DEVELOPMENTAL OPPORTUNITIES, INC.
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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2016 and 2015

DEVELOPMENTAL OPPORTUNITIES, INC.
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June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Developmental Opportunities, Inc., dba Starpoint (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, and cash flows for the years 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 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 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Developmental Opportunities, Inc., dba Starpoint as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, on our consideration of Developmental Opportunities, Inc., dba Starpoint'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Developmental Opportunities, Inc., dba Starpoint's internal control over financial reporting and compliance.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
October 31, 2016

FINANCIAL SECTION

DEVELOPMENTAL OPPORTUNITIES, INC.

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STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

ASSETS

	2016	2015
Current assets		
Cash and cash equivalents (Note 10)	$ 1,739,082	$ 1,668,410
Accounts receivable		
Fees and grants due from governmental agencies (Note 3)	1,336,807	1,115,869
Other accounts receivable	59,345	82,545
Prepaid expenses and other	129,581	118,795
Total current assets	3,264,815	2,985,619
Property and equipment, net (Notes 4 and 6)	4,857,074	4,741,166
Total assets	**$ 8,121,889**	$ 7,726,785

LIABILITIES AND NET ASSETS

	2016	2015
Current liabilities		
Accounts payable and accrued expenses (Notes 7 and 8)	$ 607,292	$ 554,753
Deferred revenue (Note 5)	-	13,075
Total liabilities	607,292	567,828
Net assets		
Unrestricted net assets		
Undesignated	2,657,523	2,365,791
Net investment in property and equipment (Note 4)	4,857,074	4,741,166
Total unrestricted net assets	7,514,597	7,106,957
Temporarily restricted net assets (Note 11)	-	52,000
Total net assets	7,514,597	7,158,957
Total liabilities and net assets	**$ 8,121,889**	$ 7,726,785

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, 2016 and 2015

	2016	2015
Unrestricted net assets activity		
Support and revenue		
Fees and grants from governmental agencies		
Fees for services		
State of Colorado		
State General Fund		
Adult supported living services	$ 130,246	$ 214,101
Children and families	298,993	264,130
Total fees from State General Fund	429,239	478,231
Medicaid		
Comprehensive services	9,189,640	8,948,390
Adult supported living services	758,867	780,358
Children and families	111,473	137,576
Total fees from Medicaid	10,059,980	9,866,324
Grants and other government sources		
School districts	522,563	521,643
Part C - Early intervention	20,229	22,517
Colorado Department of Public Health and Environment	84,220	70,734
U.S. Department of Health and Human Services		
Early Head Start	761,850	771,742
Children and families	18,200	17,982
Fremont County Department of Human Services	285,205	130,559
Total grants and other government sources	1,692,267	1,535,177
Total fees and grants from governmental agencies	12,181,486	11,879,732
Public support - contributions	166,167	192,089
Residential room and board	808,025	820,212
Fee for service	249,145	240,291
Other revenue	92,976	89,478
Gain on sale of property and equipment	-	164,919
Total support and revenue before reclassifications	13,497,799	13,386,721
Net assets released from restriction	52,000	56,000
Total support and revenue	13,549,799	13,442,721

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STATEMENTS OF ACTIVITIES - Continued
For the Years Ended June 30, 2016 and 2015

	2016	2015
Expenses		
Program services		
Medicaid comprehensive services	$ 8,274,223	$ 8,371,886
State adult supported living services	142,465	133,781
Medicaid adult supported living services	832,309	808,763
Early intervention	298,093	345,301
Family support services program	106,844	70,124
Case management	358,094	326,950
Early Head Start	762,283	771,139
Children and family services	1,370,222	1,362,804
Total program services	12,144,533	12,190,748
Supporting services		
Management and general	915,209	919,250
Development and fundraising	82,417	85,341
Total supporting services	997,626	1,004,591
Total expenses	13,142,159	13,195,339
Change in unrestricted net assets	**407,640**	247,382
Temporarily restricted net assets activity (Note 11)		
Public support - contribution	-	52,000
Released from restriction in satisfaction of program restrictions	(52,000)	(56,000)
Change in temporarily restricted net assets	**(52,000)**	(4,000)
Change in total net assets	**355,640**	243,382
Net assets, beginning of year	7,158,957	6,915,575
Net assets, end of year	**$ 7,514,597**	$ 7,158,957

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

DEVELOPMENTAL OPPORTUNITIES, INC.

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STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

Increase (Decrease) in Cash and Cash Equivalents	2016	2015
Cash flows from operating activities:		
Cash received from governmental agencies and others	$ 13,334,539	$ 13,142,001
Cash paid to suppliers and employees	(12,894,936)	(12,865,447)
Interest received	4,447	2,744
Interest paid	-	(766)
Net cash provided by operating activities	444,050	278,532
Cash flows from investing activities:		
Purchase of property and equipment	(373,378)	(738,383)
Proceeds from sale of property and equipment	-	258,901
Net cash used by investing activities	(373,378)	(479,482)
Cash flows from financing activities:		
Proceeds from line of credit	-	500,000
Payments made on line of credit	-	(500,000)
Net cash provided by financing activities	-	-
Net increase (decrease) in cash and cash equivalents	**70,672**	(200,950)
Cash and cash equivalents, beginning of year	1,668,410	1,869,360
Cash and cash equivalents, end of year	$ 1,739,082	$ 1,668,410
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 355,640	$ 243,382
Adjustments to reconcile:		
Depreciation	257,470	260,415
Gain on sale of property and equipment	-	(164,919)
Increase in:		
Accounts receivable	(197,738)	(128,956)
Prepaid expenses and other	(10,786)	(17,198)
Increase (decrease) in:		
Accounts payable and accrued expenses	52,539	85,909
Deferred revenue	(13,075)	(101)
Total adjustments	88,410	35,150
Net cash provided by operating activities	$ 444,050	$ 278,532

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, 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.

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.

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES - Continued

Program Services - Continued

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Contributions of cash and other assets are recognized as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restricted is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 statement of financial position 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 31, 2016, 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, 2016 and 2015 were as follows:

	2016	2015
State of Colorado		
General Fund	$ 40,421	$ 17,463
Medicaid	1,055,109	967,982
Part C	51,958	-
U.S. Department of Health and Human Services	119,638	65,911
School districts	41,432	6,800
Other	28,249	57,712
Due from governmental agencies	$ 1,336,807	$ 1,115,869

NOTE 4 - PROPERTY AND EQUIPMENT

The cost of property and equipment and related accumulated depreciation at June 30, 2016 and 2015 follows:

	2016	2015
Land	$ 872,042	$ 834,542
Buildings and improvements	5,840,291	5,641,296
Program and administrative equipment	186,867	147,165
Transportation equipment	1,175,158	1,084,975
	8,074,358	7,707,978
Accumulated depreciation	(3,217,284)	(2,966,812)
Net property and equipment	$ 4,857,074	$ 4,741,166

NOTE 5 - DEFERRED REVENUE

Deferred revenue of $13,075 at June 30, 2015 consisted of State adult supported living services funds for enrollment. There was no deferred revenue at June 30, 2016.

NOTE 6 - DEBT INSTRUMENTS

Line of Credit
In February 2015, the Center obtained an $875,000 revolving line of credit arrangement with Legacy Bank expiring in February 2018. The line is secured by a deed of trust on two properties with a carrying value of $1,006,905. The interest rate applied to outstanding borrowings is fixed at 5.25%. The Center borrowed and repaid $500,000 during the year ended June 30, 2015. Interest expense on the line of credit was $766 for the year ended June 30, 2015. There were no borrowings on the line of credit during the year ended June 30, 2016.

NOTE 7 - 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 $1,713,044 and $1,682,414 for the years ended June 30, 2016 and 2015, respectively. The Center had a reserve of $120,000 and $120,000 recorded as of June 30, 2016 and 2015, 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.

NOTE 7 - EMPLOYEE BENEFITS - Continued

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 8 - 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 reported a balance due back to the State of Colorado for expenses and reimbursements, which are recorded in accounts payable and accrued expenses. The balance due was $24,088 and $13,198 at June 30, 2016 and 2015, respectively.

NOTE 9 - 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 10 - 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, 2016, the Center had cash balances in excess of the insured limit of $165,033 at Bank of the San Juans. 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.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets reflected in the statement of financial position at June 30, 2015 represent restricted resources for which, as of that date, qualifying expenses had not yet been incurred. The resources were restricted by the donor for the SPIN Center and the First Steps Home Visitation Program and were expended accordingly during the year ended June 30, 2016. There were no temporarily restricted net assets at June 30, 2016.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S 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, 2016 and 2015, and have issued our report thereon dated October 31, 2016, 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, 2016 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 information, except for that portion marked "unaudited" and upon 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.

The statistical data shown on page 14 and marked as "unaudited", is the responsibility of management, and is presented for purposes of additional analysis and is not a required part of the financial statements. That non-accounting 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.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
October 31, 2016

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SCHEDULE OF CASE MANAGEMENT SERVICES
For the year ended June 30, 2016

	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	$ -	$ 17,281	$ 17,281
Children and families	-	16,505	16,505
Total fees from State General Fund	-	33,786	33,786
Medicaid			
Comprehensive services	398,400	75,746	474,146
Children's extensive support	10,010	-	10,010
Early Intervention	58,534	-	58,534
Other	33,757	-	33,757
Part C	-	4,501	4,501
Other	-	681	681
Total fees from Medicaid	500,701	80,928	581,629
Total support and revenue	$ 500,701	$ 114,714	$ 615,415

	Targeted case management	Other case management	Total
Statistical Data (Unaudited)			
Unduplicated number of individuals	250	78	328
Full-time equivalents	5.84	0.41	6.25

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SCHEDULE OF CASE MANAGEMENT SERVICES - Continued
For the year ended June 30, 2016

	Targeted case management	Other case management	Total
Expenses			
Salaries			
Direct care	$ 224,964	$ 20,312	$ 245,276
Other	-	-	-
Payroll taxes	-	18,275	18,275
Employee benefits	-	53,038	53,038
Total personal services	224,964	91,625	316,589
Medical professional services			
Physicians	-	-	-
Other	-	-	-
Other professional services	6,880	-	6,880
Staff development	345	-	345
Staff travel	6,822	-	6,822
Occupancy			
Rent	-	-	-
Maintenance	5,247	-	5,247
Utilities	3,181	-	3,181
Supplies			
Medical and client care supplies	-	-	-
Pharmacy	-	-	-
Production materials	-	-	-
Other	7,325	-	7,325
Telephone	4,801	-	4,801
Dues and subscriptions	121	-	121
Food	-	-	-
Insurance	888	14	902
Interest	-	-	-
Other	2,887	-	2,887
In-kind donations	-	-	-
Total direct program expenses	263,461	91,639	355,100
Depreciation and amortization	2,994	-	2,994
Total expenses	$ 266,455	$ 91,639	$ 358,094

SINGLE AUDIT SECTION

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INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of Developmental Opportunities, Inc., dba Starpoint (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Starpoint's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Starpoint's financial statements are free from 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.*

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
October 31, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program
We have audited Developmental Opportunities, Inc., dba Starpoint's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Starpoint's major federal programs for the year ended June 30, 2016. Starpoint's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulation, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of Starpoint's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Starpoint's compliance.

Opinion on Each Major Federal Program
In our opinion, Starpoint complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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Report on Internal Control Over Compliance

Management of Starpoint is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Starpoint's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
October 31, 2016

DEVELOPMENTAL OPPORTUNITIES, INC.
dba
STARPOINT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

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		$ 65,483
TOTAL U.S. DEPARTMENT OF EDUCATION			65,483
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Head Start Cluster:			
Head Start	93.600		761,849
Pass-through Programs from:			
Colorado Department of Public Health and Environment			
Community Based Child Abuse Prevention	93.590		18,200
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			780,049
UNITED STATES DEPARTMENT OF AGRICULTURE			
Pass-through Programs from:			
Colorado Department of Public Health and Environment			
Child and Adult Care Food Program	10.558		84,219
TOTAL U.S. DEPARTMENT OF AGRICULTURE			84,219
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 929,751

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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards.* 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 Title 2 U.S. Code of Federal Regulations (CFR) 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, 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, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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 auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes __X__ No

Identification of major programs:

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

Dollar threshold used to distinguish Type A and Type B programs: $750,000

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

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October 31, 2016

To the Board of Directors and Management
Starpoint
Canon City, Colorado

We have audited the financial statements of Developmental Opportunities, Inc., dba Starpoint, for the year ended June 30, 2016, and have issued our report thereon dated October 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 24, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Starpoint are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the collectability of accounts receivable and the need for an allowance for doubtful accounts - the estimate is based on the level of delinquency of accounts and past collection history.
>
> Management's estimate of the useful lives of depreciable assets and the appropriate charge-off method - the estimates are based on common conventions.
>
> Management's estimate of the value allocated to land in a real estate purchase transaction - the estimate is based on the county's assessed value and applied proportionately to the cost of the property.
>
> Management's estimate of the reserve for insurance claims incurred but not reported as of year-end - the estimate is based on past claims payment history and actual payments after year-end.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, except as noted below.

There were three adjustments proposed and accepted during the 2016 audit. The first adjustment was to increase payroll tax expense and the related liability by $25,298. The second adjustment was to reduce revenue and increase the payable to the State of Colorado by $7,850. The third adjustment was to reduce receivables and deferred revenue by $35,697. The net effect of all adjusting entries was to decrease total net assets by $33,148.

Significant reclassification entries were required in order for the financial statements to conform to presentation requirements of generally accepted accounting principles. Reclassification entries have no net effect on the change in net assets or total net assets.

There was one uncorrected misstatement detected as a result of audit procedures. This misstatement was due to carrying $8,814 in negative vendor balances in accounts payable. The uncorrected misstatement had no impact on net assets. Management has determined that the effect is immaterial to the financial statements taken as a whole.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representation
We have requested certain representations from management that are included in the management representation letter dated October 31, 2016.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Matters
During our audit of Starpoint's financial statements for the year ended June 30, 2016, we identified areas where enhancing internal control procedures and communication could benefit the Organization. We observed and documented a lack of effective, consistent communication among members in the accounting department resulting in errors identified during the audit. In addition, through audit procedures performed, errors were identified that appeared to stem from an overall need for increased supervision and review, particularly with regard to journal entries, the application of generally accepted accounting principles to non-routine transactions, and the quality of financial schedules and analyses provided to us during the audit.

This information is intended solely for the use of Board of Directors and management of Starpoint and is not intended to be and should not be used by anyone other than these specified parties.

FredrickZink & Associates, PC

FredrickZink & Associates, PC