

Financial Statements and
Independent Auditor's Report

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

June 30, 2020

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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, 2020, 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 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.

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, 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 financial statements, and our report dated November 13, 2019, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Logan, Thomas + Johnson, LLC

Broomfield, Colorado

May 27, 2021

Financial Statements

Envision, Creative Support for People with Developmental Disabilities
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 | \$ 690,608 | \$ 523,375 |
| Investments | 1,734,776 | 1,805,295 |
| Accounts receivable | | |
| Fees and grants from governmental agencies | 1,405,102 | 1,424,121 |
| Other, net of allowance for uncollectible receivables of \$10,462 | 46,439 | 90,192 |
| Prepaid expenses and other | 50,136 | 66,312 |
| Total current assets | 3,927,061 | 3,909,295 |
| Land, buildings and equipment, net | 660,326 | 430,254 |
| Total assets | \$ 4,587,387 | \$ 4,339,549 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable | \$ 278,857 | \$ 300,357 |
| Accrued personnel expenses | 222,434 | 257,124 |
| Line of credit | 200,353 | 512,126 |
| Note payable | 855,800 | - |
| Current portion of capital lease obligation | 63,534 | 68,001 |
| Total current liabilities | 1,620,978 | 1,137,608 |
| Long-term debt, net of current portion | | |
| Capital lease obligation | 258,611 | 37,420 |
| Total liabilities | 1,879,589 | 1,175,028 |
| Net assets | | |
| Without donor restrictions | | |
| Net investment in land, building and equipment | 338,181 | 324,833 |
| Undesignated | 2,369,617 | 2,839,688 |
| Total net assets | 2,707,798 | 3,164,521 |
| Total liabilities and net assets | \$ 4,587,387 | \$ 4,339,549 |

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, 2020
(With summarized financial information for the year ended June 30, 2019)

| | <u>Total without donor restrictions</u> | |
|--|---|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Revenues and support | | |
| Fees and grants from governmental agencies | | |
| Fees for services | | |
| State of Colorado | | |
| State General Fund | \$ 3,913,507 | \$ 3,339,024 |
| Medicaid | 3,875,710 | 4,781,397 |
| County and cities | 43,475 | 45,225 |
| Total fees and grants from governmental agencies | <u>7,832,692</u> | <u>8,165,646</u> |
| Public support | | |
| Contributions | 30,285 | 45,994 |
| United Way | 29,280 | 40,812 |
| Residential room and board | 277,948 | 315,270 |
| In-kind contributions | 43,584 | - |
| Other revenue | 446,330 | 348,791 |
| Total revenues and support | <u>8,660,119</u> | <u>8,916,513</u> |
| Expenses | | |
| Program services | | |
| Residential | 2,048,287 | 2,167,227 |
| Supported living services | 697,548 | 685,074 |
| Adult day | 829,155 | 903,142 |
| Children's extensive support | 443,426 | 598,166 |
| Early intervention | 1,916,650 | 1,740,228 |
| Family support | 552,144 | 330,070 |
| Case management | 1,908,937 | 1,701,889 |
| Total program services | <u>8,396,147</u> | <u>8,125,796</u> |
| Supporting services | | |
| Management and general | 660,280 | 673,095 |
| Fundraising | 60,415 | 70,288 |
| Total expenses | <u>9,116,842</u> | <u>8,869,179</u> |
| CHANGE IN NET ASSETS | (456,723) | 47,334 |
| Net assets, beginning of year | <u>3,164,521</u> | <u>3,117,187</u> |
| Net assets, end of year | <u>\$ 2,707,798</u> | <u>\$ 3,164,521</u> |

The accompanying notes are an integral part of this statement.

Envision, Creative Support for People with Developmental Disabilities
STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

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

| Expenses | Program Services | | | |
|-------------------------------|-------------------------|---------------------------|------------|------------------------------|
| | Residential | Supported living services | Adult day | Children's extensive support |
| Salaries, benefits and taxes | \$ 878,486 | \$ 269,688 | \$ 608,245 | \$ - |
| Professional services | 945,462 | 170,407 | 501 | 442,077 |
| Staff development and travel | 3,770 | 42 | 97 | - |
| Vehicles | 6,663 | 17,992 | 42,235 | - |
| Occupancy and equipment | 109,464 | 14,248 | 33,447 | - |
| Supplies and equipment | 27,556 | 10,232 | 22,120 | - |
| Insurance | 18,735 | 17,870 | 41,949 | - |
| Client assistance | - | 156,001 | - | 125 |
| Telephone | 5,734 | 2,817 | 6,613 | - |
| Other | 41,866 | 12,338 | 13,237 | 1,224 |
| Interest | 878 | 2,360 | 5,540 | - |
| Depreciation and amortization | 9,673 | 23,553 | 55,171 | - |
| Total expenses | \$ 2,048,287 | \$ 697,548 | \$ 829,155 | \$ 443,426 |

The accompanying notes are an integral part of this statement.

Program Services

| Early interven- tion | Family support | Case manage- ment | Management and general | Fund- raising | Total | |
|----------------------------|-------------------|-------------------------|---------------------------|------------------|---------------------|---------------------|
| | | | | | 2020 | 2019 |
| \$ - | \$ - | \$1,649,628 | \$ 464,675 | \$ 49,838 | \$ 3,920,560 | \$ 3,868,490 |
| 1,916,650 | - | 8,407 | 44,801 | 185 | 3,528,490 | 3,444,253 |
| - | - | 32,865 | 29,854 | 88 | 66,716 | 58,732 |
| - | - | - | - | - | 66,890 | 80,987 |
| - | - | 98,316 | 37,733 | 3,788 | 296,996 | 346,438 |
| - | - | 14,265 | 18,526 | 1,324 | 94,023 | 120,660 |
| - | - | 27,495 | 8,766 | 690 | 115,505 | 109,638 |
| - | 552,144 | - | - | - | 708,270 | 492,547 |
| - | - | 43,239 | 3,561 | 268 | 62,232 | 64,301 |
| - | - | 26,878 | 36,382 | 3,736 | 135,661 | 165,843 |
| - | - | - | 12,493 | - | 21,271 | 23,277 |
| - | - | 7,844 | 3,489 | 498 | 100,228 | 94,013 |
| <u>\$ 1,916,650</u> | <u>\$ 552,144</u> | <u>\$1,908,937</u> | <u>\$ 660,280</u> | <u>\$ 60,415</u> | <u>\$ 9,116,842</u> | <u>\$ 8,869,179</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, 2020
(With summarized financial information for the year ended June 30, 2019)

| | 2020 | 2019 |
|--|--------------|-------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (456,723) | \$ 47,334 |
| Adjustments to reconcile change in net assets to net cash used in operating activities | | |
| Depreciation and amortization | 100,228 | 94,013 |
| Gain on disposal of land, buildings and equipment | (4,682) | - |
| Gain on insurance proceeds for damage to building | (165,701) | - |
| Realized/unrealized (gain)/loss on investments | 58,568 | (73,116) |
| Change in assets and liabilities | | |
| (Increase) decrease in accounts receivable | 62,772 | (269,570) |
| Decrease in prepaid expenses and other | 16,176 | 9,400 |
| Decrease in accounts payable and accrued personnel expenses | (56,190) | (191,368) |
| Decrease in deferred revenue | - | (13,980) |
| Net cash used in operating activities | (445,552) | (397,287) |
| Cash flows from investing activities | | |
| Purchase of land, buildings and equipment | (68,709) | - |
| Insurance proceeds received for damage to building | 194,891 | - |
| Purchase of investments | (4,664,118) | (2,889,331) |
| Proceeds from sale of investments | 4,676,069 | 2,985,999 |
| Net cash provided by investing activities | 138,133 | 96,668 |
| Cash flows used in financing activities | | |
| Advances on line of credit | 12,439 | 512,126 |
| Payments on line of credit | (324,212) | - |
| Advance on note payable | 855,800 | - |
| Capital lease payments | (69,375) | (62,685) |
| Net cash provided by investing activities | 474,652 | 449,441 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 167,233 | 148,822 |
| Cash and cash equivalents, beginning of year | 523,375 | 374,553 |
| Cash and cash equivalents, end of year | \$ 690,608 | \$ 523,375 |
| Supplemental data | | |
| Cash paid for interest | \$ 20,699 | \$ 11,151 |
| Noncash investing and financing activities | | |
| Fixed asset additions acquired through capital lease arrangements | 334,001 | - |
| Release of capital lease liability | 47,902 | - |

The accompanying notes are an integral part of this statement.

Envision, Creative Support for People with Developmental Disabilities
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Residential refers to residential services 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.

Supported Living Services provides individualized living services for persons who are responsible for their own living arrangements in the community.

Adult Day includes a number of different type of services and supports which provide opportunities for individuals to experience and actively participate in valued roles in the community as specified in the IP. These services and supports enable individuals to access and participate in typical community activities such as work, recreation, and senior citizen activities. Included in this program are 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, 2020

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, 2020

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 May 27, 2021, the date on which the financial statements were issued. Other than the transaction disclosed in Note F, 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 amount 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, 2020

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

9. *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 assets 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.

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:

| | Years |
|--------------------------------------|-------|
| 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, 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.

Envision, Creative Support for People with Developmental Disabilities
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020

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

13. *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.

14. *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.

15. *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. The Center 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. This ASU is effective for fiscal years beginning after December 15, 2018. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Center adopted this ASU during the year ended June 30, 2020 and there was no effect.

Envision, Creative Support for People with Developmental Disabilities
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

15. *Recent Accounting Pronouncements (Continued)*

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 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 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 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 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

Envision, Creative Support for People with Developmental Disabilities
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

15. *Recent Accounting Pronouncements (Continued)*

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 | \$ 690,608 |
| Investments | 1,734,776 |
| Accounts receivable | <u>1,451,541</u> |
| | \$ <u>3,876,925</u> |

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. In addition, the Center invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, The Center has a committed line of credit in the amount of \$816,094 which it could draw upon. As of June 30, 2020, the Center had a balance on the line of credit of \$200,353.

NOTE C – INVESTMENTS

Investments at June 30, 2020 are classified as current. The following table presents the Center’s investments and the fair value hierarchy for those investments as of June 30, 2020.

| | Fair Value | Level 1 | Level 2 | Level 3 |
|-------------------------------------|---------------------|---------------------|---------|---------|
| Equity income securities - domestic | \$ 387,693 | \$ 387,693 | \$ - | \$ - |
| Exchange Traded Funds | 223,565 | 223,565 | - | - |
| Mutual funds | <u>1,123,518</u> | <u>1,123,518</u> | - | - |
| Total investments | \$ <u>1,734,776</u> | \$ <u>1,734,776</u> | \$ - | \$ - |

Envision, Creative Support for People with Developmental Disabilities
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE C – INVESTMENTS (CONTINUED)

Investment return for the year ended June 30, 2020, consists of the following:

| | |
|--------------------------------|------------------|
| Investment income | \$ 96,076 |
| Unrealized gain on investments | 7,824 |
| Realized loss on investments | <u>(66,392)</u> |
| | \$ <u>37,508</u> |

NOTE D – LAND, BUILDINGS AND EQUIPMENT

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

| | |
|--|-------------------|
| Buildings and improvements | \$ 1,215,187 |
| Administrative and program equipment | 293,382 |
| Transportation equipment | <u>772,094</u> |
| | 2,280,663 |
| Less accumulated depreciation and amortization | <u>1,794,337</u> |
| | 486,326 |
| Land | <u>174,000</u> |
| | \$ <u>660,326</u> |

Depreciation and amortization expense was \$100,228 for the year ended June 30, 2020.

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 current available amount of this facility is \$816,094 as of June 30, 2020. 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 2.68% at June 30, 2020. 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. The outstanding balance at June 30, 2020 was \$200,353 and interest expense for the year ended June 30, 2020 was \$11,897.

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NOTE F – NOTE PAYABLE

In April 2020, the Center obtained an unsecured loan of \$855,800 through the Paycheck Protection Program (PPP) from a financial institution with a fixed rate of 1.00%. The loan is intended to cover qualifying expenses which include qualifying payroll and occupancy costs. Under the CARES Act, the Center must submit a Loan Forgiveness Application and meet various criteria as defined in the Paycheck Protection Flexibility Act. The Center submitted the Loan Forgiveness Application subsequent to year end and the loan was fully forgiven. The outstanding balance of this note at June 30, 2020 was \$855,800.

NOTE G – 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 2024. Rental expense under the operating leases for the year ended June 30, 2020 was \$84,200.

Future minimum rental payments for these leases at June 30, 2020 are as follows:

| | |
|----------------------|------------------|
| Year ending June 30, | |
| 2021 | \$ 16,492 |
| 2022 | 1,852 |
| 2023 | 1,852 |
| 2024 | <u>1,852</u> |
| | \$ <u>22,048</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 2025. Interest expense for the year ended June 30, 2020 was \$9,374.

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, 2020 is as follows:

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NOTE G – LEASES (CONTINUED)

Capital (Continued)

| | |
|-------------------------------------|-------------------|
| Year ending June 30, | |
| 2021 | \$ 78,162 |
| 2022 | 75,641 |
| 2023 | 76,058 |
| 2024 | 75,641 |
| 2025 | <u>56,879</u> |
| | 362,381 |
| Less amount representing interest | <u>40,236</u> |
| Total minimum lease payments | 322,145 |
| Less current portion | <u>63,534</u> |
| Long-term capital lease obligations | \$ <u>258,611</u> |

Property recorded under the capital lease includes the following amounts at June 30, 2020:

| | |
|-------------------------------|-------------------|
| Transportation equipment | \$ 385,511 |
| Less accumulated amortization | <u>65,224</u> |
| | \$ <u>320,287</u> |

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

NOTE H – 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, miscellaneous and interest, which are allocated on the basis of usage studies, square footage and other methods.

NOTE I – 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 are \$1,405,102 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.

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NOTE J – RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. This contagious disease outbreak has adversely affected workforces, customers, economies, and financial markets globally. This outbreak could adversely affect the Center's ability to provide services, and reduce funding sources available. It is not possible for the Center to predict the duration or magnitude of the adverse results of the outbreak and its effects on the organization's activities or results of operations, financial condition, or liquidity, at this time.