expense under the operating leases for the years ended June 30, 2021 and 2020 totaled \$29,039 and \$15,627, respectively.

11. BOARD DESIGNATED OPERATING RESERVES

During 2014, the Board of Directors approved the establishment of an operating reserve. Operating reserves are the portion of available net assets without donor restriction that are specifically reserved for use in emergencies to sustain operations in the event of significant unanticipated increases in operating expenses or reductions in operating revenues, or both. The reserve balance is \$919,818 and \$907,114 for the years ended June 30, 2021 and 2020, respectively. Operating reserves give CCI greater financial stability and flexibility to respond to potential threats in the future. The reserve represents approximately two months of operating expenses.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction included the following at June 30:

	2021	2020
Contributed use of land	\$ 27,750	\$ 37,000
Empire electric grant	7,178	
CERF grant	3,944	
Green house	3,752	3,809
Cortez family support service grant		4,178
Other	<u>4,442</u>	<u>4,078</u>
Total net assets with donor restrictions	<u>\$ 47,066</u>	<u>\$ 49,065</u>

13. SPECIAL EVENTS

During the years ended June 30, 2021 and 2020, CCI held one special event and two special events, respectively, for the purpose of fundraising. Special events revenue consisted of the following:

	2021	2020
Cash contributions	\$ 50,754	\$ 28,923
Non-cash contributions	<u>24,446</u>	<u>10,442</u>
Special event income	<u>75,200</u>	<u>39,365</u>
Direct expenses	26,190	16,852
Value of donated space and materials	<u>24,446</u>	<u>10,442</u>
Total event cost	<u>50,636</u>	<u>27,294</u>
Net special event income	<u>\$ 24,564</u>	<u>\$ 12,071</u>

14. RETIREMENT PLAN

CCI maintains a 401(k) plan for the benefit of its employees. The 401(k) plan calls for discretionary employer matching and profit sharing contributions. CCI has not made any contributions for the past ten years.

15. RELATED PARTY TRANSACTIONS

The State of Colorado is considered a related party by virtue of significant management influence exercised by the State through contract provisions. CCI received a substantial portion of its revenue from the State of Colorado as identified in the statement of activities. The amount due to CCI from the State of Colorado is described in Note 4. CCI had balances due to the State of Colorado for expenses and reimbursements, which are recorded in accounts payable and accrued expenses. The balances due at June 30, 2021 and 2020 were \$630 and \$123,530, respectively.

16. RISKS AND CONCENTRATIONS

CCI invests in investment securities which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that change in the values of investments will occur in the near term and that such changes could materially affect the recorded amount of investments in CCI's financial statements.

CCI had receivables from Medicaid and the State of Colorado of approximately 93% and 97%, respectively, of total accounts receivable at June 30, 2021 and 2020. During the years ended June 30, 2021 and 2020, CCI received grants and reimbursements from Medicaid, the State of Colorado and the Federal Government of approximately 88% and 89% and, respectively, of total revenues.

17. LIQUIDITY AND AVAILABILITY

CCI monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. CCI's assets available within one year of the financial statement date for general expenditure without limitations are as follows:

	2021	2020
Cash and cash equivalents	\$ 1,323,597	\$ 1,964,608
Fees and grants due from governmental agencies	679,311	418,909
Accounts receivable, net		8,530
Contribution receivable	27,750	37,000
Investments	<u>1,304,362</u>	<u>1,210,476</u>
Total financial assets	<u>3,335,020</u>	<u>3,639,523</u>
Less amounts unavailable for general expenditures within one year, due to:		
Cash restricted for use by client	10,054	22,518
Restricted by donors with purpose restrictions	19,316	12,065
Restricted by donors with time restrictions	27,750	37,000
Board designated for operating reserve	<u>919,818</u>	<u>907,114</u>
Total amounts unavailable for general expenditures within one year	<u>976,938</u>	<u>978,697</u>
Total financial assets available to management to meet cash needs for general expenditures within one year	<u>\$ 2,358,082</u>	<u>\$ 2,660,826</u>

CCI has a goal to maintain financial assets on hand to meet 60 days of normal operating expense. CCI has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, CCI invests cash in excess of daily requirements in various short-term investments, including certificates of deposit. As described in Note 8, CCI has a line of credit in the amount of \$200,000, which it could draw upon in the event of an unanticipated liquidity need.