DEVELOPMENTAL OPPORTUNITIES, INC.
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FINANCIAL STATEMENTS
AND AUDITORS' REPORT

June 30, 2012 and 2011

DEVELOPMENTAL OPPORTUNITIES, INC.
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June 30, 2012 and 2011

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FREDRICKZINK & Associates
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Developmental Opportunities, Inc., dba Starpoint
Canon City, Colorado

We have audited the accompanying statements of financial position of Developmental Opportunities, Inc., dba Starpoint (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Developmental Opportunities, Inc., dba Starpoint as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2012 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Organization taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
October 15, 2012

FINANCIAL STATEMENTS

DEVELOPMENTAL OPPORTUNITIES, INC.

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STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

ASSETS

	2012	2011
Current assets		
Cash and cash equivalents (Note 11)	$ 3,231,076	$ 3,323,344
Accounts receivable		
Fees and grants due from governmental agencies (Notes 3 and 6)	909,385	847,599
Other accounts receivable	37,088	48,903
Prepaid expenses and other	45,140	62,682
Total current assets	4,222,689	4,282,528
Property and equipment, net (Notes 4 and 7)	4,158,903	4,281,941
Total assets	**$ 8,381,592**	$ 8,564,469

LIABILITIES AND NET ASSETS

	2012	2011
Current liabilities		
Accounts payable and accrued expenses	$ 607,896	$ 958,312
Deferred revenue (Note 5)	10,856	10,132
Current portion of notes payable (Note 7)	142,430	206,732
Total current liabilities	761,182	1,175,176
Long-term liabilities		
Notes payable, net of current portion (Note 7)	1,072,850	1,498,251
Total liabilities	1,834,032	2,673,427
Net assets, unrestricted		
Undesignated	3,603,937	3,314,084
Net investment in property and equipment	2,943,623	2,576,958
Total net assets, unrestricted	6,547,560	5,891,042
Total liabilities and net assets	**$ 8,381,592**	$ 8,564,469

The accompanying notes are an integral part of these financial statements.

DEVELOPMENTAL OPPORTUNITIES, INC.
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STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2012 and 2011

	2012	2011
Support and revenue		
Fees and grants from governmental agencies		
Fees for services		
State of Colorado		
State General Fund		
Adult supported living services	$ 147,172	$ 146,049
Children and families	197,255	225,193
Total fees from State General Fund	344,427	371,242
Medicaid		
Comprehensive services	7,885,735	7,733,765
Adult supported living services	646,677	613,178
Children and families	98,786	96,743
Total fees from Medicaid	8,631,198	8,443,686
Grants and other government sources		
School districts	1,083,841	1,174,251
Part C - Early intervention	78,389	55,610
ARRA - Early intervention	-	21,153
Colorado Department of Public Health and Environment	36,545	39,363
U.S. Department of Health and Human Services		
Early Head Start	690,250	687,512
ARRA - Early Head Start	34,706	148,713
Fremont County Department of Human Services	35,954	85,796
Other	27,198	25,530
Total grants and other government sources	1,986,883	2,237,928
Total fees and grants from governmental agencies	10,962,508	11,052,856
Public support - contributions	249,391	181,401
Residential room and board	712,167	688,655
Fee for service	135,067	118,337
Other revenue	192,223	233,452
Gain on sale of property and equipment	58,902	2,564
Total support and revenue	12,310,258	12,277,265

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STATEMENT OF ACTIVITIES - Continued
For the Years Ended June 30, 2012 and 2011

	2012	2011
Expenses		
Program services		
Medicaid comprehensive services	$ 7,124,108	$ 7,082,544
State adult supported living services	116,203	124,865
Medicaid adult supported living services	602,802	608,131
Early intervention	290,136	221,633
Family support services program	39,332	48,773
Case management	292,000	322,805
Early Head Start	725,490	840,534
Children and family services	1,572,749	1,693,422
Total program services	10,762,820	10,942,707
Supporting services		
Management and general	816,700	803,838
Development and fundraising	74,220	77,115
Total supporting services	890,920	880,953
Total expenses	11,653,740	11,823,660
Change in unrestricted net assets	**656,518**	**453,605**
Net assets, beginning of year	5,891,042	5,437,437
Net assets, end of year	**$ 6,547,560**	**$ 5,891,042**

DEVELOPMENTAL OPPORTUNITIES, INC.

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STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2012 and 2011

Increase (Decrease) in Cash and Cash Equivalents	2012	2011
Cash flows from operating activities:		
Cash received from governmental agencies and others	$ 12,190,215	$ 12,321,120
Cash paid to suppliers and employees	(11,673,305)	(11,508,367)
Interest received	11,894	19,623
Interest paid	(60,395)	(81,772)
Net cash provided by operating activities	468,409	750,604
Cash flows from investing activities:		
Purchase of property and equipment	(236,671)	(161,255)
Proceeds from sale of property and equipment	165,697	2,564
Net cash used by investing activities	(70,974)	(158,691)
Cash flows from financing activities:		
Payments made on notes payable	(489,703)	(308,941)
Net cash used by financing activities	(489,703)	(308,941)
Net increase (decrease) in cash and cash equivalents	**(92,268)**	282,972
Cash and cash equivalents, beginning of year	3,323,344	3,040,372
Cash and cash equivalents, end of year	$ 3,231,076	$ 3,323,344
Reconciliation of change in net assets to net cash used by operating activities:		
Change in net assets	$ 656,518	$ 453,605
Adjustments to reconcile:		
Depreciation	252,914	252,033
Gain on sale of property and equipment	(58,902)	(2,564)
Decrease (increase) in:		
Accounts receivable	(49,971)	65,025
Prepaid expenses and other	17,542	9,488
Increase (decrease) in:		
Accounts payable and accrued expenses	(350,416)	(28,000)
Deferred revenue	724	1,017
Total adjustments	(188,109)	296,999
Net cash provided by operating activities	$ 468,409	$ 750,604

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Developmental Opportunities, Inc., dba Starpoint (the Center) was incorporated under the laws of the State of Colorado in 1972 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 Fremont, Chaffee and Custer counties. In 2001, the Center expanded its operations to include Jefferson County, and in 2002 it expanded again, this time to Denver County. The Center is currently operating under the trade name of Starpoint. In September 2003, the Developmental Opportunities Foundation (the Foundation) was incorporated for the purpose of supporting and benefiting the Center. The Center's board of directors has the power to appoint a majority of the directors of the Foundation and, accordingly, the Center is required to consolidate the financial activity of the Foundation in the Center's financial statements. The Center's revenue comes primarily from the State of Colorado.

Program Services

Comprehensive Services (Medicaid funded) provide a full day (24 hours) of services and/or supports for adults which are designed to ensure the health, safety and welfare of the individual, and to assist in the acquisition, retention and/or improvement in skills necessary to support individuals to live and participate successfully in their community. These services are individually planned and coordinated through the person's Individual Plan. Additionally, services are provided to give individuals opportunities to experience and actively participate in valued roles in the community. These services may include a combination of life-long or extended duration supervision, training, and/or support such as Day Habilitation Services and Supported Employment.

Adult Supported Living Services (State and Medicaid funded) augment already available supports for those adults who either can live independently with limited support or who, if they need extensive support, are getting that support from other sources, such as family. Services provided may include a combination of life-long or extended duration supervision, training, and/or support such as Day Habilitation Services and Supported Employment. The Center has no responsibility for the living arrangement in the community.

Early Intervention is a program for children from birth through age two offering infants and toddlers and their families services and supports to enhance child development in the areas of cognition, speech, communication, physical, motor, vision, hearing, social-emotional developmental, and self help skills, parent-child or family interactions; and early identification, screening and assessment services.

Family Support Services Program 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 that is unwanted by the person or the family.

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

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES - Continued

Program Services - Continued

Early Head Start is an income eligible program designed to meet the individual needs of families by helping parents to give their children the best possible start. The comprehensive programs combine home visits with Center activities. Services offered include playgroups, development checkups, fun learning activities, family clubs, home visits, access to the Toymobile van, family meals, and help getting access to other community services. Children served are between the ages of 0-3 years.

Children and Family Services include collaborative community-based programs that are designed to help identify problems of children through five years of age and their families and provide assistance at as early an age as possible, serve children through five years of age and their families and provide assistance at as early an age as possible and serve children ages three to five in an organized regular development training program conducted outside the individual residence. Preschool programs provide developmental and training experiences through gross motor, sensory training, perceptual motor, communication skills, health maintenance, leisure, practical multimedia concepts, and other habilitating and remedial services to enhance the person's skill and functioning level.

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 indispensible to the Center's corporate existence.

Development and Fundraising includes activities designed to raise additional dollars for the Center that supplement other funding or are for special projects such as capital fund drives.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation
The financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The Center reports information regarding its financial position and activities according to three general classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. Donor restricted revenue for which restrictions are satisfied in the same fiscal year, are reported as unrestricted revenue, rather than temporarily restricted. Donor restricted contributions for which restrictions are not currently met, are reflected as an increase to temporarily restricted net assets.

Use of estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates. Estimates affect financial statement amounts and the disclosure of contingent assets and liabilities at the date of the financial statements. Due to their inherent nature, estimates may differ from future actual results.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and cash equivalents
For purposes of the statement of cash flows, the Center defines cash or cash equivalents as all cash on hand and cash on deposit subject to immediate withdrawal. The Center maintains its cash balances in financial institutions located in Colorado. Balances may, at times, exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash and cash equivalents.

Accounts receivable
The majority of the Center's accounts receivable are due from the State of Colorado through Medicaid funding. Other receivables are primarily due from consumers for room and board. Accounts 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. However, if necessary, management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance. Such a determination is based on management's assessment of the current status of individual accounts considering a number of factors, including the length of time accounts receivables are past due and the Center's previous collection history. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge against the allowance or directly to bad debt expense.

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

Property and equipment
Property and equipment are stated at cost at date of acquisition or estimated fair value at date of donation. The Center capitalizes property and equipment acquisitions of $5,000 or more that have a useful life of more than one year. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Lives are estimated at ten to forty years for buildings and improvements, and three to five years for equipment.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income taxes
The Center is exempt from income tax as provided under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Center has adopted accounting requirements that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns, including the position that the Center continues to qualify to be treated as a tax-exempt organization for both federal and state income tax purposes. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheet along with any interest and penalties that would result from that assessment. When the Center has unrelated business income, the federal Exempt Organization Business Income Tax Return (Form 990T) would be subject to examination by the Internal Revenue Service for three years after filing. Should any penalties and interest be incurred, they would be recognized as management and general expenses.

Subsequent events
Management has evaluated subsequent events through October 15, 2012, the date which the financial statements were available to be issued. No events were identified that required additional disclosure.

NOTE 3 - FEES AND GRANTS DUE FROM GOVERNMENTAL AGENCIES

Accounts receivable due from governmental agencies at June 30, 2012 and 2011 were as follows:

	2012	2012
State of Colorado		
General Fund	$ 39,027	$ 60,141
Medicaid	759,919	701,633
Part C	12,202	4,514
ARRA	-	2,690
U.S. Department of Health and Human Services	64,999	66,568
School districts	29,688	7,744
Other	3,550	4,309
Due from governmental agencies	$ 909,385	$ 847,599

NOTE 4 - PROPERTY AND EQUIPMENT

The cost of property and equipment and related accumulated depreciation at June 30, 2012 and 2011 were as follows:

	2012	2011
Land	$ 662,706	$ 662,706
Buildings and improvements	5,000,010	4,973,958
Program and administrative equipment	94,913	94,913
Transportation equipment	992,595	985,754
	6,750,224	6,717,331
Accumulated depreciation	(2,591,321)	(2,435,390)
Net property and equipment	$ 4,158,903	$ 4,281,941

NOTE 5 - DEFERRED REVENUE

Deferred revenue of $10,856 and $10,132 at June 30, 2012 and 2011, respectively, consisted of unspent State adult supported living services fees.

NOTE 6 - LINE OF CREDIT

As of June 30, 2011, the Center had a revolving line of credit with Sunflower Bank for a maximum of $500,000. The line carried a rate equal to the Wall Street Journal prime rate plus 1.50%, subject to a floor of 6.00% and was secured by accounts receivable. The line expired in January 2012. Nothing was borrowed against the line during the years ended June 30, 2012 and 2011.

NOTE 7 - NOTES PAYABLE

At June 30, 2012 and 2011, the Center had the following notes payable:

	2012	2011
Note payable to JP Morgan Chase Bank, due April 8, 2014, payable in monthly installments of $8,488 including interest at 2.49%, with a balloon payment of unpaid principal due at maturity, collateralized by real property with a carrying value of $915,311 at June 30, 2012	$ 870,652	$ 1,107,026
Note payable to JP Morgan Chase Bank, due May 1, 2017, payable in monthly installments of $6,906 including interest at 6.80%, with a balloon payment of unpaid principal due at maturity, collateralized by real property with a carrying value of $1,172,084 at June 30, 2012	344,628	597,957
Total	1,215,280	1,704,983
Less: current portion	142,430	206,732
Long-term portion	$ 1,072,850	$ 1,498,251

NOTE 7 - NOTES PAYABLE - Continued

Future maturities of notes payable at June 30, 2012 are as follows:

Year ending June 30,	Amount
2013	$ 142,430
2014	855,185
2015	70,238
2016	75,166
2017	72,261
	$ 1,215,280

Interest expense on notes payable was $60,395 and $81,772 for the years ended June 30, 2012 and 2011, respectively.

NOTE 8 - EMPLOYEE BENEFITS

Self-funded Insurance Plan
The Center established a self-funded health insurance plan in October 1984. Insurance claims are processed by a third party administrator. Employee insurance claims submitted to the Center by the third-party administrator are paid as submitted, along with administrative costs. The Center is liable for individual claims up to $50,000 per person. The Center carries specific stop loss insurance for additional coverage.

The expense recognized under this Plan was $1,342,742 and $1,439,638 for the years ended June 30, 2012 and 2011, respectively. The Center had a reserve of $199,000 and $279,500 recorded as of June 30, 2012 and 2011, respectively, representing estimated claims incurred but not reported as of each respective year end. The reserve is included in accounts payable and accrued expenses on the statements of financial position.

Retirement Plan
The Center also sponsors a pension plan for its employees as provided under section 403(b) of the Internal Revenue Code. Employee contributions to the plan are voluntary and allow the employee to defer income tax on that portion of wages earned. The Center, as employer, does not contribute directly to the plan.

NOTE 9 - RELATED PARTY TRANSACTIONS

The State of Colorado is considered a related party by virtue of significant management influence exercised by the State through contract provisions. The Center received a substantial portion of its revenue from the State of Colorado as identified in the statement of activities. The amount due to the Center from the State of Colorado is described in Note 3. The Center had balances due to the State of Colorado of $97,560 and $111,128 as of June 30, 2012 and 2011, respectively, for expenses and reimbursements, which are recorded in accounts payable and accrued expenses.

NOTE 10 - CONTINGENCIES

Under the terms of federal grants, certain costs may be questioned as not being appropriate expenditures, which could lead to reimbursement to the grantor agencies. Although the outcome of any such audit cannot be predicted, it is management's opinion that these audits will not result in liabilities to such an extent that they would materially affect the Center's financial position.

NOTE 11 - CONCENTRATION OF DEPOSIT RISK

The Center maintains cash on deposit with various financial institutions which are members of the Federal Deposit Insurance Corporation (FDIC). The FDIC insures deposits up to $250,000 for each depositor at each institution. Based on bank account balances at June 30, 2012, the Center had cash balances in excess of the insured limit of $1,897,291 at Canon City National Bank and $50,410 at Sunflower Bank. The Center has not experienced any losses in the past and believes that through careful selection of financial institutions it is not exposed to significant risk on cash and cash equivalents.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Developmental Opportunities, Inc. dba Starpoint
Canon City, Colorado

We have audited the financial statements of Developmental Opportunities, Inc. dba Starpoint (a nonprofit organization) as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated October 15, 2012, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of case management services for the year ended June 30, 2012 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The statistical data shown on page 14, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The nonaccounting information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it. The information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
October 15, 2012

954 East Second Ave. Suite 201, Durango, CO 81301 • 970-247-0506 fax: 970-247-0587 | durangocpas.com

SCHEDULE OF CASE MANAGEMENT SERVICES
For the year ended June 30, 2012

	Targeted case management	Other case management	Total
Fees and grants from governmental agencies			
Fees for Services			
State of Colorado			
State General Fund			
Adult supported living services	$ -	$ 24,134	$ 24,134
Children and families	-	26,186	26,186
Total fees from State General Fund	-	50,320	50,320
Medicaid			
Comprehensive services	194,114	-	194,114
Children and families	56,174	-	56,174
Total fees from Medicaid	250,288	-	250,288
Grants and other government sources			
Other revenue	399	6,801	7,200
Total other government sources	399	6,801	7,200
Total support and revenue	$ 250,687	$ 57,121	$ 307,808

	Targeted case management	Other case management	Total
Statistical Data (Unaudited)			
Unduplicated number of individuals	161	168	329
Full-time equivalents	4.28	0.70	4.98

DEVELOPMENTAL OPPORTUNITIES, INC.

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SCHEDULE OF CASE MANAGEMENT SERVICES - Continued

For the year ended June 30, 2012

	Targeted case management	Other case management	Total
Expenses			
Salaries			
Direct care	$ 172,462	$ 31,684	$ 204,146
Other	-	-	-
Payroll taxes	13,241	2,423	15,664
Employee benefits	29,967	8,053	38,020
Total personal services	215,670	42,160	257,830
Medical professional services			
Physicians	-	-	-
Other	-	-	-
Other professional services	1,480	-	1,480
Staff development	-	-	-
Staff travel	2,867	-	2,867
Vehicles			
Fuel and oil	3,251	-	3,251
Maintenance	343	-	343
Leases	-	-	-
Occupancy			
Rent	-	-	-
Maintenance	2,333	-	2,333
Utilities	3,009	-	3,009
Equipment			
Leases	-	-	-
Maintenance	-	-	-
Supplies			
Medical and client care supplies	-	-	-
Pharmacy	-	-	-
Production materials	-	-	-
Other	10,352	437	10,789
Telephone	3,425	-	3,425
Dues and subscriptions	104	-	104
Food	-	-	-
Insurance	1,243	55	1,298
Interest	1,864	-	1,864
Other	956	-	956
In-kind donations	-	-	-
Total direct program expenses	246,897	42,652	289,549
Depreciation and amortization	2,451	-	2,451
Total expenses	$ 249,348	$ 42,652	$ 292,000

SINGLE AUDIT SECTION

FREDRICKZINK & Associates
A professional corporation. CPAs

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

To the Board of Directors
Developmental Opportunities, Inc., dba Starpoint
Canon City, Colorado

We have audited the financial statements of Developmental Opportunities, Inc., dba Starpoint (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Starpoint's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Starpoint's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Starpoint's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards."

This report is intended solely for the information and use of management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
October 15, 2012

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Developmental Opportunities, Inc., dba Starpoint
Canon City, Colorado

Compliance

We have audited the compliance of Developmental Opportunities, Inc., dba Starpoint with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2012. Starpoint's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Starpoint's management. Our responsibility is to express an opinion on Starpoint's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States; and OMB Circular A-133, "audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Starpoint's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Starpoint's compliance with those requirements.

In our opinion Starpoint complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control over Compliance

Management of Starpoint is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Starpoint's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Starpoint's internal control over compliance.

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A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
October 15, 2012

DEVELOPMENTAL OPPORTUNITIES, INC.

dba

STARPOINT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

FEDERAL GRANTOR Pass Through Grantor Program Title	CFDA Number	Control / Grant Number	Federal Expenditures
UNITED STATES DEPARTMENT OF EDUCATION			
Pass-through Programs from:			
Colorado Department of Human Services			
Special Education-Grants for Infants and Families	84.181		$ 85,490
TOTAL U.S. DEPARTMENT OF EDUCATION			85,490
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Head Start Cluster:			
Head Start	93.600		692,339
ARRA - Early Head Start	93.709		43,622
Total Head Start Cluster			735,961
Other Programs:			
Community Based Child Abuse Prevention	93.590		10,768
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			746,729
UNITED STATES DEPARTMENT OF AGRICULTURE			
Pass-through Programs from:			
Colorado Department of Public Health and Environment			
Child and Adult Care Food Program	10.558		34,366
TOTAL U.S. DEPARTMENT OF AGRICULTURE			34,366
TOTAL EXPENDITURES FOR FEDERAL AWARDS			$ 866,585

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Developmental Opportunities, Inc. dba Starpoint under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of Developmental Opportunities, Inc. dba Starpoint, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Developmental Opportunities, Inc. dba Starpoint.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
(2) Pass-through entity identifying numbers are presented where available.

DEVELOPMENTAL OPPORTUNITIES, INC.
dba
STARPOINT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified	_____ Yes	__X___ No
• Significant deficiency(ies) identified	_____ Yes	__X___ None reported
• Noncompliance material to financial statements noted?	_____ Yes	__X___ No

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified	_____ Yes	__X__ No
• Significant deficiency(ies) identified	_____ Yes	__X__ None reported
• Noncompliance material to financial statements noted?	_____ Yes	__X__ No
Type of auditors' report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____ Yes	__X___ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.600 and 93.709	Head Start Cluster

Dollar threshold used to distinguish Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	__X__ Yes	_____ No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Prior Year Audit Findings

None