Developmental Disabilities Resource Center

DDRC *www.ddrcco.com*

*Helping **PEOPLE** with mental retardation, cerebral palsy, Down syndrome, autism ….*

11177 W. 8th Avenue, Suite 300 Lakewood, CO 80215-5503 303.233.3363 FAX 303.233.4622

Dear Reader,

Attached you will find the Developmental Disabilities Resource Center (DDRC) Financial Statement Audit for the fiscal year ended June 30, 2010. DDRC is required to have an annual financial statement audit conducted by an independent certified public accountant. Their audit is conducted in accordance with auditing standards generally accepted in the United States of America as established by Auditing Standards Board of the American Institute of Certified Public Accountants. The audit has been reviewed by the Finance Committee of DDRC with a partner of Logan, Thomas & Johnson LLC, our independent certified public accounting firm. The audit has also been presented to the full Board of Directors.

In the interest of disclosure to the public, DDRC has voluntarily chosen to post our audit on our website.

Non-profit accounting can be a very complicated subject. If during your review of DDRC's audited financial statements there are questions please feel free to contact myself for additional clarification.

Sincerely,

Robert A. DeHerrera, CPA
DDRC CFO
robert.deherrera@ddrcco.com
(303) 462-6511

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Developmental Disabilities Resource Center and Affiliates

June 30, 2010

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Logan, Thomas & Johnson, LLC
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Developmental Disabilities Resource Center

We have audited the accompanying consolidated statement of financial position of Developmental Disabilities Resource Center and Affiliates (the Center) as of June 30, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's 2009 financial statements, and in our report dated December 9, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Developmental Disabilities Resource Center and Affiliates as of June 30, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
November 4, 2010

5023 W. 120th Ave., #165, Broomfield, CO 80020

Calvin Logan	Jan Thomas	Pauline Johnson
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Consolidated Financial Statements

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2010
(With summarized financial information for June 30, 2009)

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,667,695	$ 7,014,752
Certificates of deposit	1,043,769	1,028,244
Accounts receivable		
Fees and grants from governmental agencies, net of allowances of $25,904	4,954,803	5,850,068
Workshop contracts, net of allowances of $4,126	30,436	56,273
Other	304,306	129,927
Prepaid expenses and other	600,006	462,047
Total current assets	16,601,015	14,541,311
Certificates of deposits - designated compensation reserve	352,288	257,830
Deferred loan issuance costs, net of accumulated amortization of $158,107	76,010	86,083
Land, building and equipment, net	12,228,723	12,689,300
	$ 29,258,036	$ 27,574,524
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 2,210,398	$ 2,510,372
Accrued expenses	2,274,473	1,656,899
Deferred revenue	433,968	10,715
Current portion of long-term debt	474,662	454,500
Total current liabilities	5,393,501	4,632,486
Long-term debt, net of current portion	4,159,375	4,634,036
Total liabilities	9,552,876	9,266,522
Net assets		
Unrestricted		
Designated for compensation reserve	352,288	257,830
Designated for program activities	672,112	672,037
Net investment in land, building and equipment	4,872,052	4,789,451
Undesignated	10,402,268	8,999,078
Total unrestricted	16,298,720	14,718,396
Temporarily restricted	607,796	692,210
Permanently restricted	2,798,644	2,897,396
	19,705,160	18,308,002
	$ 29,258,036	$ 27,574,524

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2010
(With summarized financial information for the year ended June 30, 2009)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2010	Total 2009
Fees and grants from governmental agencies					
Fees for services					
State of Colorado					
State General Fund					
Comprehensive	$ 278,382	$ -	$ -	$ 278,382	$ 409,697
Adult supported living	770,395	-	-	770,395	835,116
Children and families	1,929,405	-	-	1,929,405	2,063,546
Medicaid					
Comprehensive	22,022,921	-	-	22,022,921	22,571,705
Adult supported living	5,507,783	-	-	5,507,783	6,248,197
Children's extensive support	776,201	-	-	776,201	953,057
Elderly, blind or disabled	145,335	-	-	145,335	127,180
Part C	132,179	-	-	132,179	493,222
ARRA	305,589	-	-	305,589	-
Jefferson County	7,066,983	-	-	7,066,983	7,584,653
Grants and other					
Department of Housing and Urban Development	187,920	-	-	187,920	162,888
Other	46,153	-	-	46,153	10,000
Total fees and grants from governmental agencies	39,169,246	-	-	39,169,246	41,459,261
Public support - donations	-	92,400	-	92,400	169,748
In-kind donations	9,950			9,950	-
Vocational - workshops	265,547	-	-	265,547	321,298
Residential room and board	1,481,480	-	-	1,481,480	1,287,339
Other client fees	341,799	-	-	341,799	319,642
Interest	29,450	6,120	-	35,570	66,421
Other revenue	896,239	-	-	896,239	902,187
Net assets released from restrictions					
Satisfaction of program restrictions	139,008	(182,934)	43,926	-	-
Depreciation of restricted assets	142,678	-	(142,678)	-	-
Total support and revenue	42,475,397	(84,414)	(98,752)	42,292,231	44,525,896

(Continued)

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
Year ended June 30, 2010
(With summarized financial information for the year ended June 30, 2009)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2010	Total 2009
Expenses					
Program services					
State comprehensive	$ 328,992	$ -	$ -	$ 328,992	$ 324,129
Medicaid comprehensive	23,290,971	-	-	23,290,971	24,250,223
State adult supported living	546,564	-	-	546,564	599,299
Medicaid adult supported living	4,637,623	-	-	4,637,623	5,574,911
Children's extensive support	541,808	-	-	541,808	749,747
Early intervention	1,513,192	-	-	1,513,192	1,379,474
Family support	801,960	-	-	801,960	790,707
Case management	3,372,288	-	-	3,372,288	3,251,569
Other program services	2,271,606	-	-	2,271,606	2,610,881
Total program services	37,305,004	-	-	37,305,004	39,530,940
Supporting services					
Management and general	3,404,112	-	-	3,404,112	3,286,992
Development	185,957	-	-	185,957	186,616
Total supporting services	3,590,069	-	-	3,590,069	3,473,608
Total expenses	40,895,073	-	-	40,895,073	43,004,548
CHANGE IN NET ASSETS	1,580,324	(84,414)	(98,752)	1,397,158	1,521,348
Net assets, beginning of year	14,718,396	692,210	2,897,396	18,308,002	16,786,654
Net assets, end of year	$ 16,298,720	$ 607,796	$ 2,798,644	$ 19,705,160	$ 18,308,002

The accompanying notes are an integral part of this statement.

Developmental Disabilities Resource Center and Affiliates
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended June 30, 2010
(With summarized financial information for the year ended June 30, 2009)

	2010	2009
Cash flows from operating activities		
Change in net assets	$ 1,397,158	$ 1,521,348
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	881,905	835,107
Gain on disposition of land, building and equipment	(16,200)	(5,610)
Re-investment of interest in certificates of deposit	(23,498)	(30,556)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	746,723	(1,331,387)
Increase in prepaid expenses and other	(137,959)	(68,381)
Increase in accounts payable and accrued expenses	317,600	453,027
Increase in deferred revenue	423,253	3,147
Net cash provided by operating activities	3,588,982	1,376,695
Cash flows from investing activities		
Purchase of land, building and equipment	(411,255)	(1,073,097)
Proceeds from disposition of assets	16,200	5,610
Purchase of certificates of deposit	(521,478)	-
Proceeds from redemption of certificates of deposit	434,993	-
Net cash used in investing activities	(481,540)	(1,067,487)
Cash flows from financing activities		
Payments on notes payable	(454,499)	(654,639)
Proceeds from notes payable	-	230,000
Net cash used in financing activities	(454,499)	(424,639)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,652,943	(115,431)
Cash and cash equivalents, beginning of year	7,014,752	7,130,183
Cash and cash equivalents, end of year	$ 9,667,695	$ 7,014,752
Supplemental data		
Cash paid for interest	$ 145,027	$ 233,028

The accompanying notes are an integral part of this statement.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Developmental Disabilities Resource Center and Affiliates (the Center) is presented to assist in understanding the Center's financial statements.

1. *Principles of Consolidation*

   The consolidated financial statements of Developmental Disabilities Resource Center includes its affiliates, Jefferson County Community Center Housing Corporation (HUD I) and Jefferson County Community Center Housing Corporation II (HUD II). Significant intercompany accounts and transactions have been eliminated.

2. *Summary of Business Activities*

   Developmental Disabilities Resource Center, f.k.a. Jefferson County Community Center for Developmental Disabilities, Inc. was incorporated under the laws of the State of Colorado in 1964 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 Jefferson, Clear Creek, Summit and Gilpin Counties. The Center's revenue comes primarily from the State of Colorado for services provided and from mill levy revenue from Jefferson County.

3. *Description of Services Provided*

   The major program services or supports and functional activities directly provided or purchased by the organization are:

   Program Services or Supports

   <u>Comprehensive</u> (State and Medicaid) refers to residential services, adult day services or supports and transportation activities as specified in the Individualized Plan. Included are a number of different types of residential settings, which provide an array of training, learning, experiential and support activities provided in residential living alternatives designed to meet individual needs. Additionally, adult day services provide opportunities for individuals to experience and actively participate in valued roles in the community. These services and supports enable individuals to access and participate in typical community activities such as work, recreation, and senior citizen activities. Finally, transportation activities refer to "Home to Day Program transportation" services relevant to an individual's work schedule as specified in the Individualized Plan. For these purposes, "work schedule" is defined broadly to include adult and retirement activities such as education, training, community integration and employment.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

Adult Supported Living (State and Medicaid) provides individualized living services for persons who are responsible for their own living arrangements in the community.

Children's Extensive Support is a deeming waiver (only the child's income is considered in determining eligibility) intended to provide needed services and supports to eligible children under the age of 18 years in order for the children to remain in or return to the family home. Waiver services are targeted to children having extensive support needs which require constant line-of-sight supervision due to significantly challenging behaviors and/or coexisting medical conditions. Available services include personal assistance, household modification, specialized medical equipment and supplies, professional services, and community connection services.

Early Intervention is for children from birth through age two which offer infants and toddlers and their families services and supports to enhance child development in the areas of cognition, speech, communication, physical, motor, vision, hearing, social-emotional development, and self help skills; parent-child or family interaction; and early identification, screening and assessment services.

Family Support 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, which is unwanted by the person or the family.

Case Management is the determination of eligibility for services and supports, service and support coordination, and the monitoring of all services and supports delivered pursuant to the Individualized Plan, and the evaluation of results identified in the Individualized Plan.

Other Program Services include services provided under a number of different grants, as well as the operation of the Margaret Walter and Robert Weiland Centers.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. *Description of Services Provided (Continued)*

Supporting Services (Continued)

Development helps diversify the resources available to the Center and to people with developmental disabilities by writing grants, encouraging donations, supporting fund-raising efforts, recruiting and managing volunteers, and building a variety of opportunities through connections in the communities.

4. *Basis of Accounting*

Financial statements of the Center have been prepared on the accrual basis, whereby support and revenue are recorded when services are performed and expenses are recognized when incurred.

5. *Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent 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.

6. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through November 4, 2010, the date on which the financial statements were issued. Other than the transaction disclosed in Note H, the Center did not identify any events or transactions that would have a material impact on the financial statements.

7. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Center considers all cash on hand and cash on deposit, subject to immediate withdrawal, money market funds, and certificates of deposit with an original maturity of three months or less, to be cash equivalents.

The Center maintains some of its cash balances in several different financial institutions located in the Denver, Colorado metropolitan area, which at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. *Accounts Receivable*

The majority of the Center's accounts receivable are due from the State of Colorado. Accounts receivable are due according to contractual terms and are stated at the amounts management expects to collect from outstanding balances. The Center determines its allowance by considering a number of factors, including the length of time accounts receivable are past due and the Center's previous collection history. The Center writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are recorded as revenue.

9. *Certificates of Deposit*

Certificates of deposit consist of four individual certificates with interest rates between 0.16% and 1.40% and maturity dates between September 2010 and June 2012.

Designated certificates of deposit consist of two individual certificates, representing collateral for letters of credit (Note H), with interest rates of 1.20% and 1.40% and maturity dates of September 2010 and June 2012, respectively.

The Center maintains its certificates of deposit in several different financial institutions located in the Denver, Colorado metropolitan area, which at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on certificates of deposit.

10. *Land, Building and Equipment*

Land, building and equipment are reported at cost for purchased assets and estimated value, at date of receipt, for donated property. Depreciation and amortization are provided on the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	10 – 40
Administrative and program equipment	3 – 20
Transportation equipment	3 – 10

11. *Revenue Recognition*

Revenues are recognized when services are performed. The Center receives certain revenue for which if it does not spend all the revenue in the current year and the Center has met certain control points, it is allowed to recognize five percent of the total original revenue and the remaining excess revenue is deferred to the next year.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. *In-kind Donations*

Contributions of property, materials and personal services are known as in-kind donations and are recorded at estimated value at date of receipt. These donations (other than contributions of land, building and equipment) are included as program costs to properly reflect the total cost of the particular program.

13. *Temporarily Restricted Revenue*

Donor restricted revenue, whose restrictions are currently satisfied in the same fiscal year, are reported as unrestricted revenue rather than temporarily restricted. Donor restricted contributions, whose restrictions are not currently met, are reflected as an increase to temporarily restricted net assets.

14. *Income Taxes*

The Center is operated as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Center recognizes tax liabilities when, despite the Center's belief that its tax return positions are supportable, the Center believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The Center has concluded there is no tax liability or benefit required to be recorded as of June 30, 2010.

15. *Prior Year Summarized Information*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center’s financial statements for the year ended June 30, 2009, from which the summarized information was derived.

16. *Reclassifications*

Certain financial information as of and for the year ended June 30, 2009, has been reclassified to conform with the presentation for the current year

NOTE B – FEES AND GRANTS FROM GOVERNMENTAL AGENCIES

Amounts receivable from governmental agencies are as follows at June 30, 2010:

State of Colorado		
General Fund	$	324,059
Medicaid, net of allowances of $25,904		3,957,937
Part C		38,510
ARRA		37,167
County		597,130
	$	4,954,803

NOTE C – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following at June 30, 2010:

Buildings and improvements	$	17,444,476
Administrative and program equipment		3,163,601
Transportation equipment		2,461,446
		23,069,523
Less accumulated depreciation and amortization		12,754,164
		10,315,359
Construction in progress		13,947
Land		1,899,417
	$	12,228,723

Depreciation expense was $871,833 for the year ended June 30, 2010.

NOTE D – LONG-TERM DEBT

Long-term debt consists of the following notes payable at June 30, 2010:

5.375% note payable, payable in monthly installments of $1,222 including interest, until maturity of September 1, 2012, collateralized by a residential facility	$	30,975
5.375% note payable, payable in monthly installments of $1,043 including interest, until maturity of October 1, 2012, collateralized by a residential facility		27,359
5.375% note payable, payable in monthly installments of $1,222 including interest, until maturity of October 1, 2012, collateralized by a residential facility		32,068

NOTE D – LONG-TERM DEBT (CONTINUED)

5.25% note payable, payable in monthly installments of $1,044, including interest, until maturity of July 1, 2013, collateralized by a residential facility	$ 35,538
Variable rate bond, interest payable monthly, principal payments due annually, until maturity on June 1, 2018, collateralized by a letter of credit (1)	2,645,000
Variable rate tax-exempt bond, interest payable monthly, principal payable annually, until maturity on July 1, 2018, collateralized by a letter of credit (1)	1,045,000
5.375% note payable, payable in monthly installments of $2,529 including interest, until maturity of June 1, 2020, collateralized by a residential facility	234,334
7.300% note payable, payable in monthly installments of $3,678 including interest, until maturity of December 1, 2022, collateralized by a residential facility	359,117
8.125% mortgage note payable to the Department of Housing and Urban Development, payable in monthly installments of $1,887 including principal and interest, due at maturity on September 1, 2030, collateralized by a residential facility	224,646
	4,634,037
Less current portion	474,662
	$ 4,159,375

(1) The Center participated in a composite bond financing through the Colorado Health Facilities Authority (CoHFA). The Center has two loans under this arrangement.

The first loan with a total outstanding balance at June 30, 2010, of $2,645,000 was issued with taxable interest to its holders. This loan was used for the purchase, finishing and equipping of a new central administration site, as well as the purchase of some residential facilities. After the loan issuance date, a portion of this loan was converted to a tax-exempt issue. As of June 30, 2010, the balance of the tax-exempt issue was $2,065,000, with an effective interest rate of approximately .66%. The taxable issue had a balance of $580,000, with an effective interest rate of approximately 2.48% as of June 30, 2010. The taxable issue will remain taxable until the Center either leases the unoccupied portion of the administration building to another 501(c)(3) organization or occupies that space.

The second loan with an outstanding balance at June 30, 2010, of $1,045,000 was used to refinance existing debt. This loan is entirely tax-exempt with an effective rate of approximately .70% at June 30, 2010.

NOTE D – LONG-TERM DEBT (CONTINUED)

CoHFA funded the loans through issuance of revenue bonds and assesses the Center $234,117 for its pro rata share of deferred loan costs. Deferred loan costs at June 30, 2010, net of accumulated amortization, are $76,010, which are being amortized over the life of the bonds.

These loans contain various debt covenants among which are the requirements to maintain a minimum balance in unrestricted net assets, minimum debt coverage ratios, and a minimum current ratio. The Center met its covenants at June 30, 2010.

These loans are secured by a letter of credit, which is renewed each year for the life of the loan. The letter of credit is set with a face value equal to the remaining outstanding balance of the loan plus 45 days of accrued interest. The Center's land and building act as collateral for the letter of credit. The Center is also responsible for paying a fee to the issuing bank of 1.0% per annum of the face value of the letter of credit.

Interest expense for the year ended June 30, 2010 was $146,476. Future maturities of notes payable at June 30, 2010, are as follows:

Year ending June 30,	
2011	$ 474,662
2012	500,075
2013	501,367
2014	505,881
2015	538,244
Thereafter	2,113,808
	$ 4,634,037

NOTE E – NET ASSETS

Board Designated

The Center has designated part of its unrestricted net assets in the amount of $672,112 for the purpose of continued support and evolution of the New Opportunities that bring Valuable Alternatives (NOVA) program, additional Home and Community Based service living environments and $352,288 for the purpose of an unemployment reserve and personal needs reserve.

NOTE E – NET ASSETS (CONTINUED)

Temporarily Restricted

Temporarily restricted net assets consist of the following at June 30, 2010:

Unexpended donations	
Administration	$ 10,120
Adult	322,342
GAP	73,673
Grants	43,096
Other	62,876
Recreation	64,615
Resource coordination	31,074
	$ 607,796

Permanently Restricted

Permanently restricted net assets of $2,798,644 as of June 30, 2010 are restricted as to the use of two school buildings. In 1991, the Center recorded the donation of two school buildings and land to be used for education of the developmentally disabled. Any other uses or disposition must be approved by the school district. The net book value of school buildings included in the building and improvements is $2,531,574 and the recorded book value of the land is $267,070.

NOTE F – LEASES

Lessee

The Center conducts a portion of its operations from leased facilities. The leases expire over the next year and are classified as operating leases. Future minimum rental payments for noncancelable operating leases are $95,970 at June 30, 2010.

Rental expense for the year ended June 30, 2010 was $253,804 which includes expenses related to several residential operating leases with terms on a month-to-month basis.

Lessor

The Center leases a portion of land adjacent to the Bruno building to a commercial enterprise. The lease was effective August 24, 1994 and is for a term of 20 years. Annual rental payments increase by approximately $5,000 every five years. The lessee has the option for two five-year extensions.

The Center also leases a portion of the administration building to various tenants.

NOTE F – LEASES (CONTINUED)

Future minimum rental receipts are as follows at June 30, 2010:

Year ending June 30,	
2011	$ 112,116
2012	80,636
2013	56,953
2014	56,953
2015	9,492
	$ 316,150

Rental income for the year ended June 30, 2010 approximated $176,000.

NOTE G – RETIREMENT PLAN

Defined Contribution Plan

The Center has adopted a defined contribution cash or deferred profit-sharing 401(k) Retirement Plan (the Plan) covering employees of the Center. Employees are eligible to participate in the Plan after completion of 1,000 hours and 12 months of eligible service, and are 21 years of age. The Plan provides normal retirement benefits at the age of 65. The Center may make a discretionary match to each eligible Participant's account. The Center determines the match percentage prior to the end of the Plan year. For the year ended June 30, 2010, the Center elected to match up to 3% of the participant's compensation. Participants may contribute from 1% to 20% of their compensation. Participants become fully vested after two years of eligible service. The Center's matching contributions were $299,087 for the year ended June 30, 2010.

Deferred Compensation Plan

The Center has a deferred compensation plan for a select group of management and highly compensated employees. Participants contribute a certain percentage of their salary to the Plan and the Center can make contributions to the Plan. The Center will distribute the balance of the participant's account following the first day of the third calendar month following the month in which the participant separates employment with the Center. The Center maintains accounts for the participants. The total amount in these accounts was $84,750 as of June 30, 2010. Deferred compensation contributions for the year ended June 30, 2010 were $16,500. No withdrawals had been made as of the year ended June 30, 2010.

NOTE H – COMMITMENTS AND CONTINGENCIES

The Center is contingently liable under the following letters of credit:

Letter of credit with an interest rate of 6.00% with a bank, dated June 2010, expiring June 2012, collateralized by a certificate of deposit, for unemployment reserve.	$ 275,711
Prime rate letter of credit (prime was 3.25% at June 30, 2010) with a bank dated September 2008, expiring September 2010, collateralized by a certificate of deposit, in lieu of surety bond for the handling of personal needs funds.	$ 80,000

In August of 2010, the Center entered into a letter of credit in the amount of $60,000 with an interest rate of 6.00% which expires in August 2012 and replaces the $80,000 line of credit that expired in September.

U.S. Department of Housing and Urban Development Capital Advance

The Center is contingently liable to the Department of Housing and Urban Development (HUD) for funds received on the HUD II residential facility. The HUD funds in the amount of $306,200 were used for the construction of the HUD II residential facility. Provided that the facility remains available until March 1, 2034 for occupancy by very low income elderly persons or very low income persons with disabilities, the funds do not have to be repaid. If any default occurs, such funds bear interest at 7.75% since inception of September 1, 1993, and become immediately payable.

NOTE I – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue from the State of Colorado. The amount of receivables the Center has from the State of Colorado is disclosed in Note B and the Center has a payable at June 30, 2010 to the State of Colorado in the amount of $178,205 which is netted against the Medicaid accounts receivable.

These transactions are considered to be transactions with a related party by virtue of the significant management influence exercised by the State of Colorado through contract provisions.

The Center purchases services from other entities who are economically dependent on the Center for revenue and over which the Center exercises significant management influence through contract provisions. Total expenses incurred by the Center to those organizations for the year ended June 30, 2010 were approximately $3,347,000. At June 30, 2010, the payable to those organizations was approximately $263,000.