



Consolidated Financial Statements
June 30, 2020

Developmental Opportunities Inc. dba
Starpoint

Developmental Opportunities Inc. dba Starpoint

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Developmental Opportunities Inc. dba Starpoint, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Developmental Opportunities Inc. dba Starpoint, as of June 30, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement of Prior Year Financial Statements

As discussed in Note 9 to the financial statements, certain errors resulting in overstatement of amounts previously reported for net assets without donor restrictions as of June 30, 2019, were discovered by management of Starpoint during the current year. Accordingly, net assets without donor restrictions as of July 1, 2019 have been restated to correct this error. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Denver, Colorado
February 22, 2022

Developmental Opportunities Inc. dba Starpoint
Consolidated Statements of Financial Position
June 30, 2020

Assets

Current Assets

Cash and cash equivalents	\$ 4,081,802
Fees and grants receivable from governmental agencies	1,197,248
Prepaid expenses and other assets	<u>148,650</u>

Total current assets	5,427,700
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Property and equipment, net	<u>3,746,316</u>
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	<u><u>\$ 9,174,016</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued liabilities	\$ 1,175,110
Deferred revenue	29,448
Paycheck Protection Program - refundable advance	<u>1,918,462</u>

Total liabilities	3,123,020
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Net Assets

Without donor restrictions	
Undesignated	2,071,303
Invested in property and equipment, net	<u>3,746,316</u>

Total without donor restrictions	5,817,619
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With donor restrictions	<u>233,377</u>
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Total net assets	<u>6,050,996</u>
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	<u><u>\$ 9,174,016</u></u>
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Developmental Opportunities Inc. dba Starpoint
Consolidated Statement of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support and Gains			
Fees for services from governmental agencies			
Medicaid	\$ 8,165,784	\$ -	\$ 8,165,784
State of Colorado	833,234	-	833,234
Other	649,270	-	649,270
Grants from governmental agencies			
Fremont County	444,539	111,808	556,347
Total from governmental agencies	10,092,827	111,808	10,204,635
Residential room and board	648,290	-	648,290
Public support - contributions	47,476	-	47,476
Other revenue	2,223,053	-	2,223,053
In-kind donations	36,186	-	36,186
Total revenue, support and gains	<u>13,047,832</u>	<u>111,808</u>	<u>13,159,640</u>
Expenses			
Program services	12,054,191	-	12,054,191
Supporting services			
Management and general	664,935	-	664,935
Public relations and fundraising	71,091	-	71,091
Total expenses	<u>12,790,217</u>	<u>-</u>	<u>12,790,217</u>
Change in Net Assets	257,615	111,808	369,423
Net Assets, Beginning of Year, Restated	<u>5,560,004</u>	<u>121,569</u>	<u>5,681,573</u>
Net Assets, End of Year	<u>\$ 5,817,619</u>	<u>\$ 233,377</u>	<u>\$ 6,050,996</u>

Developmental Opportunities Inc. dba Starpoint
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services			Management &	Fundraising	Total
	Adult Services	Children &	Case			
Personnel costs						
Salaries and wages	\$ 4,896,779	\$ 1,712,479	\$ 25,530	\$ 321,446	\$ 46,936	\$ 7,003,170
Payroll taxes	331,854	118,332	19,368	36,740	3,160	509,454
Employee benefits	1,206,442	405,542	62,683	70,064	4,402	1,749,133
Total personnel costs	<u>6,435,075</u>	<u>2,236,353</u>	<u>107,581</u>	<u>428,250</u>	<u>54,498</u>	<u>9,261,757</u>
Expenses						
Fees for services	945,480	51,278	4,120	93,207	250	1,094,335
Advertising and promotion	2,055	19,785	2,482	2,041	6,428	32,791
Office	69,269	45,860	5,465	51,510	6,459	178,563
Information technology	2,681	-	8,244	16,577	-	27,502
Occupancy	351,104	52,610	8,195	13,904	1,793	427,606
Travel	70,474	38,160	4,912	1,138	291	114,975
Depreciation and amortization	68,514	39,366	7,528	48,251	-	163,659
Insurance	99,965	16,002	282	3,771	925	120,945
Food	126,372	69,560	-	-	-	195,932
Vehicle maintenance and repair	118,647	500	327	-	-	119,474
Other	877,882	80,376	87,687	6,286	447	1,052,678
	<u>2,732,443</u>	<u>413,497</u>	<u>129,242</u>	<u>236,685</u>	<u>16,593</u>	<u>3,528,460</u>
Total expenses	<u>\$ 9,167,518</u>	<u>\$ 2,649,850</u>	<u>\$ 236,823</u>	<u>\$ 664,935</u>	<u>\$ 71,091</u>	<u>\$ 12,790,217</u>

Developmental Opportunities Inc. dba Starpoint
Consolidated Statements of Cash Flows
Year Ended June 30, 2020

Operating Activities	
Cash received from services	\$ 12,798,789
Cash received from contributions and grants	603,823
Cash received from Paycheck Protection Program refundable advance	1,918,462
Cash paid for salaries, benefits and taxes	(9,261,757)
Cash paid to vendors	(3,370,742)
Cash paid for interest	(233)
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Net Cash from (used for) Operating Activities	2,688,342
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Investing Activities	
Purchases of property and equipment	(52,514)
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Net Cash from (used for) Investing Activities	(52,514)
	<hr/>
Net Change in Cash and Cash Equivalents	2,635,828
Cash and Cash Equivalents, Beginning of Year	1,445,974
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Cash and Cash Equivalents, End of Year	<u>\$ 4,081,802</u>

Note 1 - Principal Activity and Significant Accounting Policies**Organization**

Developmental Opportunities, Inc., dba Starpoint (Starpoint) 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, Starpoint 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. In September 2003, the Developmental Opportunities Foundation (Foundation) was incorporated for the purpose of supporting and benefiting Starpoint. Starpoint's revenue comes primarily from the State of Colorado.

Principles of Consolidation

The consolidated financial statements include the accounts of Starpoint and the Foundation because Starpoint has both control and an economic interest in the Foundation, as Starpoint's board of directors has the power to appoint a majority of the directors of the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "Starpoint."

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. Starpoint 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 Starpoint 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.

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 Starpoint's corporate existence.

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

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less are considered to be cash and cash equivalents.

Receivables and Credit Policies

Accounts receivables are uncollateralized patient and third-party payor obligations, primarily amounts due from the State of Colorado for services provided to individuals under Medicaid. The carrying amount of patient accounts receivable is reduced by a valuation allowance that reflects an estimate of amounts that will not be collected from patients and third-party payors. Starpoint reviews patient receivables by payor class to determine these estimates, taking into consideration historical write-off and recovery information. When an account is determined to be uncollectible, it is written off. Starpoint's accounts receivable as of July 1, 2019 were \$1,417,902.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2020.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor (or grantor) imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Starpoint reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is reported at the amount that reflects the consideration to which Starpoint expects to be entitled in exchange for providing services. Starpoint's revenue consists primarily of funds received from Medicaid and other services, proceeds from mill levies in Fremont County, miscellaneous smaller grants and awards from federal, state and municipal sources. Generally, Starpoint bills individuals and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on when related services are performed. Starpoint believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Fees for services from governmental agencies relate to program services that are paid by Medicaid and other payors. Starpoint determines the transaction price based on standard charges for services provided, which are set by the State. Program revenue received in advance is deferred to the applicable period in which the related services are performed. These deferred revenues will be recognized in the periods in which the related services are performed. Residential room and board is recognized in the month in which it is earned rather than received.

Contributions and grants 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, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. At June 30, 2020, there were no conditional promises to give.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to Starpoint's program services, management and general, and public relations and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Starpoint's records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were donated during the years ended June 30, 2020.

Functional Allocation of Expense

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributed 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 depreciation, materials and supplies, and others which are allocated on office or department use, as well as salaries and wages, benefits, payroll taxes, professional services, facilities and equipment rental, dues and subscriptions, information technology, marketing, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

Starpoint and Starpoint Foundation are organized as Colorado nonprofit corporations and have been recognized by the Internal Revenue Services (IRS) as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Section 170(b)(1)(A)(ii) and have been determined not to be private foundations under Sections 509(a)(1) and (3) respectively. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. Management has determined that neither entity is subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that it has appropriate support for any tax positions taken affecting the annual filing requirements, and as such, does not have uncertain tax positions that are material to the consolidated financial statements. The entities would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such penalties and interest are incurred.

Estimates

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

Starpoint manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, Starpoint has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and individuals supportive of Starpoint's mission.

New Accounting Pronouncements – Revenue from Contracts with Customers

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenues from Contracts with Customers (Topic 606)*. The guidance provides a principles-based approach for determining revenue recognition and supersedes all existing guidance, such as current transaction and industry-specific revenue recognition guidance. The core principle of Topic 606 is that an entity will recognize revenue to depict the transfer of good or services to customers in amounts that reflect the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. Topic 606 identifies a five-step process in order to recognize revenue. In addition, there is also more comprehensive guidance for transactions such as service revenue, contract modifications and multiple-element arrangements. Starpoint implemented this standard for the year beginning July 1, 2019. The effect of applying the provisions of this standard does not have a material impact on the amounts presented or disclosed.

COVID-19

Starpoint has been negatively impacted by the effects of the world-wide coronavirus pandemic. Management is closely monitoring the operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. During 2020, no programs have been permanently closed as a result of the pandemic..

Note 2 - Liquidity and Availability

Starpoint operates on a balanced budget, and regularly monitor liquidity to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date of June 30, 2020, comprise the following:

Cash and cash equivalents	\$ 4,081,802
Accounts receivable	<u>1,197,248</u>
	<u>\$ 5,279,050</u>

Note 3 - Paycheck Protection Program (PPP) Loan

Starpoint was granted a \$1,918,462 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. Starpoint is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Starpoint has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. Starpoint initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if Starpoint maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. Starpoint will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notice of non-forgiveness. Principal and interest payments will be required through the maturity date, May 6, 2022. The terms of the loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The loan may be accelerated upon the occurrence of an event of default. Subsequent to year end, Starpoint received forgiveness for the PPP loan.

Note 4 - Fees and Grants from Governmental Agencies

Amounts due from governmental agencies are as follows at June 30, 2020:

State of Colorado	
General Fund	\$ 2,997
Medicaid	827,784
Other	365,787
	<u>1,196,568</u>
Fremont County/El Paso County	680
	<u>\$ 1,197,248</u>

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30, 2020:

Land	\$ 872,042
Building and improvements	5,138,916
Equipment	215,027
Vehicles	1,010,412
	<u>7,236,397</u>
Less accumulated depreciation	<u>(3,490,081)</u>
	<u>\$ 3,746,316</u>

Note 6 - Retirement Plan

Starpoint sponsors a pension plan (the Plan) in which all employees are eligible to participate. The Plan includes voluntary contributions made by employees. Starpoint does not contribute to the plan.

Note 7 - Self-Insured Employee Health Plan

Starpoint's employee health benefit coverage consists of a self-insured medical plan. As of June 30, 2020 Starpoint has recorded a liability of approximately \$143,000, which represents the estimated amount of medical claims incurred but not reported as of year-end. This liability is included in accounts payable and accrued liabilities in the consolidated statement of financial position. Claims are filed directly with a third-party administrator (TPA) for processing. The TPA dispenses funds to and on behalf of participants for covered medical claims. Starpoint carries specific stop-loss insurance coverage for payment of eligible participant claims in excess of certain limits. The individual stop-loss claim deductible per participant is \$90,000 with a \$22,000 aggregate stop-loss limit as of June 30, 2020.

Note 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2020 consist of the following:

Home Visitation	\$	66,000
SPIN centers		26,000
Family resources		25,000
SEP contract		20,808
Other		95,569
		<hr/>
	\$	<u>233,377</u>

Note 9 - Restatement

During the year ended June 30, 2020, management became aware that accrued vacation for employees was not recorded in the previously issued financial statements, requiring a restatement of \$326,583. As a result of the restatement, net assets without donor restrictions as of June 30, 2019 of \$5,886,587 were restated by \$326,583 as of year ended June 30, 2019.

Note 10 - Subsequent Events

As noted in Note 3, Starpoint received forgiveness of the PPP loan subsequent to year end. Management has evaluated subsequent events through February 22, 2022, the date the financial statements were available to be issued.