DEVELOPMENTAL OPPORTUNITIES, INC.
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STARPOINT

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2018

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June 30, 2018

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FINANCIAL SECTION

FREDRICKZINK & Associates
A professional corporation. | CPAs

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Developmental Opportunities, Inc., dba Starpoint (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related statement of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinion on the year ended June 30, 2018.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019, 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 8, 2019

FINANCIAL STATEMENTS

DEVELOPMENTAL OPPORTUNITIES, INC.

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STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS

Current assets		
Cash and cash equivalents	$	1,534,815
Cash set-aside		184,614
Accounts receivable		
Fees and grants due from governmental agencies		1,384,981
Other accounts receivable		85,946
Prepaid expenses and other		141,777
Total current assets		3,332,133
Property and equipment, net		4,460,910
Total assets	**$**	**7,793,043**

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	$	583,965
Overpayments due to the State		184,614
Total liabilities		792,368
Net assets		
Without donor restrictions		
Undesignated		2,539,765
Net investment in property and equipment		4,460,910
Total net assets without donor restrictions		7,000,675
Total liabilities and net assets	**$**	**7,793,043**

See accompanying notes to financial statements and Independent Auditor's Report

DEVELOPMENTAL OPPORTUNITIES, INC.

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STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restriction	Total
Support and revenue			
Fees and grants from governmental agencies			
Fees for services			
State of Colorado			
State General Fund			
Adult supported living services	$ 170,168	$ -	$ 170,168
Children and families	411,929	-	411,929
Total fees from State General Fund	582,097	-	582,097
Medicaid			
Comprehensive services	8,685,150	-	8,685,150
Adult supported living services	817,419	-	817,419
Children and families	-	-	-
Total fees from Medicaid	9,502,569	-	9,502,569
Grants and other government sources			
School districts	516,639	-	516,639
Part C - Early intervention	21,409	-	21,409
Colorado Department of Public Health and Environment	81,597	-	81,597
U.S. Department of Health and Human Services			
Early Head Start	816,070	-	816,070
Children and families	96,860	-	96,860
Fremont County Department of Human Services	219,331	-	219,331
Total grants and other government sources	1,751,906	-	1,751,906
Total fees and grants from governmental agencies	11,836,572	-	11,836,572
Public support - contributions	116,933	147,056	263,989
Residential room and board	809,360	-	809,360
Fee for service	165,967	-	165,967
Other revenue	166,519	-	166,519
Net assets released from restriction	147,056	(147,056)	-
Total support and revenue	13,242,407	-	13,242,407

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STATEMENT OF ACTIVITIES - Continued
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restriction	Total
Expenses			
Program services			
Medicaid comprehensive services	$ 8,781,091		$ 8,781,091
State adult supported living services	152,108		152,108
Medicaid adult supported living services	914,106		914,106
Early intervention	366,653		366,653
Family support services program	88,376		88,376
Case management	394,643		394,643
Early Head Start	850,292		850,292
Children and family services	1,376,352		1,376,352
Total program services	12,923,621	-	12,923,621
Supporting services			
Management and general	780,176		780,176
Development and fundraising	93,046		93,046
Total supporting services	873,222	-	873,222
Total expenses	13,796,843	-	13,796,843
Change in net assets	**(554,436)**	**-**	**(554,436)**
Net assets, beginning of year	7,555,111	-	7,555,111
Net assets, end of year	**$ 7,000,675**	**$ -**	**$ 7,000,675**

See accompanying notes to financial statements and Independent Auditor's Report

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STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	Program Services						
	Medicaid comprehensive services	State adult supported living services	Medicaid adult supported living services	Early Intervention	Family support services	Case management	Early Head Start
Salaries, benefits and taxes	$ 6,274,690	$ 116,545	$ 697,043	$ 277,904	$ 11,851	$ 353,643	$ 720,725
Professional fees	1,291,611	7,307	44,154	50,262	72	7,650	16,351
Supplies	189,471	1,549	17,283	6,088	196	8,727	21,478
Repair and maintenance	172,457	5,865	27,233	4,679	-	2,492	26,103
Depreciation	148,718	5,596	29,378	2,448	-	2,894	1,060
Food	140,254	137	1,345	-	-	-	2,055
Other	47,929	1,713	14,036	446	76,251	414	3,639
Utilities	144,829	1,466	13,895	2,416	-	2,935	10,127
Staff development and travel	88,476	3,704	27,200	16,467	-	9,171	28,897
Insurance	63,305	3,253	17,047	149	6	1,096	8,981
Telephone	55,927	1,299	10,263	5,609	-	5,021	8,367
Rent	87,318	-	-	-	-	-	-
Dues and subscriptions	29,240	342	3,370	185	-	600	2,326
Vehicle fuel	46,866	3,332	11,859	-	-	-	183
Total expenses	$ 8,781,091	$ 152,108	$ 914,106	$ 366,653	$ 88,376	$ 394,643	$ 850,292

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

		Supporting Services			
Children and family services	Total	Management and general	Development and Fundraising	Total	Total Expenses
$ 1,100,413	$ 9,552,814	$ 564,678	$ 55,532	$ 620,210	$ 10,173,024
2,413	1,419,820	61,781	137	61,918	1,481,738
23,586	268,378	22,698	1,799	24,497	292,875
32,351	271,180	4,651	5,490	10,141	281,321
37,245	227,339	48,740	1,170	49,910	277,249
86,138	229,929	-	-	-	229,929
22,795	167,223	15,756	25,246	41,002	208,225
18,327	193,995	4,625	455	5,080	199,075
15,415	189,330	7,133	1,222	8,355	197,685
11,088	104,925	16,583	199	16,782	121,707
5,526	92,012	8,506	1,125	9,631	101,643
4,449	91,767	-	-	-	91,767
16,606	52,669	24,959	671	25,630	78,299
-	62,240	66	-	66	62,306
$ 1,376,352	$ 12,923,621	$ 780,176	$ 93,046	$ 873,222	$ 13,796,843

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STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

Increase (Decrease) in Cash and Cash Equivalents (Excluding Cash set-aside)

Cash flows from operating activities:	
Cash received from governmental agencies and others	$ 13,861,392
Cash paid to suppliers and employees	(13,558,469)
Interest received	3,216
Net cash provided by operating activities	306,139
Cash flows from investing activities:	
Purchase of property and equipment	(82,260)
Net cash used by investing activities	(82,260)
Net increase in cash and cash equivalents	**223,879**
Cash and cash equivalents, beginning of year	1,310,936
Cash and cash equivalents, end of year	$ 1,534,815
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	$ (554,436)
Adjustments to reconcile:	
Depreciation	280,507
Decrease (increase) in:	
Accounts receivable	670,038
Prepaid expenses and other	(25,036)
Increase (decrease) in:	
Accounts payable and accrued expenses	(17,099)
Deferred revenue	(47,835)
Total adjustments	860,575
Net cash provided by operating activities	$ 306,139

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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.

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.

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.

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES - Continued

Program Services - Continued

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.

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 indispensable 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.

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, but excludes cash specifically set aside. 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 measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Center groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

Cash and cash equivalents are excluded from the fair value hierarchy as cash is generally measured at cost.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets
Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or certain grantor imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time of other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue recognition
Revenue is recognized when earned. Amounts received in advance of performance of the underlying services are deferred to the period in which the services are performed. The Center's revenue consists primarily of funds received from the State of Colorado for Medicaid and other services, miscellaneous smaller grants and awards from federal, state, county and municipal sources. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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.

Expenses
Expenses are recognized when incurred. Expenses paid in advance but not yet incurred are deferred to the applicable period.

Functional Allocation of Expenses
The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, staff development and travel, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

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.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Adopted accounting pronouncements
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic* 958): *Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit organization's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied.

Recent accounting pronouncements
In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Center has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent accounting pronouncements - Continued
In February 2016, the FASB issued ASU 2016-02, *Leases (Topic* 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Changes to the lessor accounting model include: (a) synchronizing key aspects of the model with the new revenue recognition guidance, such as basing whether a lease is similar to a sale on whether control of the underlying asset has transferred to the lessee and (b) prospectively eliminating the specialized accounting for leveraged leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2020, with early adoption permitted. The Center is in the process of evaluating the impact of this new guidance.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* The amendments in this update clarify the guidance regarding the classification of operating, investing and financing activities for certain types of cash receipts and payments. The amendments in this update are effective for the annual periods, and the interim periods within those years, beginning after December 15, 2018, and should be applied using a retrospective transition method to each period presented. Early adoption is permitted. The Center is evaluating the impact of adoption, if any, to the financial statements.

In June 2018, the FASB issues ASU 2018-08. *Not-for-Profit Entities (Topic* 958). This new standard will clarify the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transaction should be accounted for as contributions (nonreciprocal transactions) within the scope, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments in the ASU should be applied on a modified prospective basis although retrospective application is permitted. Entities should apply the amendments for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Entities should apply the amendments for transactions in which the entity serves as the resource provider to annual periods beginning after December 15, 2019. The Organization is currently assessing the potential impact on the Center's financial statements.

Subsequent events
Management has evaluated subsequent events through October 8, 2019, the date which the financial statements were available to be issued. Except as described in Note 10, 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, 2018 were as follows:

State of Colorado	
General Fund	$ 101,048
Medicaid	864,339
U.S. Department of Health and Human Services	136,555
School districts	64,113
Other	218,926
Due from governmental agencies	$ 1,384,981

NOTE 4 - PROPERTY AND EQUIPMENT

The cost of property and equipment and related accumulated depreciation at June 30, 2018 follows:

Land	$ 872,042
Buildings and improvements	5,914,081
Program and administrative equipment	226,585
Transportation equipment	1,176,744
Total property and equipment	8,189,452
Accumulated depreciation	(3,728,542)
Net property and equipment	$ 4,460,910

Depreciation expense for the year ended June 30, 2018 was $280,507.

NOTE 5 - LINE OF CREDIT

The Center has an $875,000 revolving line of credit arrangement with Legacy Bank which expires in April 2021. The line is secured by a deed of trust on two properties with a carrying value of $930,049. Interest will accrue on the unpaid principal balance of the loan at the rate of 5.5% until April 25, 2019, after which it changes to a variable rate equal to the Wall Street Journal prime plus 1.0%. There were no borrowings on the line of credit during the year ended June 30, 2018.

NOTE 6 - 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.

NOTE 6 - EMPLOYEE BENEFITS - Continued

The expense recognized under this Plan was $1,754,203 for the year ended June 30, 2018. The Center had a reserve of $155,000 as of June 30, 2018, 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 7 - 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.

NOTE 8 - 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 9 - 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, 2018, the Center had cash balances in excess of the insured limit of $386,144 at Bank of the San Juan's and $713,129 at Legacy 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.

NOTE 10 - SUBSEQUENT EVENTS

In August 2018, the Center sold three properties with a sales price totaling $675,000.

NOTE 11 - LIQUIDITY AND AVAILABILITY

The Center regularly monitors liquidity so that it is able to meet its operating needs and other contractual commitments. Financial assets available within one year of the financial statement date for general expenditure without limitations are as follows:

Cash and cash equivalents	$ 1,534,815
Accounts receivable governmental agencies	1,384,981
Accounts receivable other	85,946
Prepaid expenses	141,777
	$ 3,332,133

The Center's primary sources of revenue and support are through fees through Medicaid. All of that support is available to be used at the Center's discretion. The Center receives grants and contributions representing approximately 14% of revenue and support, of which less than 1% is donor restricted support required to be used in accordance with the purpose restrictions imposed by the donors. The Center's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 90 days of program expenditures.

SINGLE AUDIT SECTION

FREDRICKZINK & Associates
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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, 2018, and the related statements of activities, of functional expenses, 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 8, 2019.

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 Starpoint'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. We consider the deficiency described in the accompanying schedule of findings and questions costs as item 2018-001 to be a significant deficiency.

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 Starpoint's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Starpoint's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
October 8, 2019

FREDRICKZINK & Associates
A professional corporation. | CPAs

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, 2018. 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, 2018.

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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 8, 2019

DEVELOPMENTAL OPPORTUNITIES, INC.

dba

STARPOINT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

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		$ 63,471
TOTAL U.S. DEPARTMENT OF EDUCATION			63,471
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Head Start	93.600		798,117
Pass-through Programs from:			
Colorado Department of Public Health and Environment			
Community Based Child Abuse Prevention	93.590		15,675
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			813,792
UNITED STATES DEPARTMENT OF TRANSPORTATION			
Pass-through Programs from:			
Colorado Department of Public Health and Environment			
Child and Adult Care Food Program	10.558		81,598
TOTAL U.S. DEPARTMENT OF AGRICULTURE			81,598
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 958,861

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, 2018. 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, 2018

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 __X__ Yes ______ 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

2018-001 *Criteria:* Accounting policies and procedures should be well defined and documented in order to prepare complete and accurate financial statements.

Condition: The Organization's internal control systems need improved and accounting policies and procedures are not adequately documented.

Cause: Unfortunate and unforeseeable circumstances in staff turnover and the death of a key employee in the Finance department.

Effect: Financial statement information was incorrect resulting in numerous adjustment and additional audit procedures being performed, as well as causing a delay in the audit.

Recommendation: We recognize that prior to finalizing the June 30, 2018 audit, the Organization filled the CFO position. We recommend the Organization continue to hire individuals with suitable skills, knowledge and expertise to assist in the Finance department. Better documentation needs retained and to be available as support for any transaction, including journal entries, recorded in the general ledger. A standard accounting operating procedures manual should be documented, up-to-date and retained. Additionally, we recommend prior to the next audit, all information needed for the audit is available prior to the start date and that all supporting documentation and reconciliations agree with the trial balance.

Views of Responsible Officials: Management agrees with the deficiency and recommendations identified above.

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Prior Year Audit Findings

None