

Financial Statements and
Independent Auditor's Report

**Envision, Creative Support for People with
Developmental Disabilities**

June 30, 2016

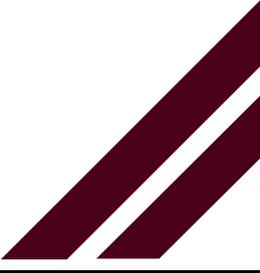


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Logan, Thomas & Johnson, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Envision, Creative Support for People with Developmental Disabilities

We have audited the accompanying financial statements of Envision, Creative Support for People with Developmental Disabilities (the Center), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Envision, Creative Support for People with Developmental Disabilities as of June 30, 2016, 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 2015 financial statements, and our report dated February 8, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Logan, Thomas + Johnson, LLC

Broomfield, Colorado

November 3, 2016

Financial Statements

Envision, Creative Support for People with Developmental Disabilities
STATEMENT OF FINANCIAL POSITION

June 30, 2016

(With summarized financial information as of June 30, 2015)

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 431,899	\$ 386,200
Investments	1,646,292	1,592,795
Accounts receivable		
Fees and grants from governmental agencies	1,216,245	1,189,927
Other, net of allowance for uncollectible receivables of \$10,462	70,494	62,265
Prepaid expenses and other	85,637	31,460
Total current assets	3,450,567	3,262,647
Land, buildings and equipment, net	637,621	468,322
Total assets	\$ 4,088,188	\$ 3,730,969
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 525,274	\$ 491,603
Accrued personnel expenses	298,869	188,695
Deferred revenue	4,999	51,215
Current portion of capital lease obligation	53,534	71,837
Total current liabilities	882,676	803,350
Long-term debt, net of current portion		
Capital lease obligation	225,964	6,322
Total liabilities	1,108,640	809,672
Net assets		
Unrestricted		
Net investment in land, building and equipment	358,123	390,163
Undesignated	2,621,425	2,531,134
Total unrestricted net assets	2,979,548	2,921,297
Total liabilities and net assets	\$ 4,088,188	\$ 3,730,969

The accompanying notes are an integral part of this statement.

Envision, Creative Support for People with Developmental Disabilities
STATEMENT OF ACTIVITIES
Year ended June 30, 2016
(With summarized financial information for the year ended June 30, 2015)

	<u>Total unrestricted</u>	
	<u>2016</u>	<u>2015</u>
Revenues and support		
Fees and grants from governmental agencies		
Fees for services		
State of Colorado		
State General Fund	\$ 2,268,210	\$ 2,105,277
Medicaid	7,739,162	7,288,653
County and cities	45,225	45,716
Grants and other		
Part C	201,918	186,051
Other	16,594	15,421
Total fees and grants from governmental agencies	<u>10,271,109</u>	<u>9,641,118</u>
Public support		
Contributions	32,938	34,530
United Way	43,695	51,452
Residential room and board	312,396	312,583
Other revenue	337,177	297,299
Total revenues and support	<u>10,997,315</u>	<u>10,336,982</u>
Expenses		
Program services		
Medicaid comprehensive	4,714,449	4,512,502
State adult supported living	348,519	380,471
Medicaid adult supported living	1,498,220	1,362,560
Children's extensive support	484,016	501,804
Early intervention	1,005,788	998,640
Family support	366,351	292,410
Case management	1,564,786	1,413,358
Total program services	<u>9,982,129</u>	<u>9,461,745</u>
Supporting services		
Management and general	888,942	844,072
Fundraising	67,993	43,870
Total expenses	<u>10,939,064</u>	<u>10,349,687</u>
CHANGE IN NET ASSETS	58,251	(12,705)
Net assets, beginning of year	<u>2,921,297</u>	<u>2,934,002</u>
Net assets, end of year	<u>\$ 2,979,548</u>	<u>\$ 2,921,297</u>

The accompanying notes are an integral part of this statement.

Envision, Creative Support for People with Developmental Disabilities
STATEMENT OF CASH FLOWS
Year ended June 30, 2016
(With summarized financial information for the year ended June 30, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 58,251	\$ (12,705)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	112,982	110,284
Realized/unrealized loss on investments	14,293	45,689
Gain on disposal of capital lease obligations	(6,576)	-
Change in assets and liabilities		
Increase in accounts receivable	(34,547)	(91,471)
(Increase) decrease in prepaid expenses and other	(54,177)	44,621
Increase in accounts payable and accrued personnel expenses	143,845	87,913
Decrease in deferred revenue	(46,216)	(3,685)
Net cash provided by operating activities	187,855	180,646
Cash flows from investing activities		
Purchase of land, buildings and equipment	(10,000)	(69,006)
Purchase of investments	(2,262,793)	(3,711,004)
Proceeds from sale of investments	2,195,003	3,656,258
Net cash used in investing activities	(77,790)	(123,752)
Cash flows used in financing activities		
Capital lease payments	(64,366)	(66,258)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	45,699	(9,364)
Cash and cash equivalents, beginning of year	386,200	395,564
Cash and cash equivalents, end of year	\$ 431,899	\$ 386,200
Supplemental data		
Cash paid for interest	\$ 13,507	\$ 9,230
Noncash investing and financing activities		
Fixed asset additions acquired through capital lease arrangements	305,619	-
Release of capital lease liability	39,914	-

The accompanying notes are an integral part of this statement.

Envision, Creative Support for People with Developmental Disabilities
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

This description of Envision, Creative Support for People with Developmental Disabilities' (the Center) nature of activities and summary of significant accounting policies is presented to assist in understanding the Center's financial statements.

1. *Summary of Business Activities*

The Center was incorporated under the laws of the State of Colorado in 1964 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 Weld County. The Center was incorporated as Weld County Community Center Foundation and in April 1986, began doing business as Envision, Creative Support for People with Developmental Disabilities, a Colorado nonprofit corporation. The Center's revenue comes primarily from the State of Colorado for services provided.

2. *Description of Services Provided*

The major program services or supports and functional activities directly provided or purchased by the Center are:

Program Services or Supports

Comprehensive (Medicaid) refers to residential services, adult day services or supports and transportation activities as specified in the eligible person's Individualized Plan (IP). Included are a number of different types of residential settings, which provide an array of training, learning, experiential and support activities provided in residential living alternatives designed to meet individual needs. Additionally, adult day services provide opportunities for individuals to experience and actively participate in valued roles in the community. These services and supports enable individuals to access and participate in typical community activities such as work, recreation, and senior citizen activities. Finally, transportation activities refer to "Home to Day Program transportation" services relevant to an individual's work schedule as specified in the IP. For these purposes, "work schedule" is defined broadly to include adult and retirement activities such as education, training, community integration, and employment.

Adult 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 eighteen years in order for the children to remain in or return to the family home. Waiver services are targeted to children having extensive support

Envision, Creative Support for People with Developmental Disabilities
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

2. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

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 offer infants and toddlers and their families services and supports to enhance child development in the areas of cognition, speech, communication, physical, motor, vision, hearing, social-emotional development, and self help skills; parent-child or family interaction; and early identification, screening and assessment services.

Family Support provides an array of supportive services to the person with a developmental disability and his/her family when the person remains within the family home, thereby preventing or delaying the need for out-of-home placement, which is unwanted by the person or the family.

Case Management is the determination of eligibility for services and supports, service and support coordination, and the monitoring of all services and supports delivered pursuant to the IP, and the evaluation of results identified in the IP.

Supporting Services

Management and General includes those activities necessary for planning, coordination, and overall direction of the Center, financial administration, general board activities and other related activities indispensable to the Center's corporate existence.

Fundraising represents the Center's costs to develop and maintain a fundraising effort that generates awareness and increases support for persons with disabilities.

3. *Basis of Accounting*

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

4. *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

Envision, Creative Support for People with Developmental Disabilities
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

4. *Use of Estimates (Continued)*

reported amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

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 3, 2016, the date on which the financial statements were issued. The Center did not identify any events or transactions that would have a material impact on the financial statements.

6. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Center considers cash to be cash on hand and cash on deposit, subject to immediate withdrawal, and cash equivalents to be short-term investments with an original maturity of three months or less.

The Center maintains its cash balances in one financial institution located in Colorado 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.

7. *Investments*

The Center records investments in equity and debt securities at fair value in the statement of financial position. Investment securities 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 changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

8. *Accounts Receivable*

The majority of the Center's accounts receivable are due from the State of Colorado. Accounts receivable are due according to contractual terms and are stated at the amounts management expects to collect from outstanding balances. The Center determines its allowance for uncollectible receivables by considering a number of factors, including the length of time accounts receivable are past due and the Center's previous collection history. 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.

Envision, Creative Support for People with Developmental Disabilities
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

9. *Accounting for Contributions*

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. 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 temporarily restricted net assets.

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, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted revenue, rather than temporarily restricted revenue. The Center has no donor restricted contributions whose restrictions were not currently met.

10. *Land, Buildings and Equipment*

Land, buildings and equipment are reported at cost for purchased assets and estimated fair value, at date of receipt, for donated property. Items are capitalized if the cost or estimated value exceeds \$5,000. Depreciation and amortization is provided on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5–30
Administrative and program equipment	5
Transportation equipment	5

11. *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, 2016. 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, 2013.

Envision, Creative Support for People with Developmental Disabilities
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

12. *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 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, mutual funds, and exchange traded 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. This category generally includes certain U.S. Government agency debt securities and corporate debt securities. The Center's Level 2 securities are primarily valued using quoted market prices for similar instruments and nonbinding market prices that are corroborated by observable market data.

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.

Envision, Creative Support for People with Developmental Disabilities

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

13. *Prior Year Summarized Information and Reclassifications*

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, 2015, from which the summarized information was derived. Certain financial information as of and for the year ended June 30, 2015 has been reclassified to conform with the presentation in the current year.

NOTE B – INVESTMENTS

Investments at June 30, 2016 are classified as current. The following table presents the Center’s investments and the fair value hierarchy for those investments as of June 30, 2016.

	Fair Value	Level 1	Level 2	Level 3
Equity income securities - domestic	\$ 1,117,375	\$ 1,117,375	\$ -	\$ -
Mutual funds – bank loan	97,661	97,661	-	-
Exchange traded funds	237,748	237,748	-	-
Corporate bonds	<u>193,508</u>	<u>-</u>	<u>193,508</u>	<u>-</u>
Total investments	\$ <u>1,646,292</u>	\$ <u>1,452,784</u>	\$ <u>193,508</u>	\$ <u>-</u>

Investment return for the year ended June 30, 2016, consists of the following:

Investment income	\$ 61,144
Unrealized gain on investments	72,560
Realized loss on investments	<u>(86,853)</u>
	\$ <u>46,851</u>

Envision, Creative Support for People with Developmental Disabilities
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE C – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at June 30, 2016:

Buildings and improvements	\$ 1,292,470
Administrative and program equipment	239,755
Transportation equipment	<u>654,702</u>
	2,186,927
Less accumulated depreciation and amortization	<u>1,723,306</u>
	463,621
Land	<u>174,000</u>
	\$ <u>637,621</u>

Depreciation and amortization expense was \$112,982 for the year ended June 30, 2016.

NOTE D – DEFERRED REVENUE

Deferred revenue of \$4,999 consists of unearned revenue from the State of Colorado. The revenue is recognized when services are performed.

NOTE E – PORTFOLIO LOAN ACCOUNT FACILITY

Envision entered into a secured variable rate portfolio loan account facility with a bank in an initial available amount of \$862,000. The facility was subsequently increased due to increases in the balance of the pledged collateral to \$1,050,016 as of June 30, 2016. Drawings on the facility are available on a revolving line of credit basis and bear interest at a variable rate equal to 30 day maturity LIBOR, which was .4603% at June 30, 2016, plus 3.50%. Amounts drawn under the facility may be repaid and re-borrowed by Envision from time to time. The facility has an indefinite term. The facility is secured by the investment portfolio. There was no outstanding balance at June 30, 2016 and interest expense for the year ended June 30, 2016 was \$0.

NOTE F – LEASES

Operating

The Center conducts a portion of its comprehensive residential program operations from leased facilities. In addition, the Center leases various pieces of equipment under operating leases, which expire at various dates through 2019. Rental expense under the operating leases for the year ended June 30, 2016 was \$85,668.

Envision, Creative Support for People with Developmental Disabilities
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE F – LEASES (CONTINUED)

Operating (continued)

Future minimum rental payments for these leases at June 30, 2016 are as follows:

Year ending June 30,	
2017	\$ 25,332
2018	3,297
2019	<u>1,536</u>
	\$ <u>30,165</u>

Capital

The Center leases vehicles under a capital lease arrangement, and for financial reporting purposes, minimum lease rentals relating to the vehicles have been capitalized. The related assets and obligation have been recorded using the Center’s incremental borrowing rate at the inception of the lease. The leases, which are non-cancelable, expire in fiscal year 2021. Interest expense for the year ended June 30, 2016 was \$13,507.

A schedule of future minimum lease payments under this capital lease together with the present value of the net minimum lease payments as of June 30, 2016 is as follows:

Year ending June 30,	
2017	\$ 73,959
2018	73,959
2019	73,959
2020	73,959
2021	<u>38,112</u>
	333,948
Less amount representing interest	<u>54,450</u>
Total minimum lease payments	279,498
Less current portion	<u>53,534</u>
Long-term capital lease obligations	\$ <u>225,964</u>

Property recorded under the capital lease includes the following amounts at June 30, 2016:

Transportation equipment	\$ 315,619
Less accumulated amortization	<u>(30,699)</u>
	\$ <u>284,920</u>

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

Envision, Creative Support for People with Developmental Disabilities
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE G – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue from the State of Colorado. The amount of receivables and deferred revenue the Center has from the State of Colorado are \$1,214,495 and \$4,999, respectively, at June 30, 2016. 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.