



**DEVELOPMENTAL OPPORTUNITIES
dba STARPOINT**

Consolidated Financial Statements

For The Year Ended June 30, 2021

And

Independent Auditors' Report

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2021	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards For The Year Ended June 30, 2021	13
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON THE AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	15
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	17
Schedule of Findings And Questioned Costs For The Year Ended June 30, 2021	20
Summary Schedule of Prior Audit Findings For The Year Ended June 30, 2021	25

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Developmental Opportunities dba Starpoint (Starpoint), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 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 Starpoint as of June 30, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 May 25, 2023 on our consideration of the 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

Stockman Kast Ryan + Co. LLP

May 25, 2023

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 4,208,302
Fees and grants receivable from government agencies	<u>1,740,223</u>
Total current assets	5,948,525

PROPERTY AND EQUIPMENT, NET	<u>3,702,306</u>
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TOTAL ASSETS	<u><u>\$ 9,650,831</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 1,003,092
Paycheck Protection Program - refundable advance	<u>1,918,462</u>
TOTAL LIABILITIES	<u>2,921,554</u>

NET ASSETS

Without donor restriction:

Undesignated	2,642,452
Invested in property and equipment	<u>3,702,306</u>

Total without donor restriction	6,344,758
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With donor restriction	<u>384,519</u>
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TOTAL NET ASSETS	<u>6,729,277</u>
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TOAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,650,831</u></u>
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See notes to consolidated financial statements.

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Fees for services from governmental agencies:			
Medicaid	\$ 7,236,295		\$ 7,236,295
State of Colorado	1,147,073	\$ 659,242	1,806,315
Other	98,508		98,508
Grants from governmental agencies:			
Fremont County	280,244		
Total from governmental agencies	8,762,120	659,242	9,141,118
Early Head Start	846,106		846,106
Residential room and board	638,436		638,436
Adult services	259,345		259,345
Preschool and daycare	189,478		189,478
Stimulus funding	170,000		170,000
Public support- contributions	63,272		63,272
Net assets released from restrictions	508,100	(508,100)	
Other revenue	(488,198)		(488,198)
TOTAL REVENUE AND SUPPORT	10,948,659	151,142	10,819,557
EXPENSES			
Program services	10,380,509		10,380,509
Supporting services			
Management and general	617,823		617,823
Public relations and fundraising	61,624		61,624
TOTAL EXPENSES	11,059,956	—	11,059,956
CHANGE IN NET ASSETS	(111,297)	151,142	39,845
NET ASSETS, Beginning of year	5,817,619	233,377	6,050,996
NET ASSETS, End of year	\$ 5,706,322	\$ 384,519	\$ 6,090,841

See notes to consolidated financial statements.

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Support Services			
	Adult Services	Children and Family Services	Case Management	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Wages and benefits	\$ 5,177,794	\$ 1,797,381	\$ 73,121	\$ 7,048,296	\$ 332,435	\$ 43,768	\$ 376,203	\$ 7,424,499
Fees for services	1,024,138	55,547	4,457	1,084,142	100,958	273	101,231	1,185,373
Payroll taxes	294,098	104,868	17,166	416,132	32,562	2,799	35,361	451,493
Occuancy	361,540	54,172	8,436	424,148	14,319	1,845	16,164	440,312
Bank fees	161,247	37,217	9,776	208,240	15,646		15,646	223,886
Bad debt	207,735			207,735				207,735
Food	112,097	61,702		173,799				173,799
Office	63,615	42,118	5,020	110,753	47,306	5,932	53,238	163,991
Depreciation and amortization	66,347	38,122	7,290	111,759	46,726		46,726	158,485
Childcare expense		120,314		120,314				120,314
Equipment and supplies	44,437	14,271	11,553	70,261	22,962		22,962	93,223
Respite care and emergency funds		91,518		91,518				91,518
Vehicle maintenance and repair	67,740	286	187	68,213				68,213
Travel	28,001	15,162	1,952	45,115	452	116	568	45,683
Insurance	36,475	5,839	103	42,417	1,376	338	1,714	44,131
Staff development and training	18,335	20,228	784	39,347	453		453	39,800
Advertising and promotion	2,086	20,080	2,519	24,685	2,071	6,524	8,595	33,280
Other	78,590	7,195	7,850	93,635	557	29	586	94,221
TOTAL	\$ 7,744,275	\$ 2,486,020	\$ 150,214	\$ 10,380,509	\$ 617,823	\$ 61,624	\$ 679,447	\$ 11,059,956
PERCENT OF TOTAL	70%	22%	1%	93%	6%	1%	7%	100%

See notes to consolidated financial statements.

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

OPERATING ACTIVITIES

Change in net assets	\$ 678,281
Adjustments to reconcile change in net assets to net cash provided to operating activities:	
Depreciation	158,485
Changes in operating assets and liabilities:	
Fees and grants due from governmental agencies	(542,975)
Prepaid expenses and other assets	148,650
Accounts payable and accrued expenses	(172,018)
Deferred revenue	<u>(29,448)</u>
Net cash provided by operating activities	<u>240,975</u>

INVESTING ACTIVITIES

Net cash used in investing activities —	
Purchase of property and equipment	<u>(114,475)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 126,500

CASH AND CASH EQUIVALENTS, Beginning of year 4,081,802

CASH AND CASH EQUIVALENTS, End of year \$ 4,208,302

See notes to consolidated financial statements.

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Developmental Opportunities 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 2021, Starpoint expanded its operations to include Alamosa and Saguache County. In September 2003, the Developmental Opportunities Foundation (the 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, 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) is used to supplement already available supports for those adults who either live independently with limited support or need extensive support and 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, 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 from birth 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's 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, 2021 were \$1,740,223.

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 year ended June 30, 2021.

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, 2021, 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 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 year ended June 30, 2021.

Functional Allocation of Expense - The costs of program and supporting services have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement 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 the 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, 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.

Subsequent Events - Starpoint has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

Starpoint operates on a balanced budget and regularly monitors 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, 2021, comprise the following:

Cash and cash equivalents	\$ 4,208,302
Fees and grants receivable	<u>1,740,223</u>
Total	<u>\$ 5,948,525</u>

3. PAYCHECK PROTECTION PROGRAM (PPP)

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 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, 2021. Subsequent to year end, Starpoint received forgiveness for the PPP loan.

4. FEES AND GRANTS FROM GOVERNMENT AGENCIES

Amounts due from governmental agencies are as follows at June 30, 2021:

Medicaid	\$ 705,961
Grants	726,942
Other	<u>307,320</u>
Total	<u>\$ 1,740,223</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2021:

Land	\$ 872,042
Building and improvements	5,139,404
Equipment	282,801
Vehicles	<u>1,054,793</u>
Total	7,349,040
Less accumulated depreciation	<u>(3,646,734)</u>
Total property and equipment	<u>\$ 3,702,306</u>

6. EMPLOYEE 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.

7. SELF-INSURED EMPLOYEE HEALTH PLAN

Starpoint's employee health benefit coverage consists of a self-insured medical plan. As of June 30, 2021 Starpoint has recorded a liability of approximately \$174,876, 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 \$50,000 with no aggregate stop-loss limit as of June 30, 2021.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisting of amounts restricted for SEP Contract at June 30, 2021 were \$384,519.

DEVELOPMENTAL OPPORTUNITIES
dba STARPOINT

COMPLIANCE SECTION

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

Federal Agency/Pass-Through Grantor and Cluster or Program	Federal CFDA Number	Amount Expended
Department of Health and Human Services:		
Direct Funding:		
Early Head Start	93.600	\$ 768,794
Passed Through Colorado Department of Public Health and Environment:		
Medical Assistance Program	93.778	372,555
Passed Through Colorado Department of Human Services:		
Promoting Safe and Stable Families Program	93.556	18,936
Passed Through Colorado Department of Public Health and Environment:		
Community Based Child Abuse Prevention	93.590	<u>12,940</u>
Total Department of Health and Human Services		1,173,225
Department of Agriculture:		
Passed Through Colorado Department of Public Health and Environment:		
Child and Adult Food Program	10.558	37,937
Department of Education:		
Passed Through Colorado Department of Human Services:		
Infants and Toddlers With Disabilities	84.181	<u>60,086</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 1,271,248</u>

(Continued)

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

NOTES TO SCHEUDLE:

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards (the schedule) includes the Federal award activity of Developmental Opportunities dba Starpoint (Starpoint) under programs of the Federal government for the year ended June 30, 2021. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of Starpoint, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of Starpoint.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule are reported on the accrual basis of accounting. No Federal financial assistance has been provided to a subrecipient. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

Starpoint does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

4. PROVIDER RELIEF FUNDS

Starpoint received amounts from the U.S. Department of Health and Human Services (HHS) through the Provider Relief Fund (PRF) program (Federal Financial Assistance Listing/CFDA #93.498) during the year ended June 30, 2021. The Organization did not incur eligible expenditures and, therefore, did not recognize revenues for the year ended June 30, 2021 in the consolidated financial statements. In accordance with the compliance supplement addendum, Starpoint has not yet recognized any PRF expenditures on the schedule based on the reporting to HHS for the period ending June 30, 2021, as required under the PRF program. These expenditures will be included in Starpoint's fiscal year 2022 schedule.

(Concluded)

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

The Board of Directors
Developmental Opportunities 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 consolidated financial statements of Developmental Opportunities dba Starpoint (Starpoint), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated, May 25, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Starpoint's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002 and 2021-003, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Starpoint's consolidated 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 consolidated financial statements. 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*.

Starpoint's Response to Findings

Starpoint's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Starpoint's responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

Stockman Kast Ryan + Co. LLP

May 25, 2023

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

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

Report on Compliance for Each Major Federal Program

We have audited Developmental Opportunities dba Starpoint's (Starpoint) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Starpoint 's major federal programs for the year ended June 30, 2021. The Starpoint 's major Federal programs were 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, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditors' 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 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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and are described in the accompanying schedule of findings and questioned costs as items 2021-004 through 2021-006. Our opinion on Starpoint's Early Head Start program is not modified with respect to these matters. Starpoint's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Starpoint's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

Management of the 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 the 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2021-004 through 2021-006 that we consider to be significant deficiencies.

Purpose of This Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Stockman Kast Ryan + Co. LLP

May 25, 2023

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

SECTION I – SUMMARY OF AUDITORS' RESULTS

CONSOLIDATED FINANCIAL STATEMENTS

1. Type of auditors' report issued was:

☒ Unmodified ☐ Modified ☐ Adverse ☐ Disclaimed

2. Internal control over financial reporting:

(A) Material weakness(es) identified? ☒ Yes ☐ No
(B) Significant deficiency(ies) identified? ☐ Yes ☒ No

3. Non-compliance material to the consolidated financial statements noted?

☐ Yes ☒ No

FEDERAL AWARDS

1. Internal control over major programs:

(A) Material weakness(es) identified? ☐ Yes ☒ No
(B) Significant deficiency(ies) identified? ☒ Yes ☐ No

2. Type of auditors' report issued on compliance for major Federal programs:

☒ Unmodified ☐ Modified ☐ Adverse ☐ Disclaimed

3. Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?

☒ Yes ☐ No

4. Starpoint's major Federal programs were:

<u>CFDA Number</u>	<u>Cluster/Program</u>
93.600	Early Head Start

5. Dollar threshold used to distinguish between Type A and Type B programs was \$750,000.

6. Starpoint qualified as a low-risk auditee? ☐ Yes ☒ No

(Continued)

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – CONSOLIDATED FINANCIAL STATEMENT FINDINGS

2021-001 Preparation of Consolidated Financial Statements

Criteria – A properly designed system of internal control over financial reporting includes preparation of an entity's consolidated financial statements and accompanying notes, by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the consolidated financial statements in accordance with U.S generally accepted accounting principles (GAAP).

Condition – Starpoint does not have an internal control system designed to provide for the preparation of consolidated financial statements being audited, including related disclosures and preparation of the consolidated cash flow statement in accordance with GAAP.

Cause – This deficiency is partially due to the limited resources in the financial reporting process due to budgetary constraints. Furthermore, management has elected to have the consolidated financial statements and footnotes prepared by the auditors as part of the audit.

Effect – This control deficiency could result in required information being omitted from the consolidated financial statements.

Recommendation – We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the consolidated financial statements and SEFA internally. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – Management agrees and accepts the risk associated with assistance with the preparation of the consolidated financial statements by the independent auditor. Due to cost constraints, management will continue to have the auditors draft the consolidated financial statements and accompanying notes to the consolidated financial statements.

2021-002 Lack of Reconciliation of Various Bank Accounts

Criteria – A good system of internal control involves timely reconciliation of all bank accounts.

Condition – Several bank accounts were not reconciled timely and did not agree to the preliminary trial balance.

(Continued)

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – CONSOLIDATED FINANCIAL STATEMENT FINDINGS

Cause – Starpoint does not have a process to ensure monthly reconciliation of all bank accounts. A process for reconciling cash on a monthly basis would allow for a more accurate tracking of the cash position and identify errors, allowing management to make the most informed decisions for the Starpoint.

Effect – Without a timely reconciliation of cash throughout the year, management may not have the most accurate consolidated financial statements to use in making important decisions relating to the operations of the Starpoint. These decisions could affect the overall operations of the Starpoint.

Recommendation – We recommend that management adopt internal processes that allow for the reconciliation of cash throughout the year in order to present the most accurate consolidated financial statements.

Views of Responsible Officials – Management agrees and accepts the finding and will review current procedures to determine the best option for the Starpoint to reconcile cash on a timely basis throughout the year.

2021-003 Material Audit Adjustments

Criteria – A good system of internal control contemplates an adequate system for recording and processing adjusting journal entries material to the consolidated financial statements.

Condition – As part of our audit, we proposed material audit adjustments to the consolidated financial statements that were not detected by management.

Cause – This deficiency is due to the limited resources in the financial reporting process due to budgetary constraints, turnover of personnel during the close process and lacking consistent reconciliation procedures which would detect and allow for the correction of these errors.

Effect – The control deficiency resulted in misstatements to the consolidated financial statements that were not prevented or detected and corrected by internal personnel. We also recognize turnover of personnel in the financial reporting function subsequent to year end also inhibited the Starpoint's ability to fully reconcile accounts and post adjustments to the Starpoint's financial records prior to the commencement of the audit.

Recommendation – We recommend that management review operating procedures, including month-end and year-end closing processes, to ensure that accounts are reconciled, and necessary adjustments are recorded by management prior to the audit.

Views of Responsible Officials – Management accepts and agrees with the finding and will identify the necessary journal entries and develop a process to record these entries accurately and timely.

(Continued)

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference Number	Finding	Questioned Costs
2021-004	<p><i>Criteria or Specific Requirement</i> – Management is responsible for properly approving employee time cards.</p> <p><i>Condition</i> – Evidence of approval of employee timecards or invoice was not maintained by management.</p> <p><i>Cause</i> – Evidence of approval was not maintained due to internal procedures not being followed where supporting documentation did not have indication of approval.</p> <p><i>Recommendation</i> – We recommend that management review procedures and change as necessary to ensure all expenditures are approved and evidence is maintained to support the approvals.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – Management understands and agrees with this finding. Policies are being reviewed and new procedures put in place, as needed, to ensure documentation of proper authorization and compliance.</p>	None
2021-005	<p><i>Criteria or Specific Requirement</i> – Management is responsible for maintaining supporting documentation for expenses.</p> <p><i>Condition</i> – Supporting documentation for expenses was not maintained.</p> <p><i>Cause</i> – Supporting documentation was not maintained due to internal procedures not being followed.</p> <p><i>Recommendation</i> – We recommend that management review procedures and change as necessary to ensure all supporting documentation is maintained to support the expenses.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – Management understands and agrees with this finding. Policies are being reviewed and new procedures put in place as needed to ensure documentation is maintained.</p>	None

(Continued)

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference Number	Finding	Questioned Costs
2021-006	<p><i>Criteria or Specific Requirement</i> – Management is required to submit Quarterly and Annual Financial Status Reports (SF-425) and Quarterly Real Property Status (SF-429) in a timely manner.</p> <p><i>Conditions</i> – Some reports were not submitted by the date they were due.</p> <p><i>Context</i> – During our testing of reporting, we noted that there were no controls in place to ensure reports are submitted on time.</p> <p><i>Cause</i> – Procedures were not in place to ensure the timely submission of the Quarterly and Annual Financial Status Reports.</p> <p><i>Effect</i> – In certain instances, reports were not received by Federal officials in a timely manner. We found that Q4 SF-429, due on October 30, 2021, was submitted, untimely, on December 15, 2022. We also found that Q4 SF-429, due on October 30, 2021, was submitted, untimely, on February 29, 2022.</p> <p><i>Recommendation</i> – We recommend that management ensure that controls are in place to ensure that reports are submitted on time.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – A calendar reminder has been set up in Outlook to begin 10 days prior to the submission deadline of each quarterly SF-425 report.</p>	None

(Concluded)

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2021

SECTION I – FINANCIAL STATEMENT FINDINGS

Reference Number	Finding	Questioned Costs
2020-001	<p><i>Condition</i> – Starpoint does not have an internal control system designed to provide for the preparation of consolidated financial statements and SEFA being audited, including related disclosures and preparation of the consolidated cash flow statement in accordance with GAAP.</p> <p><i>Recommendation</i> – We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the consolidated financial statements and SEFA, internally. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.</p> <p><i>Status</i> — Management agrees and accepts the risk associated with assistance with the preparation of the consolidated financial statements and SEFA by the independent auditor. However, during our audit, we noted conditions continued to exist.</p>	None
2020-002	<p><i>Condition</i> – The main operating bank account was not reconciled timely for a substantial portion of the fiscal year 2020 and was not brought up to date until several months after year end.</p> <p><i>Recommendation</i> – We recommend that management adopt internal processes that allow for the reconciliation of cash throughout the year in order to present the most accurate consolidated financial statements.</p> <p><i>Status</i> — Management agrees and accepts the risk associated with assistance with the preparation of the audited consolidated financial statements by the independent auditor. However, during our audit, we noted conditions continued to exist.</p>	None

(Continued)

DEVELOPMENTAL OPPORTUNITIES dba STARPOINT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2021

SECTION I – FINANCIAL STATEMENT FINDINGS

Reference Number	Finding	Questioned Costs
2020-003	<p><i>Condition</i> – As part of our audit, we proposed material audit adjustments to the financial statements that were not detected by management.</p> <p><i>Recommendation</i> – As part of our audit, we proposed material audit adjustments to the financial statements that were not detected by management.</p> <p><i>Status</i> – Management accepts and agrees with the finding and will identify the necessary journal entries and develop a process to record these entries accurately and timely. However, during our audit we noted conditions continued to exist.</p>	None

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reportable.

(Concluded)