

Consolidated Financial Statements and  
Independent Auditor's Report

**Inspiration Field and Affiliates**

June 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Inspiration Field and Affiliates

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Inspiration Field and Affiliates (jointly, the Center), which comprise the consolidated statement of financial position as of June 30, 2020, 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.

### **Auditor's 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. 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 that 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 Inspiration Field and Affiliates as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Center's 2019 consolidated financial statements, and our report dated November 7, 2019, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## Other Matter

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated summary of revenues, support and expenses by program, consolidating statement of financial position, and consolidating statement of activities on pages 26 through 31 are presented for purposes of additional analysis and are 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 on pages 26 through 31 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Logan, Thomas & Johnson, LLC*

Broomfield, Colorado  
September 24, 2020

*Consolidated Financial Statements*

Inspiration Field and Affiliates  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
June 30, 2020  
(With summarized financial information as of June 30, 2019)

ASSETS	2020	2019
Current assets		
Cash and cash equivalents	\$ 1,639,035	\$ 868,444
Accounts receivable		
Fees and grants from governmental agencies	546,871	585,778
Other	35,106	30,141
Contributions receivable	50	350
Prepaid expenses and deposits	21,174	7,360
Total current assets	2,242,236	1,492,073
Restricted cash in reserve funds	26,371	25,855
Assets restricted to investment in land, buildings, and equipment	89,559	74,689
Land, building and equipment, net	6,313,429	6,515,873
Total assets	\$ 8,671,595	\$ 8,108,490
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 344,944	\$ 320,988
Current portion of loans payable	462,794	124,991
Total current liabilities	807,738	445,979
Long-term debt, net of current portion		
Loans payable, net of unamortized debt issuance costs	2,109,418	1,821,980
Total liabilities	2,917,156	2,267,959
Net assets		
Without donor restrictions		
Board designation for philanthropy	44,653	44,359
Board designation for vehicle maintenance building	49	49
Board designation for Global Treasurz expansion	50,985	50,427
Net investment in land, building and equipment	4,501,879	4,568,902
Reserved for HUD regulation compliance	26,371	23,134
Undesignated	1,040,943	1,078,971
Total without donor restrictions	5,664,880	5,765,842
With donor restrictions - purpose restrictions	89,559	74,689
Total net assets	5,754,439	5,840,531
Total liabilities and net assets	\$ 8,671,595	\$ 8,108,490

The accompanying notes are an integral part of this statement.

Inspiration Field and Affiliates  
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2020

(With summarized financial information for the year ended June 30, 2019)

	Without donor restrictions	With donor restrictions	Total	
			2020	2019
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ 344,654	\$ -	\$ 344,654	\$ 321,844
Medicaid	5,100,202	-	5,100,202	4,793,254
Grants and other				
Department of Housing and Urban Development	26,940	-	26,940	27,983
Other	149,320	-	149,320	145,972
Total fees and grants from governmental agencies	5,621,116	-	5,621,116	5,289,053
Public support – contributions	6,940	14,837	21,777	42,635
In-kind contributions	8,137	-	8,137	27,233
Residential room and board	437,457	-	437,457	419,726
Other revenue	321,010	33	321,043	450,605
Total revenues and support	6,394,660	14,870	6,409,530	6,229,252
Expenses				
Program services				
Medicaid comprehensive	5,023,324	-	5,023,324	4,799,934
State adult supported living	116,824	-	116,824	108,788
Medicaid adult supported living	222,942	-	222,942	278,922
Children's extensive support	38,605	-	38,605	26,671
Early intervention	175,896	-	175,896	159,928
Family support	53,433	-	53,433	55,506
Case management	235,485	-	235,485	222,093
Total program services	5,866,509	-	5,866,509	5,651,842
Supporting services				
Management and general	629,113	-	629,113	599,486
Total expenses	6,495,622	-	6,495,622	6,251,328
CHANGE IN NET ASSETS	(100,962)	14,870	(86,092)	(22,076)
Net assets, beginning of year	5,765,842	74,689	5,840,531	5,862,607
Net assets, end of year	\$ 5,664,880	\$ 89,559	\$ 5,754,439	\$ 5,840,531

The accompanying notes are an integral part of this statement.

Inspiration Field and Affiliates  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2020  
(With summarized financial information for the year ended June 30, 2019)

	<b>Program Services</b>			
	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living	Children's extensive support
Expenses				
Salaries, benefits and taxes	\$ 3,326,286	\$ 79,994	\$ 168,735	\$ 31,951
Professional services	373,274	930	636	367
Staff development and travel	13,709	83	90	72
Vehicles	42,326	1,391	2,257	-
Occupancy and equipment	248,320	5,172	8,568	-
Supplies	225,057	7,163	9,391	-
Other	126,999	3,512	8,470	6,197
Food	129,645	2,783	5,118	18
Insurance	95,998	4,319	5,593	-
Interest	60,274	315	315	-
Depreciation	381,436	11,162	13,769	-
Total expenses	<u>\$ 5,023,324</u>	<u>\$ 116,824</u>	<u>\$ 222,942</u>	<u>\$ 38,605</u>

The accompanying notes are an integral part of this statement.



**Program Services**

	Early interven- tion	Family support	Case manage- ment	Management and general	Total	
					2020	2019
\$	84,859	\$ 8,722	\$ 184,136	\$ 491,491	\$ 4,376,174	\$ 4,128,618
	71,136	181	2,245	5,576	454,345	449,940
	1,685	-	808	3,552	19,999	33,295
	83	-	404	678	47,139	66,508
	3,515	3,515	6,616	13,156	288,862	298,665
	370	177	7,846	41,489	291,493	245,628
	4,726	31,349	5,231	25,169	211,653	229,015
	-	-	197	6,231	143,992	169,681
	1,374	1,374	4,587	7,310	120,555	123,773
	2,876	2,876	5,311	11,528	83,495	87,606
	5,272	5,239	18,104	22,933	457,915	418,599
<b>\$</b>	<b>175,896</b>	<b>\$ 53,433</b>	<b>\$ 235,485</b>	<b>\$ 629,113</b>	<b>\$ 6,495,622</b>	<b>\$ 6,251,328</b>

The accompanying notes are an integral part of this statement.

Inspiration Field and Affiliates  
CONSOLIDATED STATEMENT OF CASH FLOWS  
Year ended June 30, 2020  
(With summarized financial information for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (86,092)	\$ (22,076)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	467,874	428,558
Gain on sale of land, building and equipment	(2,900)	(114,834)
Gain on insurance proceeds for damage to vehicle	(10,970)	-
Contributions restricted for capital acquisition and construction	(14,837)	(25,915)
In-kind contribution of property	-	(12,929)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	33,942	(77,348)
Decrease in contributions receivable	300	940
(Increase) decrease in prepaid expenses and other	(13,814)	5,198
Increase (decrease) in accounts payable and accrued liabilities	23,956	(29,521)
Net cash provided by operating activities	<u>397,459</u>	<u>152,073</u>
Cash flows from investing activities		
Purchase of land, building and equipment	(255,471)	(415,895)
Proceeds from sale of land, building and equipment	2,900	120,400
Insurance proceeds received for damage to vehicle	10,970	-
Net cash used in investing activities	<u>(241,601)</u>	<u>(295,495)</u>
Cash flows from financing activities		
Contributions restricted for capital acquisition and construction	14,837	25,915
Proceeds from loans payable	760,662	-
Payments on loans payable	(145,380)	(149,065)
Net cash provided by (used in) financing activities	<u>630,119</u>	<u>(123,150)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	785,977	(266,572)
Cash, cash equivalents, and restricted cash at beginning of year	<u>968,988</u>	<u>1,235,560</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 1,754,965</u>	<u>\$ 968,988</u>
Supplemental data		
Cash paid for interest	\$ 72,226	\$ 77,876
Noncash investing activities		
In-kind contribution of property	\$ -	\$ 12,929

The accompanying notes are an integral part of this statement.

Inspiration Field and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This description of Inspiration Field and Affiliates' (jointly, the Center) nature of activities and summary of significant accounting policies is presented to assist in understanding the Center's consolidated financial statements.

1. *Summary of Business Activities*

In 1967, Arkansas Valley Community Center for Handicapped and for Retarded Persons, Inc., a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado 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 Otero, Bent and Crowley Counties. In 2011, Arkansas Valley Community Center for Handicapped and for Retarded Persons, Inc. changed its name to Inspiration Field, a Colorado nonprofit corporation. ARKVA Housing, a Colorado nonprofit corporation, AVCC Housing, a Colorado nonprofit corporation, and Prairieview Housing, a Colorado nonprofit corporation, were created to construct and operate group homes for low-income persons with disabilities. The Center's revenue comes primarily from the State of Colorado for services provided.

2. *Principles of Consolidation*

The consolidated financial statements of Inspiration Field (IF) include its affiliates, ARKVA Housing, AVCC Housing and Prairieview Housing. ARKVA Housing, AVCC Housing and Prairieview Housing each own a residential facility, which receives tenant rent assistance from the U.S. Department of Housing and Urban Development (HUD). ARKVA Housing, AVCC Housing and Prairieview Housing are consolidated with IF due to the fact that IF exercises control over their Boards of Directors. Significant intercompany transactions have been eliminated.

3. *Description of Services Provided*

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

**Program Services or Supports**

Comprehensive (Medicaid) refers to residential services, adult day services or supports and transportation activities as specified in the eligible person's Individualized Plan (IP). 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

Inspiration Field and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. *Description of Services Provided - Continued*

**Program Services or Supports - Continued**

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 IP. For these purposes, “work schedule” is defined broadly to include adult and retirement activities such as education, training, community integration and employment.

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 eighteen 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 IP, and the evaluation of results identified in the IP.

**Supporting Services**

Management and General includes those activities necessary for planning, coordination and overall direction of the Center, financial administration, general board activities and other related activities indispensable to the Center’s corporate existence.

Inspiration Field and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. *Basis of Accounting*

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

5. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through September 24, 2020, the date on which the financial statements were issued, and the Center did not identify any events or transactions that would have a material impact on the financial statements.

6. *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, support and expenses during the reporting period. Actual results could differ from those estimates.

7. *Cash and Cash Equivalents*

The Center considers cash to be cash on hand and cash on deposit, subject to immediate withdrawal and considers cash equivalents to be certificates of deposit with an original maturity of three months or less. The Center maintains its cash balances in financial institutions located in Colorado, 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.

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 amount management expects to collect from outstanding balances. The Center believes all receivables are collectible and that no allowance for doubtful accounts is necessary. The Center writes off accounts receivable to bad debt expense after reasonable collection efforts have been made. Payments subsequently received on such receivables, if any, are recorded as other revenue.

Inspiration Field and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. *Accounting for Contributions*

Unconditional promises to give are recognized as a receivable and revenues, at fair value, when the pledge is received. Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value. Unconditional promises to give expected to be collected over periods in excess of one year from the time of the pledge are measured using a risk-adjusted discount rate. In subsequent periods, accruals of the interest element are accounted for as contribution revenue. As of June 30, 2020, the Center had \$50 of contributions receivable which will be received within one year.

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes are reported as increase in net assets with donor restrictions. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as net assets with donor restrictions.

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to restricted support at the time of receipt and as net assets released from restrictions. There were no net assets released from restrictions as of the year ended June 30, 2020.

10. *Loan Issuance Costs*

Loan issuance costs are netted with loans payable and amortized to interest expense over the term of the respective loan using the straight-line method, which approximates the effective interest method.

11. *Land, Building and Equipment*

Land, building and equipment are reported at cost for purchased assets and estimated fair value, at date of receipt, for donated property.

Inspiration Field and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. *Land, Building and Equipment (Continued)*

Building and equipment items are capitalized if the cost or estimated value exceeds \$5,000. Depreciation and amortization are provided on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	7–25
Buildings and improvements	3–25
Administrative and program equipment	3–15
Transportation equipment	3–15

12. *In-kind Contributions*

Contributions of property and materials are recorded at fair value at the date of receipt. The amount recorded for these contributions (other than contributions of land, building and equipment) is also included as program costs to properly reflect the total cost of the particular program.

13. *Revenue Recognition*

The Center adopted ASU 2014-09, along with all subsequent related ASUs impacting revenue from contracts with customers (collectively, “the new revenue recognition standard”), effective July 1, 2018, using the modified retrospective method of adoption. The Center has applied the new revenue recognition standard for the year ended June 30, 2019. There was no cumulative effect of initially applying the new accounting to all contracts recognized on July 1, 2019. The Center meets performance obligations and records revenue for contracts as earned based on service dates. Services are typically contracted based on fixed fees for various types of services and dates of service.

14. *Income Taxes*

IF, ARKVA Housing, AVCC Housing and Prairieview Housing are operated as nonprofit organizations 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, 2020. The Center is subject to routine audits by

Inspiration Field and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. *Income Taxes (Continued)*

taxing jurisdictions; however, there are currently no audits in progress for any tax periods. The Center believes it is no longer subject to income tax examinations for the years prior to the year ended June 30, 2017.

15. *Functional Allocation of Expenses*

The costs of supporting various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated to program and management and general based on estimates of number of full-time equivalents, square-footage and ratio of services per program.

16. *Prior Year Summarized Information and Reclassifications*

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. Accordingly, such information should be read in conjunction with the Center's financial statements as of and for the year ended June 30, 2019, from which the summarized information was derived. Certain financial information as of and for the year ended June 30, 2019 has been reclassified to conform with the presentation for the current year.

17. *Recent Accounting Pronouncements*

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (US GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Center has implemented ASU 2014-09. There was no effect on the financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this update clarify the guidance regarding the classification of operating, investing and financing



Inspiration Field and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. *Recent Accounting Pronouncements (Continued)*

activities for certain types of cash receipts and payments. The amendments in this update are effective for the annual periods, and the interim periods within those years, beginning after December 15, 2018, and should be applied using a retrospective transition method to each period presented. Early adoption is permitted. The Center adopted this ASU during the year ended June 30, 2020, and there was no effect.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU will be effective for fiscal years beginning after December 15, 2018. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. For the year ended June 30, 2020, the Center has implemented ASU 2016-18 which resulted in a change in beginning cash, cash equivalents, and restricted cash on the statement of cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Changes to the lessor accounting model include: (a) synchronizing key aspects of the model with the new revenue recognition guidance, such as basing whether a lease is similar to a sale or whether control of the underlying asset has transferred to the lessee and (b) prospectively eliminating the specialized accounting for leveraged leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU will be effective for fiscal years beginning after December 15, 2019, with early adoption permitted. In November 2019, the FASB issued ASU 2019-10, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05, which allows certain entities the option to delay the adoption by one year, making it effective for annual reporting periods beginning after December 15, 2021. The Center is in the process of evaluating the impact of this new guidance.

Inspiration Field and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. *Recent Accounting Pronouncements (Continued)*

In June 2018, the FASB issued ASU No. 2018-08, *Not-for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve the scope and the accounting guidance for contributions received and contributions made. The ASU will be effective for all entities that have issued, or is a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market services as a resource recipient, for fiscal years beginning after December 15, 2018. The ASU will be effective for all entities that have not issued or is a conduit bond obligor for securities that are traded, listed or quoted on an exchange or an over-the-counter market services as a resource provider, for fiscal years beginning after December 15, 2019. For the year ended June 30, 2020 the Center has implemented ASU 2018-08.

NOTE B – CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

Cash and cash equivalents	\$ 1,639,035
Restricted cash	26,371
Assets restricted to investment in land, buildings, and equipment (See Note G)	<u>89,559</u>
	<u>\$ 1,754,965</u>

In accordance with the HUD regulations, certain reserve accounts are required to be maintained for properties financed by HUD. Distributions for the replacement and/or repair of property and equipment from the replacement reserve account and distributions from the residual receipts reserve account require approval from HUD. Tenant deposits are required at the time a lease is executed. Account activity in these reserves for the year is as follows:

Inspiration Field and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020

NOTE B – CASH (CONTINUED)

	Residual receipts	Replacement reserve	Tenant deposit
Beginning balance	\$ 2,966	\$ 20,168	\$ 2,721
Interest earned	1	24	-
Deposits	11,437	4,762	225
Distributions	<u>(13,239)</u>	<u>(2,694)</u>	<u>-</u>
Ending balance	<u>\$ 1,165</u>	<u>\$ 22,260</u>	<u>\$ 2,946</u>

NOTE C – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,639,035
Accounts receivable	<u>582,027</u>
	<u>\$ 2,221,062</u>

As a part of the Center’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE D – LAND, BUILDING AND EQUIPMENT

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

Land improvements	\$ 241,278
Buildings and improvements	8,284,546
Administrative and program equipment	625,570
Transportation equipment	<u>1,507,634</u>
	10,659,028
Less accumulated depreciation and amortization	<u>4,682,675</u>
	5,976,353
Land	<u>337,076</u>
	<u>\$ 6,313,429</u>

Depreciation expense for the year ended June 30, 2020 was \$457,915.

Inspiration Field and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020

NOTE E – LOANS PAYABLE

In May 2012, the Center entered into a financing agreement with the City of La Junta and a financial institution. Under this agreement, the City of La Junta issued revenue bonds which were purchased by a financial institution. A financial institution provided funds to the Center under a loan agreement.

The loan, which had an original balance of \$2,590,000, has a total outstanding balance at June 30, 2020 of \$1,691,889. Monthly payments of \$15,195 are required until the loan matures with a balloon payment due on May 15, 2023. The interest rate is 3.63% until May 15, 2022 and will be 0.66 times 2% above the Five-Year Treasury Yield from May 15, 2017 through the maturity date of May 15, 2023, with rate adjustments determined on May 15, 2022. This loan is secured by equipment, unrestricted revenue, and a deed of trust on a new administration building.

The Center incurred \$99,589 in loan costs for the bond issue. Deferred loan costs at June 30, 2020, net of accumulated amortization, are \$18,258. Amortization of loan costs was \$9,959 for the year ended June 30, 2020. Future amortization will be \$9,959 and \$8,299 for the years ended June 30, 2021 and 2022, respectively.

In November 2015, the Center entered into a financing agreement with a financial institution to purchase an apartment complex. The original loan was for \$162,000 and has an outstanding balance at June 30, 2020 of \$137,919. Monthly payments of \$1,084 are required until a balloon payment is due in November 2025. The interest rate is fixed for the first five years at a rate of 3.63% over the 5-year U.S. Treasuries. The rate will then re-set each additional five years thereafter to 3.63% over the 5-year U.S. Treasuries Rate, with a floor of 5%. The interest rate at June 30, 2020 was 5.09%.

These loans contain various debt covenants that are calculated annually. The minimum debt service coverage ratio was met by the Center at June 30, 2020. The Center did not meet the debt service coverage ratio at June 30, 2020, but the Center obtained a waiver from the lender.

On April 16, 2020, the Center obtained an unsecured loan of \$760,662 through the Paycheck Protection Program (PPP) from a financial institution with a fixed rate of 1.00%. Monthly payments of \$42,815 are due beginning November 16, 2020 with final payment due April 6, 2022. The loan is intended to cover qualifying expenses which include qualifying payroll and occupancy costs. Under the CARES Act, the Center must submit a Loan Forgiveness Application and meet various criteria as defined in the Paycheck Protection Flexibility Act, which was not available through the date of financial statement issuance, in order for the loan to be potentially be forgiven. The outstanding balance of this note at June 30, 2020 was \$760,662.

Inspiration Field and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020

NOTE E – LOANS PAYABLE (CONTINUED)

Interest expense for the year ended June 30, 2020 was \$83,495. Future maturities of the loans payable at June 30, 2020, are as follows:

Year ending June 30,	
2021	\$ 462,794
2022	559,200
2023	1,449,798
2024	7,030
2025	7,418
Thereafter	<u>104,230</u>
	2,590,470
Less current portion	462,794
Less unamortized debt issuance costs	<u>18,258</u>
	\$ <u>2,109,418</u>

NOTE F – LEASES

The Center leases office space and equipment under operating lease agreements, which are on a month-to-month basis. Rental expense for the year ended June 30, 2020 was \$8,677.

NOTE G – NET ASSETS

Net investment in land, building and equipment is comprised of land, building and equipment, net of related debt. As of June 30, 2020, net assets with donor restrictions consist of \$68,819 to be used for the administration building, \$7,595 to be used for the vehicle maintenance facility and \$13,145 to be used for the expansion of the Global Treasurz.

NOTE H – RETIREMENT PLAN

On December 1, 2001, the Center implemented a 401(k) plan for the benefit of its employees. All employees who have completed one year of service with at least 1,000 hours of service and are age 18 or older may participate in the Plan and are fully vested after 3 years of service. In the current year, the Center made a discretionary matching contribution to participants who contributed to the Plan. For the year ended June 30, 2020, retirement plan expense was \$65,462.

Inspiration Field and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020

NOTE I – CONTINGENCIES

ARKVA Housing utilized the capital advance program from HUD to construct rental facilities. Provided these facilities remain available for occupancy by very low-income people with disabilities through March 1, 2037, the capital advance of \$299,800 will not become payable and will be discharged on that date. If any default occurs, the capital advance bears interest at 7% from March 1, 1997, and becomes immediately payable.

AVCC Housing utilized the capital advance program from HUD to construct rental facilities. Provided these facilities remain available for occupancy by very low-income people with disabilities through April 1, 2046, the capital advance of \$364,300 will not become payable and will be discharged on that date. If any default occurs, the capital advance bears interest at 5.25% from September 30, 2005, and becomes immediately payable.

Prairieview Housing utilized the capital advance program from HUD to construct rental facilities. Provided these facilities remain available for occupancy by very low-income people with disabilities through April 29, 2051, the capital advance of \$557,000 will not become payable and will be discharged on that date. If any default occurs, the capital advance bears interest at 4.125% from April 28, 2011, and becomes immediately payable.

NOTE J – FUNCTIONALIZED EXPENSES

The 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 included salaries, which are allocated based on full time equivalent employees and number of transactions per program. Depreciation, utilities, interest and cleaning expenses are allocated based on square-footage used. Audit fees and association dues are allocated based on the number of full-time equivalent employees. Day program expenses are allocated between Medicaid comprehensive, Medicaid supported living services and State supported living services based on the ratio of services provided to individuals.

NOTE K – 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 as of June 30, 2020, totaled \$546,871. The Center has a payable at June 30, 2020, to the State of Colorado in the amount of \$27,089 recorded in accounts payable and accrued expenses. These transactions are considered to be transactions with a related party by virtue of significant management influence exercised by the State of Colorado through contract provisions.

Inspiration Field and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020

NOTE L – RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. This contagious disease outbreak has adversely affected workforces, customers, economies, and financial markets globally. This outbreak could adversely affect the Organization's ability to provide services, and reduce funding sources available. It is not possible for the Organization to predict the duration or magnitude of the adverse results of the outbreak and its effects on the organization's activities or results of operations, financial condition, or liquidity, at this time.

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*Supplementary Information*

Inspiration Field and Affiliates  
CONSOLIDATED SUMMARY OF REVENUES, SUPPORT AND EXPENSES BY PROGRAM  
Year ended June 30, 2020  
(With summarized financial information for the year ended June 30, 2019)

	<u>Program Services</u>		
	<u>Non specified</u>	<u>Medicaid comprehen- sive</u>	<u>State adult supported living</u>
Revenues and support			
Fees and grants from governmental agencies			
Fees for services			
State of Colorado			
State General Fund	\$ -	\$ -	\$ 111,407
Medicaid	-	4,715,637	-
Grants and other			
Department of Housing and Urban Development	-	26,940	-
Other	-	149,320	-
Total fees and grants from governmental agencies	-	4,891,897	111,407
Public support - contributions	21,777	-	-
In-kind contributions	-	5,760	-
Residential room and board	-	437,457	-
Other revenue	174,651	146,392	-
Total revenues and support	<u>\$ 196,428</u>	<u>\$ 5,481,506</u>	<u>\$ 111,407</u>
Expenses			
Salaries			
Direct care	\$ -	\$ 2,776,023	\$ 65,566
Other	-	14,993	-
Payroll taxes	-	255,729	6,728
Employee benefits	-	279,541	7,700
Total personal services	-	3,326,286	79,994
Medical professional services	-	1,431	835
Other professional services	-	371,843	95
Staff development	-	6,195	79
Staff travel	-	7,514	4
Vehicles - fuel and oil	-	35,653	1,100
Vehicles - maintenance	-	6,673	291
Occupancy - rent	-	7,517	-
Occupancy - maintenance	-	71,919	1,209
Occupancy - utilities	-	165,618	3,953
Equipment - leases	-	519	10
Equipment - maintenance	-	2,747	-
Medical and client care supplies	-	28,326	518
Other supplies	-	196,731	6,645
Telephone	-	22,275	766
Dues and subscriptions	-	17,091	266
Food	-	129,645	2,783
Insurance	-	95,998	4,319
Interest	-	60,274	315
Other	-	81,873	2,480
In-kind contributions	-	5,760	-
Depreciation and amortization	-	381,436	11,162
Total expenses	<u>\$ -</u>	<u>\$ 5,023,324</u>	<u>\$ 116,824</u>

**Program Services**

Medicaid adult supported living	Children's extensive support	Early interven- tion	Family support	Case manage- ment	Management and general	Total	
						2020	2019
\$ -	\$ -	\$ 84,596	\$ 29,959	\$ 30,541	\$ 88,151	\$ 344,654	\$ 321,844
141,712	38,873	-	-	176,265	27,715	5,100,202	4,793,254
-	-	-	-	-	-	26,940	27,983
-	-	-	-	-	-	149,320	145,972
141,712	38,873	84,596	29,959	206,806	115,866	5,621,116	5,289,053
-	-	-	-	-	-	21,777	42,635
-	-	-	-	-	2,377	8,137	27,233
-	-	-	-	-	-	437,457	419,726
-	-	-	-	-	-	321,043	450,605
<u>\$ 141,712</u>	<u>\$ 38,873</u>	<u>\$ 84,596</u>	<u>\$ 29,959</u>	<u>\$ 206,806</u>	<u>\$ 118,243</u>	<u>\$ 6,409,530</u>	<u>\$ 6,229,252</u>
\$ 129,849	\$ 29,385	\$ 72,775	\$ 8,077	\$ -	\$ -	\$ 3,081,675	\$ 2,964,671
-	-	-	-	147,223	271,112	433,328	407,739
13,916	2,453	6,906	439	13,322	56,007	355,500	391,966
24,970	113	5,178	206	23,591	164,372	505,671	364,242
168,735	31,951	84,859	8,722	184,136	491,491	4,376,174	4,128,618
-	105	-	-	-	-	2,371	6,111
636	262	71,136	181	2,245	5,576	451,974	443,829
83	-	30	-	4	1,139	7,530	6,761
7	72	1,655	-	804	2,413	12,469	26,534
2,035	-	83	-	404	289	39,564	44,385
222	-	-	-	-	389	7,575	22,123
273	-	-	-	-	25	7,815	7,740
1,512	-	572	572	1,058	2,405	79,247	88,648
6,764	-	2,943	2,943	5,441	10,470	198,132	198,290
19	-	-	-	117	197	862	1,009
-	-	-	-	-	59	2,806	2,978
105	-	-	-	2	120	29,071	31,434
9,286	-	370	177	7,844	41,369	262,422	214,194
823	-	1,015	406	1,018	3,973	30,276	28,698
335	126	197	99	249	3,019	21,382	21,850
5,118	18	-	-	197	6,231	143,992	169,681
5,593	-	1,374	1,374	4,587	7,310	120,555	123,773
315	-	2,876	2,876	5,311	11,528	83,495	87,606
7,312	6,071	3,514	30,844	3,964	15,800	151,858	151,235
-	-	-	-	-	2,377	8,137	27,232
13,769	-	5,272	5,239	18,104	22,933	457,915	418,599
<u>\$ 222,942</u>	<u>\$ 38,605</u>	<u>\$ 175,896</u>	<u>\$ 53,433</u>	<u>\$ 235,485</u>	<u>\$ 629,113</u>	<u>\$ 6,495,622</u>	<u>\$ 6,251,328</u>

Inspiration Field and Affiliates  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
June 30, 2020

	Inspiration Field	ARKVA Housing
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,615,306	\$ 2,216
Accounts receivable		
Fees and grants from governmental agencies	546,871	-
Other	49,596	-
Contributions receivable	50	-
Prepaid expenses and deposits	21,174	-
Total current assets	2,232,997	2,216
Restricted cash in reserve funds	-	4,102
Assets restricted to investment in land, buildings, and equipment	89,559	-
Land, building and equipment, net	5,450,134	144,937
Total assets	\$ 7,772,690	\$ 151,255
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 341,998	\$ 4,812
Current portion of loans payable	462,794	-
Total current liabilities	804,792	4,812
Long-term debt, net of current portion		
Loans payable, net of unamortized debt issuance costs	2,109,418	-
Total liabilities	2,914,210	4,812
Net assets		
Without donor restrictions		
Board designation for philanthropy	44,653	-
Board designation for vehicle maintenance building	49	-
Board designation for Global Treasurz expansion	50,985	-
Net investment in land, building and equipment	3,638,584	144,937
Reserved for HUD regulation compliance	-	4,102
Undesignated	1,034,650	(2,596)
With donor restrictions - purpose restrictions	89,559	-
Total net assets	4,858,480	146,443
Total liabilities and net assets	\$ 7,772,690	\$ 151,255

<u>AVCC Housing</u>	<u>Prairieview Housing</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 8,809	\$ 12,704	\$ -	\$ 1,639,035
-	-	-	546,871
-	-	(14,490)	35,106
-	-	-	50
-	-	-	21,174
8,809	12,704	(14,490)	2,242,236
8,305	13,964	-	26,371
-	-	-	89,559
284,771	433,587	-	6,313,429
<u>\$ 301,885</u>	<u>\$ 460,255</u>	<u>\$ (14,490)</u>	<u>\$ 8,671,595</u>
\$ 8,166	\$ 4,458	\$ (14,490)	\$ 344,944
-	-	-	462,794
8,166	4,458	(14,490)	807,738
-	-	-	2,109,418
8,166	4,458	(14,490)	2,917,156
-	-	-	44,653
-	-	-	49
-	-	-	50,985
284,771	433,587	-	4,501,879
8,305	13,964	-	26,371
643	8,246	-	1,040,943
-	-	-	89,559
293,719	455,797	-	5,754,439
<u>\$ 301,885</u>	<u>\$ 460,255</u>	<u>\$ (14,490)</u>	<u>\$ 8,671,595</u>

Inspiration Field and Affiliates  
CONSOLIDATING STATEMENT OF ACTIVITIES  
Year ended June 30, 2020

	<u>Inspiration Field</u>	<u>ARKVA Housing</u>	<u>AVCC Housing</u>
Revenues and support			
Fees and grants from governmental agencies			
Fees for services			
State of Colorado			
State General Fund	\$ 344,654	\$ -	\$ -
Medicaid	5,100,202	-	-
Grants and other			
Department of Housing and Urban Development	-	7,239	7,815
Other	149,320	-	-
Total fees and grants from governmental agencies	<u>5,594,176</u>	<u>7,239</u>	<u>7,815</u>
Public support – contributions	21,777	-	-
In-kind contributions	8,137	-	-
Residential room and board	437,457	13,065	12,902
Other revenue	326,419	3	20
Total revenues and support	<u>6,387,966</u>	<u>20,307</u>	<u>20,737</u>
Expenses			
Program services			
Medicaid comprehensive	4,969,125	24,744	33,480
State adult supported living	116,824	-	-
Medicaid adult supported living	222,942	-	-
Children's extensive support	38,605	-	-
Early intervention	175,896	-	-
Family support	53,433	-	-
Case management	235,485	-	-
Total program services	<u>5,812,310</u>	<u>24,744</u>	<u>33,480</u>
Supporting services			
Management and general	625,918	2,871	2,877
Total expenses	<u>6,438,228</u>	<u>27,615</u>	<u>36,357</u>
CHANGE IN NET ASSETS	(50,262)	(7,308)	(15,620)
Net assets, beginning of year	<u>4,908,742</u>	<u>153,751</u>	<u>309,339</u>
Net assets, end of year	<u>\$ 4,858,480</u>	<u>\$ 146,443</u>	<u>\$ 293,719</u>

Prairieview Housing	Eliminations	Consolidated
\$ -	\$ -	\$ 344,654
-	-	5,100,202
11,886	-	26,940
-	-	149,320
11,886	-	5,621,116
-	-	21,777
-	-	8,137
15,174	(41,141)	437,457
1	(5,400)	321,043
27,061	(46,541)	6,409,530
37,116	(41,141)	5,023,324
-	-	116,824
-	-	222,942
-	-	38,605
-	-	175,896
-	-	53,433
-	-	235,485
37,116	(41,141)	5,866,509
2,847	(5,400)	629,113
39,963	(46,541)	6,495,622
(12,902)	-	(86,092)
468,699	-	5,840,531
<u>\$ 455,797</u>	<u>\$ -</u>	<u>\$ 5,754,439</u>