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

June 30, 2019

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June 30, 2019

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FINANCIAL SECTION

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 statement of financial position as of June 30, 2019, 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 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 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, 2019.

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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

FREDRICKZINK & ASSOCIATES, CPAs. *A Professional Corporation* | 954 East 2nd Avenue #201 | Durango, CO 81301
970-247-0506 | Fax 970-247-0587 | durangocpas.com

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* 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 September 24, 2020, 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 the effectiveness of Developmental Opportunities, Inc., dba Starpoint's 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
September 24, 2020

FINANCIAL STATEMENTS

DEVELOPMENTAL OPPORTUNITIES, INC.

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STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

		2019
Current assets		
Cash and cash equivalents	$	1,445,974
Accounts receivable		
Fees and grants due from governmental agencies		1,131,344
Other accounts receivable		286,558
Prepaid expenses and other		126,924
Total current assets		2,990,800
Property and equipment, net		3,849,865
Total assets	**$**	**6,840,665**

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	$	524,223
Accounts accrued		308,286
Total liabilities		832,509
Net assets		
Without donor restrictions		
Undesignated		2,036,722
Net investment in property and equipment		3,849,865
Total net assets without donor restrictions		5,886,587
With donor restrictions		121,569
Total net assets		6,008,156
Total liabilities and net assets	**$**	**6,840,665**

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, 2019

	Without Donor Restrictions	With Donor Restriction	Total
Revenue and support			
Fees and grants from governmental agencies			
Fees for services			
State of Colorado			
State General Fund	$ 666,793	$ -	$ 666,793
Medicaid	8,268,299		8,268,299
Grants and other government sources			
Fremont County Department of Human Services	233,227		233,227
School districts	461,873	-	461,873
Part C - Early intervention	20,172	-	20,172
Colorado Department of Public Health and Environment	82,878	-	82,878
U.S. Department of Health and Human Services			
Early Head Start	764,647	-	764,647
Children and families	43,838	-	43,838
Total fees and grants from governmental agencies	10,541,727	-	10,541,727
Public support - contributions	143,163	289,235	432,398
Public support - in-kind contributions	240	-	240
Residential room and board	658,946	-	658,946
Other revenue	238,009	-	238,009
Gain on sale of assets	277,468	-	277,468
Net assets released from restriction	167,666	(167,666)	-
Total revenues and support	12,027,219	121,569	12,148,788
Expenses			
Program services			
Medicaid comprehensive services	$ 7,410,931		$ 7,410,931
State adult supported living services	127,008		127,008
Medicaid adult supported living services	1,171,355		1,171,355
Early intervention	555,116		555,116
Family support services program	97,016		97,016
Case management	424,576		424,576
Early Head Start	823,094		823,094
Children and family services	1,506,089		1,506,089
Total program services	12,115,185	-	12,115,185
Supporting services			
Management and general	936,022		936,022
Development and fundraising	90,100		90,100
Total supporting services	1,026,122	-	1,026,122
Total expenses	13,141,307	-	13,141,307
Change in net assets	**(1,114,088)**	**121,569**	**(992,519)**
Net assets, beginning of year	7,000,675	-	7,000,675
Net assets, end of year	**$ 5,886,587**	**$ 121,569**	**$ 6,008,156**

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

DEVELOPMENTAL OPPORTUNITIES, INC.

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STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	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	$ 5,670,001	$ 108,848	$ 862,200	$ 449,557	$ 12,103	$ 381,375	$ 715,488
Professional fees	890,157	6,038	43,989	45,775	-	9,197	11,418
Supplies	133,255	-	25,145	6,527	77	5,299	10,229
Repair and maintenance	88,829	997	65,847	3,097	-	3,495	10,520
Depreciation	46,276	930	38,613	7,732	-	7,728	1,226
Food	129,870	68	1,935	65	-	-	2,551
Other	34,398	895	12,482	305	84,764	-	5,541
Utilities	122,304	-	18,208	2,137	-	2,532	9,564
Staff development and travel	76,319	3,441	28,062	33,825	60	8,313	30,742
Insurance	57,151	3,174	20,574	304	12	1,536	9,236
Telephone	48,500	-	12,893	5,623	-	5,101	7,199
Rent	73,729	-	-	-	-	-	-
Dues and subscriptions	14,582	2,210	4,994	169	-	-	8,880
Vehicle fuel	25,560	407	36,413	-	-	-	500
Total expenses	$ 7,410,931	$ 127,008	$ 1,171,355	$ 555,116	$ 97,016	$ 424,576	$ 823,094

		Supporting Services			
Children and family services	Total	Management and general	Development and Fundraising	Total	Total Expenses
$ 1,207,232	$ 9,406,804	$ 653,303	$ 50,209	$ 703,512	$ 10,110,316
4,263	1,010,837	93,048	604	93,652	1,104,489
20,577	201,109	28,749	1,064	29,813	230,922
21,408	194,193	9,345	521	9,866	204,059
28,535	131,040	77,203	-	77,203	208,243
85,442	219,931	-	-	-	219,931
40,718	179,103	12,033	33,967	46,000	225,103
15,481	170,226	4,201	367	4,568	174,794
25,422	206,184	6,918	1,130	8,048	214,232
10,731	102,718	29,837	209	30,046	132,764
6,238	85,554	9,355	1,087	10,442	95,996
4,601	78,330	-	-	-	78,330
35,391	66,226	12,001	942	12,943	79,169
50	62,930	29	-	29	62,959
$ 1,506,089	$ 12,115,185	$ 936,022	$ 90,100	$ 1,026,122	$ 13,141,307

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STATEMENT OF CASH FLOW
For the Year Ended June 30, 2019

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

Cash flows from operating activities:	
Cash received from governmental agencies and others	$ 11,896,751
Cash paid to suppliers and employees	(12,669,669)
Interest received	3,805
Net cash used by operating activities	(769,113)
Cash flows from investing activities:	
Proceeds from sale of property and equipment	680,270
Net cash used by investing activities	680,270
Net decrease in cash and cash equivalents	**(88,843)**
Cash and cash equivalents, beginning of year	1,534,817
Cash and cash equivalents, end of year	$ 1,445,974
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	$ (992,519)
Adjustments to reconcile:	
Depreciation	208,243
Gain on sale of property and equipment	(277,468)
Decrease (increase) in:	
Accounts receivable	53,025
Prepaid expenses and other	14,853
Increase (decrease) in:	
Accounts payable and accrued expenses	248,542
Deferred revenue	(23,789)
Total adjustments	223,406
Net cash used by operating activities	$ (769,113)

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. In August 2018, the Center decided to discontinue services provided in Denver and sold all related property at that time. 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 accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with the U.S. generally accepted accounting principles (GAAP), whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred. The financial statements reflect all significant receivables, payables, and other liabilities.

For financial reporting purposes, the Center follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. The Center reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Descriptions of the two net asset categories and the types of transactions affecting each category follow:

> Net assets without donor restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.
>
> Net assets with donor restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of accounting and presentation - Continued
Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of 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 but the Center has obtained additional coverage at Legacy Bank through the CDARS program. The Center has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash and cash equivalents.

Accounts receivable
The majority of the Center’s accounts receivable are due from the State of Colorado through Medicaid funding. Other receivables are primarily due from consumers for room and board. Accounts are due according to contractual terms and are stated at the amount management expects to collect from outstanding balances. The Center believes all receivables are collectible and that no allowance for doubtful accounts is necessary. However, if necessary, management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance. Such a determination is based on management’s assessment of the current status of individual accounts considering a number of factors, including the length of time accounts receivables are past due and the Center’s previous collection history. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge against the allowance or directly to bad debt expense.

Fair value measurements
The Organization applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair value measurements - Continued

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Organization's own assumptions.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional reporting 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.

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. Consequently, no liability or expense is recognized in the accompanying statements for uncertain income tax positions.

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis or other valuation technique. There was no impairment loss recognized for the year ended June 30, 2019.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update (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 generally accepted accounting principles in the United States of America (US 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. Then again, in June 2020, the FASB issued ASU 2020-05 as a limited deferral of the effective date for annual periods beginning after December 15, 2019. The Center has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

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 or 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 ASU will be effective for fiscal years beginning after December 15, 2019, with early adoption permitted. Then again, in June 2020, the FASB issued ASU 2020-05 as a limited deferral of the effective date for annual periods beginning after December 15, 2021. 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 in the process of evaluating the impact of this new guidance.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of period total amounts shown on the statement of cash flows. The ASU will be effective for fiscal years beginning after December 15, 2018. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Center is in the process of evaluating the impact of this new guidance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent accounting pronouncements - Continued
In June 2018, the FASB issued ASU No. 2018-08 *Not-for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve the scope and the accounting guidance for contributions received and contributions made. The ASU will be effective for all entities that have issued, or is a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market services as a resource recipient, for fiscal years beginning after December 15, 2018. The ASU will be effective for all entities that have not issued or is a conduit bond obligor for securities that are traded, listed or quoted on an exchange or an over-the-counter market services as a resource provider, for fiscal years beginning after December 15, 2019. The Center is in the process of evaluating the impact of this new guidance.

NOTE 3 - FEES AND GRANTS DUE FROM GOVERNMENTAL AGENCIES

Accounts receivable due from governmental agencies at June 30, 2019 were as follows:

State of Colorado	
General Fund	$ 118,086
Medicaid	813,632
U.S. Department of Health and Human Services	198,681
Other	945
Due from governmental agencies	$ 1,131,344

NOTE 4 - PROPERTY AND EQUIPMENT

The cost of property and equipment and related accumulated depreciation at June 30, 2019 follows:

Land	$ 872,042
Buildings and improvements	5,087,027
Program and administrative equipment	214,773
Transportation equipment	1,137,926
Total property and equipment	7,311,768
Accumulated depreciation	(3,461,903)
Net property and equipment	$ 3,849,865

Depreciation expense for the year ended June 30, 2019 was $193,769.

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 $1,230,817. Interest will accrue on the unpaid principal balance of the loan at a variable rate equal to the Wall Street Journal prime plus 1.0%. As of June 30, 2019, the variable interest rate was 6.5% but decreased to 3.25% in March 2020. There were no borrowings on the line of credit during the year ended June 30, 2019.

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.

The expense recognized under this Plan was $2,018,402 for the year ended June 30, 2019. The Center had a reserve of $319,000 as of June 30, 2019, 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 - LIQUIDITY AND AVAILABILITY

The Center regularly monitors liquidity so that it can 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	$ 1,445,974
Accounts receivable governmental agencies	1,131,344
Accounts receivable other	286,558
	$ 2,863,876

NOTE 9 - LIQUIDITY AND AVAILABILITY - Continued

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 16% 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.

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 24, 2020, the date which the financial statements were available to be issued. There were no material subsequent events that required additional disclosure in the financial statements, except as noted below.

COVID-19

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The extent of the impact of COVID-19 on the Center and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Paycheck Protection Program

In April 2020, the Center received loan proceeds in the amount of approximately $1,918,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Center intends to use the proceeds for purposes consistent with the PPP. While the Center currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Center to be ineligible for forgiveness of the loan, in whole or in part.

SINGLE AUDIT SECTION

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, 2019, 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 September 24, 2020.

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.

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 identified one deficiency in internal control that we consider to be material weaknesses as described in the accompanying schedule of findings and questions costs as item 2019-001. We did not identify any deficiencies in internal control that we consider to be a significant deficiency.

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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Starpoint's Response to Findings

Starpoint's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Starpoint's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
September 24, 2020

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, 2019. 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, 2019.

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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
September 24, 2020

DEVELOPMENTAL OPPORTUNITIES, INC.

dba

STARPOINT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

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		$ 69,160
TOTAL U.S. DEPARTMENT OF EDUCATION			69,160
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Head Start	93.600		836,464
Pass-through Programs from:			
Colorado Department of Public Health and Environment			
Community Based Child Abuse Prevention	93.590		17,960
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			854,424
UNITED STATES DEPARTMENT OF TRANSPORTATION			
Pass-through Programs from:			
Colorado Department of Public Health and Environment			
Child and Adult Care Food Program	10.558		90,455
TOTAL U.S. DEPARTMENT OF AGRICULTURE			90,455
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,014,039

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, 2019. 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.

DEVELOPMENTAL OPPORTUNITIES, INC.
dba
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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 __X__ Yes ______ 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

Finding 2019-001 Accounting Department

Criteria: The Center does not have adequate internal controls and oversight in specific areas of processing, recording, monitoring, and reporting of financial activity included in the financial statements.

C_ondition:_ The Center's internal control systems need improved and accounting policies and procedures are not adequately documented. As a result, the following issues were identified:
- Signature stamp continued to be utilized after an employee was terminated.
- Authorized bank signatories were not updated to reflect terminated employee.

Section II – Financial Statement Findings

Finding 2019-001 Accounting Department - Continued

- Bank reconciliations did not agree to the trial balance and were not reconciled regularly.
- Approvals were missing from disbursements that were processed.
- Individual Plan (IP) Coversheets were unavailable for consumers.
- Rates billed for services provided to a consumer were different than the approved billing rate from the Colorado Department of Health Care Policy and Financing.
- Units of service for consumers were billed at more than the approved units by the State.
- Beginning balances did not agree with the prior year audit.
- Accounts receivables reflect old past due balances that were not addressed.
- Accounts receivables is not reviewed and reconciled to the general ledger monthly.
- Approved coding of transactions were different than what was recorded in the general ledger.

We consider these internal control deficiencies to be a material weakness.

Cause: Continued staff turnover in the Accounting Department created responsibilities for individuals with little knowledge of the process and of the accounting software used to manage day to day transactions. Monitoring and review were not being performed consistently.

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

Recommendation: We recognize the Center filled the CFO position. We recommend the Center do the following:

- Continue to hire individuals with suitable skills, knowledge, and expertise to assist in the Accounting Department.
- Retain documentation and ensure it is available to support any transaction, including journal entries, recorded in the general ledger.
- Document and retain a standard accounting and operating procedures manual.
- Reconcile monthly all statement of financial position accounts and ensure those balances agree with the support.
- Provide complete and accurate audit schedules prior to the audit and ensure the schedules support the balances in the trial balance.
- Review and retain the support for all general journal entries posted.

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

Auditor's Concluding Remarks: We thank the Center for their cooperation and assistance throughout the audit. The status of the corrective action will be reviewed during the next audit.

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Prior Year Audit Findings and Status of Management's Corrective Action

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

Status: Corrective action in progress

Corrective Action: The Center agrees with the finding and is in the process of reviewing their internal controls and accounting policies and procedures. Any areas for improvement will be identified and, if considered reasonable and necessary, new processes and procedures will be implemented. Monthly review of financial activity will be performed, and any necessary corrections will be prepared timely. Better documentation will be maintained and available to support transactions, including journal entries, recorded in the general ledger. All reconciliations will have been performed and all supporting documents needed will be available prior to the start of the audit.