

SIX POINTS EVALUATION AND TRAINING, INC.

FINANCIAL STATEMENTS

JUNE 30, 2014

SIX POINTS EVALUATION AND TRAINING, INC.

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HAMBLIN AND ASSOCIATES, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Six Points Evaluation and Training, Inc.
Gunnison, Colorado

We have audited the accompanying statements of financial statements of Six Points Evaluation and Training, Inc., which comprise the statement of financial position as of June 30, 2014 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Six Points Evaluation and Training, Inc., Inc. as of June 30, 2014 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of functional expenses on pages 11-12, schedules of summary revenue and expenses by program on pages 13-15, and schedule of room and board and other unallowable expenses on page 16 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedules of functional expenses have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The schedules of summary revenue and expenses by program, and schedule of room and board and other unallowable expenses have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Hamblin and Associates

Evergreen, Colorado
September 19, 2014

Basic Financial Statements

Six Points Evaluation and Training, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2014

ASSETS

| | |
|---|---------------------|
| Current Assets | |
| Cash and cash equivalents, Note C | \$ 183,573 |
| Accounts receivables (no allowance necessary) | 44,520 |
| Rent deposits | <u>2,375</u> |
| Total current assets | 230,468 |
| Fixed Assets | |
| Land | 566,000 |
| Buildings and improvements | 106,202 |
| Leasehold improvements | 8,452 |
| Furniture and equipment | 13,739 |
| Vehicles | 70,477 |
| Construction in progress | <u>776,036</u> |
| Total fixed assets | 1,540,906 |
| Less accumulated depreciation | <u>(129,889)</u> |
| Net fixed assets | 1,411,017 |
| Other Assets | |
| Restricted cash, Note G | <u>26,723</u> |
| TOTAL ASSETS | <u>\$ 1,668,208</u> |

LIABILITIES AND NET ASSETS

| | |
|----------------------------------|---------------------|
| Current Liabilities | |
| Accounts payable | 8,337 |
| Accrued expenses | 23,144 |
| Compensated absences payable | <u>9,601</u> |
| Total current liabilities | 41,082 |
| Net Assets | |
| Temporarily restricted | 26,723 |
| Unrestricted | <u>1,586,044</u> |
| Total net assets | <u>1,627,126</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,668,208</u> |

The accompanying notes are an integral part of these financial statements.

Six Points Evaluation and Training, Inc.

STATEMENT OF ACTIVITIES

Year ended June 30, 2014

UNRESTRICTED NET ASSETS

| | | |
|--|--|----------------------------|
| Program support | | |
| Contracts and grants | \$ | 350,159 |
| Room and board charges | | 30,912 |
| Contributions | | 44,439 |
| | Total program support | <u>425,510</u> |
| Revenues | | |
| Merchandise sales | | 278,993 |
| Rental income | | 692 |
| Investment income | | 418 |
| Miscellaneous | | 609 |
| | TOTAL REVENUES | <u>280,916</u> |
| | TOTAL UNRESTRICTED PUBLIC SUPPORT AND REVENUES | 706,426 |
| Expenses | | |
| Program services | | 487,837 |
| Management and general | | 127,902 |
| Fundraising | | 40,793 |
| | TOTAL EXPENSES | <u>656,532</u> |
| Net assets released from restrictions | | <u>275,135</u> |
| | CHANGE IN UNRESTRICTED NET ASSETS | 325,029 |
| TEMPORARILY RESTRICTED NET ASSETS | | |
| Contributions | | 261,313 |
| Released from restrictions - satisfied by payments | | <u>(275,135)</u> |
| | TOTAL CHANGE IN NET ASSETS | 311,207 |
| NET ASSETS, BEGINNING OF YEAR | | <u>1,315,919</u> |
| NET ASSETS, END OF YEAR | | <u><u>\$ 1,627,126</u></u> |

The accompanying notes are an integral part of these financial statements.

Six Points Evaluation and Training, Inc.

STATEMENT OF CASH FLOWS

Year ended June 30, 2014

| | |
|--|--------------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ 311,207 |
| Adjustments to reconcile net assets to net cash provided by operating activities: | |
| Depreciation | 10,087 |
| Loss on disposal of capital assets | 18,013 |
| Changes in assets and liabilities | |
| (Increase) decrease in: | |
| Accounts receivable | (13,915) |
| Prepaid expenses | 2,883 |
| Increase (decrease) in: | |
| Accounts payable | (61,665) |
| Accrued expenses | 3,370 |
| Compensated absences | 2,249 |
| | <u>272,229</u> |
| Net cash provided by operating activities | <u>272,229</u> |
| Cash flows from investing activities: | |
| Sale of capital assets | 84,540 |
| Purchase of capital assets | <u>(546,928)</u> |
| Net cash used by investing activities | <u>(462,388)</u> |
| Net increase (decrease) in cash and cash equivalents | (190,159) |
| Cash and cash equivalents, beginning of period | <u>400,455</u> |
| Cash and cash equivalents, end of period | <u><u>\$ 210,296</u></u> |
| Non-cash transactions: | |
| In-kind rent | \$ 20,100 |
| Donated services | 85,022 |

The accompanying notes are an integral part of these financial statements.

SIX POINTS EVALUATION AND TRAINING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Six Points Evaluation and Training, Inc.'s significant accounting policies applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

Six Points Evaluation and Training, Inc. (the Corporation) is a nonprofit Corporation formed in July 1981 to improve quality of life for persons with physical or developmental disabilities by providing rehabilitation services, training, placement and employment. It also provides such individuals with the opportunity to have a residential living experience apart from an institution, and to be integrated into the community. The Corporation's governing body consists of an eleven-member board of directors.

2. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

3. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

4. Fixed Assets

Equipment and furniture are stated at cost, except for donated items, which are recorded at fair market value at the date of acquisition. The Corporation's policy is to capitalize assets with an estimated useful life of more than one year and a cost of \$1,000 or more. Depreciation is computed on the straight-line basis with estimated useful lives of 3 to 5 years for furniture and equipment, 10 to 15 for vehicles, 15 to 20 years for building improvements, 5 to 7 years for leasehold improvements and 10 to 40 years for buildings.

5. Financial Statement Presentation

The Corporation reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor imposed restrictions.

The Corporation records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor imposed restrictions.

SIX POINTS EVALUATION AND TRAINING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Investments

The Corporation reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

7. Income Taxes

The Corporation is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Corporation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). There was no unrelated business income for the year ending June 30, 2014.

The Corporation has adopted the provisions of ASC 740-10-25, pertaining to accounting for uncertainty in income taxes. The pronouncement requires the use of a more-likely-than-not recognition criteria before and separate from the measurement of a tax position. An entity shall initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. With respect to the organization, this would primarily relate to the determination of unrelated business taxable income and to the maintenance of its tax exempt status.

8. Allocation of Functional Expenses

The Corporation receives contract revenues from various agencies, which are designated for specific purposes. The majority of the Corporation's expenses are allocated to specific programs based on the percentage of time spent on each project compared to total time worked. In addition, costs, which can be identified with specific projects/programs, are allocated directly to that program.

9. Inventory

Inventory in the thrift store consists of donated items, and is not recorded because no objective basis is available to determine its value.

SIX POINTS EVALUATION AND TRAINING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Compensated Absences

Personal time off is accumulated at the rate of 24 days per year for permanent employees who have worked less than five years. Those employed between five and ten years accrue 27 days annually, and those employed over ten years accrue 32 days.

11. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Donated goods are recorded in the accompanying statements at the amount of proceeds received from their sale.

12. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

13. Receivables

The Corporation considers all receivables to be fully collectible. Therefore, there is no allowance set aside for doubtful accounts. Management uses the direct write off method to recognize bad debt expense for uncollectible accounts. After reasonable collection efforts are made by management past due accounts are written off. There were no bad debt write offs for the year ending June 30, 2014.

14. Subsequent Events

Management has evaluated subsequent events through September 19, 2014. During this period, there have been no material events that would require recognition in the 2014 basic financial statements or disclosure in the Notes to the financial statements.

SIX POINTS EVALUATION AND TRAINING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE B: DESCRIPTION OF PROGRAMS

1. Supported Living Services

The Supported Living Services (SLS) program provides assistance to individuals with developmental disabilities in becoming independent in their own homes and communities. Services provided include, personal assistance, budgeting, homemaking, supported community connections, mentorship and transportation. Within the SLS program we also offer a vocational service program that assists individuals with jobs in the community as well as job training and coaching.

2. Comprehensive Services

Comprehensive Services program includes residential services that provide assistance to individuals with developmental disabilities by providing them with an opportunity to have a residential living experience, apart from an institution and to be integrated into the community. Services provided include assistance with housing, cooking, cleaning, budgeting, household management, medical needs management and transportation. Within the Comprehensive Services program vocational services are also provided. These assist individuals with jobs in the community as well as providing job training and coaching.

NOTE C: CASH AND CASH EQUIVALENTS

The Corporation maintains cash balances at financial institutions located in Colorado. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2014, all of the Corporation's deposits were covered by this insurance.

NOTE D: DONATED FACILITIES AND SERVICES

The Corporation received donations in the form of free rent for the administrative and thrift shop location. The difference between the fair market value and actual amount of rent paid was \$20,100 for 2014, and has been reflected in the statements of activities as both an expense and in-kind contributed revenue. During the fiscal year ending 2014, the Corporation received \$85,022 of donated architectural drawing services, surveying and other services which are capitalized as construction in these financial statements.

The Corporation does not recognize any support or expense from services contributed by volunteers as the value of these services is not susceptible to objective measurement or valuation.

SIX POINTS EVALUATION AND TRAINING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E: LEASE COMMITMENTS

The Corporation leases the building housing its administrative offices and the thrift store. The value of the lease payments for the fiscal year ending June 30, 2014 were recognized as in-kind contributed revenue and rent expense.

The Corporation is also responsible for several residential leases for which the tenant is a client of the entity and one for which is leased to a non-client. The terms of these leases vary, but none are for more than one year.

NOTE F: MAJOR CONTRACTS

The Corporation's major source of revenue (33% for FYE June 30, 2014) comes from contracts with Community Options, Inc., a not for profit entity located in Montrose, Colorado. These contracts expire on June 30th each year and are renewed annually.

NOTE G: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted cash and net assets consist of funds expressly donated for the acquisition of a new building and resource development.

Supplementary Information

Six Points Evaluation and Training, Inc.

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended June 30, 2014

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|---------------------------|-----------------------------|---------------------------------------|--------------------|---------------------------|
| OPERATING COSTS | | | | |
| Salaries | \$ 335,941 | \$ 88,406 | \$ 17,681 | \$ 442,028 |
| Payroll taxes | 26,339 | 6,931 | 1,386 | 34,656 |
| Employee benefits | 10,667 | 2,807 | 561 | 14,036 |
| Staff development | 83 | 252 | - | 335 |
| Client needs | 22,525 | - | - | 22,525 |
| Professional fees | 1,048 | 4,054 | 1,148 | 6,250 |
| Supplies and postage | 6,969 | 2,083 | 5,522 | 14,574 |
| Telecommunications | 2,928 | 771 | 154 | 3,853 |
| Occupancy | 25,078 | 6,600 | 1,320 | 32,998 |
| Condo expenses | - | 325 | - | 325 |
| Repair and maintenance | 2,493 | 656 | 131 | 3,280 |
| Dues and licenses | - | 1,691 | - | 1,691 |
| Travel | - | 229 | 250 | 479 |
| Insurance | 18,230 | 4,797 | 959 | 23,987 |
| Promotion and advertising | 2,348 | 702 | 10,161 | 13,210 |
| Vehicle expenses | 6,501 | 1,711 | 342 | 8,554 |
| Recreation and gifts | 4,314 | - | - | 4,314 |
| Other expenses | 14,706 | 3,870 | 774 | 19,350 |
| Depreciation | 7,666 | 2,017 | 403 | 10,087 |
| Total expenses | <u>\$ 487,837</u> | <u>\$ 127,902</u> | <u>\$ 40,793</u> | <u>\$ 656,532</u> |

See the Independent Auditor's Report.

Six Points Evaluation and Training, Inc.

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended June 30, 2013

| | Program Services | Management and General | Fundraising | Total Expenses |
|---------------------------|---------------------|------------------------------|------------------|-------------------|
| OPERATING COSTS | | | | |
| Salaries | \$ 314,320 | \$ 82,716 | \$ 16,543 | \$ 413,579 |
| Payroll taxes | 24,798 | 6,526 | 1,305 | 32,629 |
| Employee benefits | 31,580 | 8,311 | 1,662 | 41,553 |
| Staff development | 417 | 1,266 | - | 1,683 |
| Client needs | 23,492 | - | - | 23,492 |
| Professional fees | 672 | 2,601 | 736 | 4,009 |
| Supplies and postage | 1,741 | 520 | 1,380 | 3,641 |
| Telecommunications | 2,388 | 628 | 126 | 3,142 |
| Occupancy | 26,167 | 6,886 | 1,377 | 34,430 |
| Condo expenses | - | 2,457 | - | 2,457 |
| Repair and maintenance | 2,025 | 533 | 107 | 2,664 |
| Dues and licenses | - | 1,664 | - | 1,664 |
| Travel | - | 481 | 524 | 1,005 |
| Insurance | 13,482 | 3,548 | 710 | 17,739 |
| Promotion and advertising | 1,621 | 485 | 7,014 | 9,119 |
| Vehicle expenses | 6,490 | 1,708 | 342 | 8,539 |
| Recreation and gifts | 6,866 | - | - | 6,866 |
| Other expenses | 432 | 114 | 23 | 568 |
| Depreciation | 10,438 | 2,747 | 549 | 13,734 |
| Total expenses | <u>\$ 466,927</u> | <u>\$ 123,189</u> | <u>\$ 32,397</u> | <u>\$ 622,513</u> |

See the Independent Auditor's Report.