Developmental Disabilities Resource Center

DDRC *www.ddrcco.com*

*Helping **PEOPLE** with mental retardation, cerebral palsy, Down syndrome, autism ....*

11177 W. 8th Avenue, Suite 300 Lakewood, CO 80215-5503 303.233.3363 FAX 303.233.4622

Dear Reader,

Attached you will find the Developmental Disabilities Resource Center (DDRC) Financial Statement Audit for the fiscal year ended June 30, 2014. DDRC is required to have an annual financial statement audit conducted by an independent certified public accountant. Their audit is conducted in accordance with auditing standards generally accepted in the United States of America as established by Auditing Standards Board of the American Institute of Certified Public Accountants. The audit has been reviewed by the Finance Committee of DDRC with a partner of Logan, Thomas & Johnson LLC, our independent certified public accounting firm. The audit has also been presented to the full Board of Directors.

In the interest of disclosure to the public, DDRC has voluntarily chosen to post our audit on our website.

Non-profit accounting can be a very complicated subject. If during your review of DDRC's audited financial statements there are questions please feel free to contact myself for additional clarification.

Sincerely,

Robert A. DeHerrera, CPA
DDRC CFO
robert.deherrera@ddrcco.com
(303) 462-6511

Consolidated Financial Statements and Independent Auditor's Report

Developmental Disabilities Resource Center and Affiliates

June 30, 2014

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Logan, Thomas & Johnson, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Developmental Disabilities Resource Center

We have audited the accompanying consolidated financial statements of Developmental Disabilities Resource Center and Affiliates (jointly, the Center), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

5023 W. 120th Ave., #165, Broomfield, CO 80020

Calvin Logan	Jan Thomas	Pauline Davis
Phone 303 532 1000	Phone 303 569 6030	Phone 719 937 4270
Fax 303 532 1080	Fax 303 569 6031	Fax 719 937 4271

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Developmental Disabilities Resource Center and Affiliates as of June 30, 2014, 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 2013 consolidated financial statements, and our report dated November 25, 2013, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
December 15, 2014

Consolidated Financial Statements

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2014
(With summarized financial information as of June 30, 2013)

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 6,751,272	$ 9,873,352
Certificates of deposit	1,063,441	1,060,444
Accounts receivable		
Fees and grants from governmental agencies, net of allowance for uncollectible receivables of $50,904	3,353,165	3,237,961
Workshop contracts, net of allowance for uncollectible receivables of $4,126	35,561	40,359
Other	733,722	484,985
Prepaid expenses and other	804,363	395,236
Total current assets	12,741,524	15,092,337
Certificates of deposits - designated compensation reserve	157,510	346,768
Restricted cash	478,893	469,476
Deferred loan issuance costs, net of accumulated amortization of $0	-	47,507
Assets held for sale, net	806,363	-
Land, buildings and equipment, net	9,942,625	10,905,119
Total assets	$ 24,126,915	$ 26,861,207
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 1,802,518	$ 1,717,182
Accrued expenses	1,516,766	1,679,722
Funds held for others	478,893	469,476
Current portion of long-term debt	6,306	460,816
Total current liabilities	3,804,483	4,327,196
Long-term debt, net of current portion	197,653	2,218,960
Total liabilities	4,002,136	6,546,156
Net assets		
Unrestricted		
Designated for compensation reserve	157,510	346,768
Designated for program activities	672,265	672,205
Net investment in land, buildings and equipment	7,017,762	5,841,359
Undesignated	8,886,035	10,367,698
Total unrestricted	16,733,572	17,228,030
Temporarily restricted	670,303	655,530
Permanently restricted	2,720,904	2,431,491
Total net assets	20,124,779	20,315,051
Total liabilities and net assets	$ 24,126,915	$ 26,861,207

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2014
(With summarized financial information for the year ended June 30, 2013)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2014	Total 2013
Revenues and support					
Fees and grants from governmental agencies					
Fees for services					
State of Colorado					
State General Fund	$ 3,115,845	$ -	$ -	$ 3,115,845	$ 2,611,421
Medicaid	23,610,831	-	-	23,610,831	23,932,335
Part C	433,223	-	-	433,223	257,244
Jefferson County	6,651,246	-	-	6,651,246	6,945,369
Grants and other					
Department of Housing and Urban Development	248,834	-	-	248,834	182,877
Total fees and grants from governmental agencies	34,059,979	-	-	34,059,979	33,929,246
Public support - contributions	233,227	88,886	-	322,113	65,986
In-kind contributions	152,342	-	-	152,342	14,800
Vocational - workshops	350,108	-	-	350,108	385,049
Residential room and board	1,218,164	-	-	1,218,164	1,270,054
Other client fees	143,450	-	-	143,450	179,599
Interest	1,870	3,335	-	5,205	5,527
Other revenue	935,619	-	-	935,619	1,086,204
Net assets released from restrictions					
Satisfaction of program restrictions	(371,077)	(77,448)	448,525	-	-
Depreciation of restricted assets	159,112	-	(159,112)	-	-
Total revenues and support	36,882,794	14,773	289,413	37,186,980	36,936,465

(Continued)

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
Year ended June 30, 2014
(With summarized financial information for the year ended June 30, 2013)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2014	Total 2013
Expenses					
Program services					
Medicaid comprehensive	$ 20,603,394	$ -	$ -	$ 20,603,394	$ 20,726,397
State adult supported living	613,567	-	-	613,567	653,153
Medicaid adult supported living	3,511,939	-	-	3,511,939	4,147,491
Children's extensive support	445,567	-	-	445,567	370,136
Early intervention	1,947,424	-	-	1,947,424	1,692,747
Family support	400,137	-	-	400,137	308,230
Case management	3,480,071	-	-	3,480,071	3,246,704
Other program services	2,425,880	-	-	2,425,880	2,005,894
Total program services	33,427,979	-	-	33,427,979	33,150,752
Supporting services					
Management and general	3,763,325	-	-	3,763,325	3,427,809
Development	185,948	-	-	185,948	168,909
Total supporting services	3,949,273	-	-	3,949,273	3,596,718
Total expenses	37,377,252	-	-	37,377,252	36,747,470
CHANGE IN NET ASSETS	(494,458)	14,773	289,413	(190,272)	188,995
Net assets, beginning of year	17,228,030	655,530	2,431,491	20,315,051	20,126,056
Net assets, end of year	$ 16,733,572	$ 670,303	$ 2,720,904	$ 20,124,779	$ 20,315,051

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended June 30, 2014
(With summarized financial information for the year ended June 30, 2013)

	2014	2013
Cash flows from operating activities		
Change in net assets	$ (190,272)	$ 188,995
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	994,911	867,471
Loss (gain) on disposition of land, buildings and equipment	2,831	(210,806)
In-kind donations of fixed assets	(111,100)	-
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(359,143)	589,372
Increase in prepaid expenses and other	(409,127)	(85,813)
Decrease in accounts payable and accrued expenses	(77,620)	(455,249)
Increase in funds held for others	9,417	209,877
Net cash provided by (used in) operating activities	(140,103)	1,103,847
Cash flows from investing activities		
Purchase of land, buildings and equipment	(704,915)	(663,007)
Proceeds from disposition of assets	21,911	296,999
Re-investment of interest in certificates of deposit	(4,728)	(5,064)
Proceeds from redemption of certificate of deposit	190,989	-
Increase in restricted cash	(9,417)	(209,877)
Net cash used in investing activities	(506,160)	(580,949)
Cash flows from financing activities		
Payments on notes payable	(2,475,817)	(435,362)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,122,080)	87,536
Cash and cash equivalents, beginning of year	9,873,352	9,785,816
Cash and cash equivalents, end of year	$ 6,751,272	$ 9,873,352
Supplemental data		
Cash paid for interest	$ 43,491	$ 55,763
Noncash investing activities		
Fixed asset additions donated	111,100	-

The accompanying notes are an integral part of this statement.

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

This description of Developmental Disabilities Resource Center and Affiliates' (the Center) nature of activities and summary of significant accounting policies is presented to assist in understanding the Center's consolidated financial statements.

1. *Summary of Business Activities*

Developmental Disabilities Resource Center, f.k.a. Jefferson County Community Center for Developmental Disabilities, Inc., a Colorado nonprofit corporation, 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 Jefferson, Clear Creek, Summit and Gilpin Counties. The Center's revenue comes primarily from the State of Colorado for services provided and from mill levy revenue from Jefferson County.

2. *Principles of Consolidation*

The consolidated financial statements of Developmental Disabilities Resource Center include its affiliates, Jefferson County Community Center Housing Corporation (HUD I), a Colorado nonprofit corporation, and Jefferson County Community Center Housing Corporation II (HUD II), a Colorado nonprofit corporation. Significant intercompany accounts and transactions have been eliminated.

3. *Description of Services Provided*

The major program services or supports and functional activities directly provided or purchased by the organization 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.

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

3. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

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

Children's Extensive Support is a deeming waiver (only the child's income is considered in determining eligibility) intended to provide needed services and supports to eligible children under the age of 18 years in order for the children to remain in or return to the family home. Waiver services are targeted to children having extensive support needs which require constant line-of-sight supervision due to significantly challenging behaviors and/or coexisting medical conditions. Available services include personal care, home modification, specialized medical equipment and supplies, professional services, community connections and respite.

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.

Other Program Services include services provided under a number of different grants, as well as the operation of the Margaret Walter and Robert Weiland Centers.

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.

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

3. *Description of Services Provided (Continued)*

Supporting Services (Continued)

Development helps diversify the resources available to the Center and to people with developmental disabilities by writing grants, encouraging contributions, supporting fund-raising efforts, recruiting and managing volunteers, and building a variety of opportunities through connections in the communities.

4. *Basis of Accounting*

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

5. *Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

6. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through December 15, 2014, 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.

7. *Cash and Cash Equivalents and Restricted Cash*

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 considers cash equivalents to be money market funds, and certificates of deposit with an original maturity of three months or less. Restricted cash represents monies held for individuals receiving the Center's services. These monies are required to be held in a separate account and specifically titled as monies for the Center's clients by the Social Security Administration.

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

7. *Cash and Cash Equivalents and Restricted Cash (Continued)*

The Center maintains some of its cash balances in several different financial institutions located in the Denver, Colorado metropolitan area, which at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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 when they become uncollectible. Payments subsequently received on such receivables, if any, are recorded as other revenue.

9. *Certificates of Deposit*

Certificates of deposit consist of four individual certificates with interest rates between 0.10% and 0.58% and maturity dates between September 2014 and June 2016.

Certificates of deposit – designated compensation reserve consist of two individual certificates, representing collateral for letters of credit (Note H), with interest rates of 0.50% and 1.49% and maturity dates of August 2014 and June 2016, respectively.

The Center maintains its certificates of deposit in two different financial institutions located in the Denver, Colorado metropolitan area, which at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on certificates of deposit.

10. *Loan Issuance Costs*

Loan issuance costs are deferred and amortized to depreciation and amortization expense over the term of the respective loan using the straight-line method, which approximates the effective interest method. During the year, the loan was paid off and all unamortized loan costs were expensed.

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

11. *Land, Buildings and Equipment and Assets Held for Sale*

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

	Years
Buildings and improvements	10 – 40
Administrative and program equipment	3 – 20
Transportation equipment	3 – 10

12. *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 increases 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. Permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity, and only the income from investment thereof be expended for either general purposes or a purpose specified by the donor.

13. *In-kind Contributions*

Contributions of property, materials and personal services are known as in-kind contributions and are recorded at estimated fair value at the date of receipt. The amount recorded for these contributions (other than contributions of land, buildings and equipment) is also included as program costs to properly reflect the total cost of the particular program.

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

14. *Income Taxes*

The Center is operated as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Center recognizes tax liabilities when, despite the Center's belief that its tax return positions are supportable, the Center believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The Center has concluded there is no tax liability or benefit required to be recorded as of June 30, 2014. 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, 2011.

15. *Prior Year Summarized Information*

The consolidated 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 consolidated financial statements for the year ended June 30, 2013, from which the summarized information was derived.

NOTE B – ASSETS HELD FOR SALE

The Center has two facilities that are held for sale as of June 30, 2014. The two facilities were vacated during fiscal year 2014 and operations within these two facilities were relocated to other facilities already owned by the Center.

The two facilities, one located in Lakewood and the other in Arvada, are currently being actively marketed; however, no estimate has been determined as to the timing of these sales. Further, the Center has not recognized a gain or loss related to these assets held for sale.

Assets held for sale consists of the following at June 30, 2014:

Buildings and improvements	$ 2,134,865
Less accumulated depreciation	1,653,310
	481,555
Land	324,808
	$ 806,363

NOTE B – ASSETS HELD FOR SALE (CONTINUED)

Depreciation expense was $74,181 for the year ended June 30, 2014. The Center has not recorded depreciation subsequent to the date the facilities were classified as assets held for sale.

NOTE C – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at June 30, 2014:

Buildings and improvements	$	15,895,182
Administrative and program equipment		3,368,799
Transportation equipment		2,852,869
		22,116,850
Less accumulated depreciation and amortization		13,780,417
		8,336,433
Construction in progress		11,583
Land		1,594,609
	$	9,942,625

Depreciation expense was $873,223 for the year ended June 30, 2014.

NOTE D – LONG-TERM DEBT

Long-term debt consists of the following notes payable at June 30, 2014:

8.125% mortgage note payable to the Department of Housing and Urban Development, payable in monthly installments of $1,887 including principal and interest, due at maturity on September 1, 2030, collateralized by a residential facility	$	203,959
Less current portion		6,306
	$	197,653

Interest expense for the year ended June 30, 2014 was $42,887.

NOTE D – LONG-TERM DEBT (CONTINUED)

Future maturities of notes payable at June 30, 2014, are as follows:

Year ending June 30,	
2015	$ 6,306
2016	6,838
2017	7,415
2018	8,040
2019	8,718
Thereafter	166,642
	$ 203,959

NOTE E – NET ASSETS

Board Designated

The Center has designated part of its unrestricted net assets in the amount of $672,265 for the purpose of continued support and evolution of the New Opportunities that bring Valuable Alternatives (NOVA) program, additional Home and Community Based service living environments and $157,510 for the purpose of an unemployment reserve and personal needs reserve. While the board currently has no intent to do so, it can remove or change designations of net assets at any time.

Net Investment in Land, Buildings and Equipment

Net investment in land, buildings and equipment is comprised of net deferred loan issuance costs and net land, buildings and equipment, less loans payable and permanently restricted net assets.

Temporarily Restricted

Temporarily restricted net assets consist of the following as of June 30, 2014:

Unexpended contributions	
Administration	$ 27,221
Adult	394,254
Grants	38,855
Other	75,080
Recreation	82,770
Resource coordination	52,123
	$ 670,303

NOTE E – NET ASSETS (CONTINUED)

Permanently Restricted

Permanently restricted net assets of $2,720,904 as of June 30, 2014 are restricted as to the use of two school buildings. In 1991, the Center recorded the contribution of two school buildings and land to be used for education of the developmentally disabled. Any other uses or disposition must be approved by the school district. The net book value of school buildings included in the buildings and improvements is $2,453,834 and the recorded book value of the land is $267,070.

NOTE F – LEASES

Lessee

The Center conducts a portion of its operations from leased facilities under operating lease arrangements. The leases expire over the next year. Future minimum rental payments for noncancelable operating leases are $133,308 at June 30, 2014.

Rental expense for the year ended June 30, 2014 was $279,359, which includes expenses related to several residential operating leases with terms on a month-to-month basis.

Lessor

The Center leases a portion of land adjacent to the Bruno building to a commercial enterprise. The lease was effective August 24, 1994 and is for a term of 20 years. Annual rental payments increase by approximately $5,000 every five years. The lessee has the option for two five-year extensions. Subsequent to year end, the commercial enterprise elected to exercise one of the five year extensions.

The Center also leases a portion of the administration building to various tenants.

Future minimum rental receipts, including the effect of the exercise of the five year extension disclosed above, are as follows as of June 30, 2014:

Year ending June 30,	
2015	$ 104,873
2016	110,372
2017	103,323
2018	64,072
2019	64,072
Thereafter	48,054
	$ 494,766

Rental income for the year ended June 30, 2014 totaled $110,561.

NOTE G – RETIREMENT PLAN

Defined Contribution Plan

The Center has adopted a defined contribution cash or deferred profit-sharing 401(k) Retirement Plan (the Plan) covering employees of the Center. Employees are eligible to participate in the Plan after completion of 1,000 hours and 12 months of eligible service, and are 21 years of age. The Plan provides normal retirement benefits at the age of 65. The Center may make a discretionary match to each eligible Participant's account. The Center determines the match percentage prior to the end of the Plan year. For the year ended June 30, 2014, the Center elected to match up to 3% of the participant's compensation. Participants may contribute from 1% to 75% of their compensation not to exceed the dollar limit which is set by law. Participants become fully vested after two years of eligible service. The Center's matching contributions were $298,498 for the year ended June 30, 2014.

Deferred Compensation Plan

The Center has a deferred compensation plan for a select group of management and highly compensated employees. Participants contribute a certain percentage of their salary to the Plan and the Center can make contributions to the Plan.

The Center will distribute the balance of the participant's account following the first day of the third calendar month following the month in which the participant separates employment with the Center. The Center maintains accounts for the participants. The total amount in these accounts was $253,400 as of June 30, 2014. Deferred compensation contributions for the year ended June 30, 2014 were $50,150. No withdrawals had been made for the year ended June 30, 2014.

NOTE H – CONTINGENCIES

The Center is contingently liable under the following letters of credit:

Letter of credit with an interest rate of 6.00% with a bank, dated June 2014, expiring June 2016, collateralized by a certificate of deposit, for unemployment reserve.	$ 95,000
Letter of credit with an interest rate of 6.00%, dated August 2014, expiring August 2016, collateralized by a certificate of deposit, in lieu of surety bond for the handling of personal needs funds.	$ 60,000

NOTE H – CONTINGENCIES (CONTINUED)

U.S. Department of Housing and Urban Development Capital Advance

The Center is contingently liable to the Department of Housing and Urban Development (HUD) for funds received on the HUD II residential facility. The HUD funds in the amount of $306,200 were used for the construction of the HUD II residential facility. Provided that the facility remains available until March 1, 2034 for occupancy by very low income elderly persons or very low income persons with disabilities, the funds do not have to be repaid. If any default occurs, such funds bear interest at 7.75% since inception of September 1, 1993, and become immediately payable.

NOTE I – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue and related cash flows from the State of Colorado. The net amount of receivables the Center has from the State of Colorado is $3,353,164 and the Center has a payable at June 30, 2014 to the State of Colorado in the amount of $70,504 which is netted against the Medicaid accounts receivable. These transactions are considered to be transactions with a related party by virtue of the significant management influence, including timing of payments; exercised by the State of Colorado through contract provisions.