



Financial Statements and  
Independent Auditor's Report

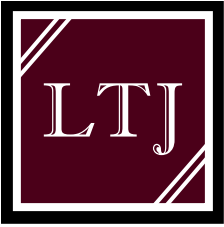
**North Metro Community Services, Inc.**

June 30, 2015



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Logan, Thomas & Johnson, LLC  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
North Metro Community Services, Inc.

We have audited the accompanying financial statements of North Metro Community Services, Inc. (the Center), which comprise the statement of financial position as of June 30, 2015, 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 that 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 North Metro Community Services, Inc. as of June 30, 2015, 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 2014 financial statements, and our report dated October 2, 2014, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Logan, Thomas + Johnson, LLC*

Broomfield, Colorado

September 23, 2015

## *Financial Statements*

North Metro Community Services, Inc.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2015  
(With summarized financial information as of June 30, 2014)

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,372,812	\$ 8,221,514
Accounts receivable		
Fees and grants from governmental agencies	3,048,923	2,492,522
Vocational contracts	281,057	735,989
Other	155,684	151,071
Prepaid expenses and other	260,926	262,989
Total current assets	12,119,402	11,864,085
Land, buildings and equipment, net of accumulated depreciation	3,996,694	4,216,002
Total assets	\$ 16,116,096	\$ 16,080,087
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 857,284	\$ 900,999
Accrued expenses	1,525,250	1,473,368
Deferred revenue	267,371	350,045
Total current liabilities	2,649,905	2,724,412
Net assets		
Unrestricted		
Net investment in land, building and equipment	3,996,694	4,216,002
Undesignated	9,469,497	9,139,673
Total unrestricted net assets	13,466,191	13,355,675
Total liabilities and net assets	\$ 16,116,096	\$ 16,080,087

The accompanying notes are an integral part of this statement.

North Metro Community Services, Inc.  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2015  
(With summarized financial information for the year ended June 30, 2014)

	Total unrestricted	
	2015	2014
Revenues and support		
Fees and grants from governmental agencies		
Fees for services		
State of Colorado		
State General Fund	\$ 3,423,558	\$ 3,252,247
Medicaid	21,453,391	19,907,032
Counties and cities	1,185,533	1,158,380
Grants and other		
Part C	348,337	726,608
Total fees and grants from governmental agencies	26,410,819	25,044,267
Contributions	15,467	18,148
Residential room and board	1,229,876	1,216,356
Vocational revenue	3,436,272	3,473,697
Other revenue	946,450	633,491
Total revenues and support	32,038,884	30,385,959
Expenses		
Program services		
Medicaid comprehensive	17,396,148	16,595,240
State adult supported living	573,770	471,453
Medicaid adult supported living	3,100,698	2,681,939
Children's extensive support	552,738	361,917
Early intervention	2,079,363	2,209,245
Family support	405,849	214,535
Case management	2,561,674	2,297,618
Vocational program	3,512,900	3,230,693
Total program services	30,183,140	28,062,640
Supporting services		
Management and general	1,745,228	1,815,065
Total expenses	31,928,368	29,877,705
CHANGE IN NET ASSETS	110,516	508,254
Net assets, beginning of year	13,355,675	12,847,421
Net assets, end of year	\$ 13,466,191	\$ 13,355,675

The accompanying notes are an integral part of this statement.

North Metro Community Services, Inc.  
STATEMENT OF CASH FLOWS  
Year ended June 30, 2015  
(With summarized financial information for the year ended June 30, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 110,516	\$ 508,254
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	472,414	493,266
Loss on sale of assets	500	23,986
Change in assets and liabilities		
Increase in accounts receivable	(106,082)	(301,088)
Decrease in prepaid expenses and other	2,063	40,452
Increase in accounts payable and accrued expenses	8,167	602,756
Increase (decrease) in deferred revenue	(82,674)	171,499
Net cash provided by operating activities	404,904	1,539,125
Cash flows from investing activities		
Purchase of land, building and equipment	(261,106)	(283,841)
Proceeds from sale of assets	7,500	-
Net cash used in investing activities	(253,606)	(283,841)
Cash flows from financing activities		
Payments on long-term debt	-	(1,075,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	151,298	180,284
Cash and cash equivalents, beginning of year	8,221,514	8,041,230
Cash and cash equivalents, end of year	\$ 8,372,812	\$ 8,221,514
Supplemental data		
Cash paid for interest	\$ -	\$ 888

The accompanying notes are an integral part of this statement.



North Metro Community Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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

This description of North Metro Community Services, Inc.'s (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*

North Metro Community Services, 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 Adams County. 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 Support Plan (SP). 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 SP. 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 needs, which require constant line-of-sight supervision due to significantly challenging behaviors and/or co-existing medical conditions. Available services include personal

North Metro Community Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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

2. *Description of Services Provided (Continued)*

**Program Services or Supports (Continued)**

Children’s Extensive Support (Continued)

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 SP, and the evaluation of results identified in the SP.

Vocational Program refers to vocational contracts, which are not State or Medicaid funded. These contracts provide community employment opportunities for disabled individuals.

**Supporting Services**

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

3. *Basis of Accounting*

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

North Metro Community Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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

4. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through September 23, 2015, 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.

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. *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 certificates of deposit with an original maturity of three months or less.

The Center maintains its cash balances in two financial institutions located in Denver, 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. *Accounts Receivable*

The majority of the Center's accounts receivable is due from the State of Colorado. Accounts receivable are due according to contractual terms and are stated at the amount management expects to collect from outstanding balances. The Center believes all receivables are collectible and that no allowance for doubtful accounts is necessary. The Center writes off accounts receivable to bad debt expense after reasonable collection efforts have been made. Payments subsequently received on such receivables, if any, are recorded as other revenue.

8. *Land, Buildings and Equipment*

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

North Metro Community Services, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

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

8. *Land, Buildings and Equipment (Continued)*

	Years
Buildings and improvements	5–30
Administrative equipment	3–5
Transportation equipment	4
Program equipment	3–6

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 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. Restricted contributions received in the same year in which the restrictions are met are recorded as unrestricted revenue, rather than temporarily restricted revenue.

10. *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, building and equipment) is also included as program costs to properly reflect the total cost of the particular program.

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

North Metro Community Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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

11. *Income Taxes (Continued)*

concluded there is no tax liability or benefit required to be recorded as of June 30, 2015. 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, 2012.

12. *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, 2014 from which the summarized information was derived.

NOTE B – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at June 30, 2015:

Buildings and improvements	\$ 6,862,782
Administrative equipment	248,252
Transportation equipment	2,858,549
Program equipment	<u>206,304</u>
	10,175,887
Less accumulated depreciation	<u>7,354,972</u>
	2,820,915
Land	<u>1,175,779</u>
	<u>\$ 3,996,694</u>

Depreciation expense was \$472,414 for the year ended June 30, 2015.

NOTE C – DEFERRED REVENUE

Deferred revenue of \$267,371 at June 30, 2015 consists of unspent funds from Adams County of \$178,350 and from the State of Colorado of \$89,021.

North Metro Community Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE D – LEASES

The Center leases Day Program space, office equipment, office space and residential facilities under operating lease agreements.

Rental expense for property under operating leases was \$382,693 the year ended June 30, 2015, which also includes month-to-month operating leases for apartments in which residential clients reside.

Future minimum lease payments for noncancelable leases at June 30, 2015, are as follows:

Year ending June 30,	
2016	\$ 173,399
2017	179,633
2018	185,868
2019	107,644
2020	51,728
Thereafter	<u>48,501</u>
	<u>\$ 746,773</u>

NOTE E – RETIREMENT PLANS

Defined Contribution Plan

The Center has adopted a defined contribution 401(k) plan for all employees over the age of 21 who have completed one year and 1,000 hours of service. Under the plan, employees can contribute up to 12% of their gross compensation. Employer matching is discretionary. The Center has elected to make a matching contribution of 4% for the year ended June 30, 2015. The contribution recorded for the current year was \$301,906.

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 discretionary contributions to the Plan. The Center will distribute the balance of the participant's account 60 days after the participant's severance from employment with the Center. The Center maintains accounts for the participants. The total amount in these accounts was \$133,352 as of June 30, 2015. The Center has accrued a liability of \$12,467 as of June 30, 2015 for the Center's deferred compensation contribution for the year ended June 30, 2015. There were withdrawals of \$43,585 made during the year ended June 30, 2015.

North Metro Community Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE F – 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 is \$3,024,696 and \$89,021 at June 30, 2015, respectively. The Center has a payable at June 30, 2015, to the State of Colorado in the amount of \$22,108 recorded in accounts payable. 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.

The Center purchased dental services from a board member in the amount of \$11,385 for the year ended June 30, 2015.