

Consolidated Financial Statements and
Independent Auditor's Report

The Resource Exchange, Inc. and Affiliate

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Resource Exchange, Inc.

Opinion

We have audited the accompanying consolidated financial statements of The Resource Exchange, Inc. and Affiliate (the Center), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Center's 2022 consolidated financial statements, and our report dated March 31, 2023, 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, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The summary of The Resource Exchange revenues, support and expenses by program, consolidating statement of financial position, and consolidating statement of activities on pages 28 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 28 through 31 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Logan, Thomas + Johnson, LLC

Castle Rock, Colorado

April 1, 2024

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Consolidated Financial Statements

The Resource Exchange, Inc. and Affiliate
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2023
(With summarized financial information as of June 30, 2022)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,159,269	\$ 2,654,417
Investments	573,533	521,099
Accounts receivable		
Fees and grants from governmental agencies	4,191,722	3,884,968
Other, net of allowance for uncollectible receivables of \$2,157	250,716	316,431
Prepaid expenses and other assets	207,408	48,411
Total current assets	6,382,648	7,425,326
Right of use assets - operating leases	65,146	59,205
Right of use assets - financing leases	137,872	151,057
Land, building and equipment, net	8,688,606	9,091,261
Total assets	\$ 15,274,272	\$ 16,726,849
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 505,114	\$ 562,388
Accrued expenses	1,680,799	1,588,345
Deferred revenue	602,347	1,579,595
Current portion of lease obligation - operating	42,704	24,771
Current portion of lease obligation - financing	79,036	73,878
Current portion of long-term debt		
Notes payable	164,618	157,005
Total current liabilities	3,074,618	3,985,982
Long-term lease obligation - operating	22,442	34,434
Long-term lease obligation - financing	58,836	77,179
Long-term debt, net of current portion		
Notes payable	4,934,909	5,099,554
Total liabilities	8,090,805	9,197,149
Net assets		
Without donor restrictions		
Net investment in land, building and equipment	3,589,079	3,834,702
Undesignated	3,536,194	3,486,589
Total without donor restrictions	7,125,273	7,321,291
With donor restrictions	58,194	208,409
Total net assets	7,183,467	7,529,700
Total liabilities and net assets	\$ 15,274,272	\$ 16,726,849

The accompanying notes are an integral part of this statement.

The Resource Exchange, Inc. and Affiliate
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2023

(With summarized financial information for the year ended June 30, 2022)

	The Resource Exchange	6385 Corporate Drive, LLC	The Resource Exchange	Total	
	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	2023	2022
Revenues and support					
Fees and grants from governmental agencies					
Fees for services					
State of Colorado					
State General Fund	\$ 8,398,099	\$ -	\$ -	\$ 8,398,099	\$ 7,412,297
Medicaid	15,318,647	-	-	15,318,647	12,828,006
Counties	28,702	-	-	28,702	33,855
Grants					
Part C	597,038	-	-	597,038	273,641
Total fees and grants from governmental agencies	24,342,486	-	-	24,342,486	20,547,799
Public support - contributions & grants	853,210	-	72,675	925,885	935,525
Fees for services	1,655,997	-	-	1,655,997	1,405,640
Rental revenue	24,000	612,315	-	636,315	468,221
Investment return, net	68,166	-	-	68,166	(99,358)
Other revenue	162,201	1,007	-	163,208	145,878
Net assets released from restrictions					
Satisfaction of purpose restrictions	222,890	-	(222,890)	-	-
Total revenues and support	27,328,950	613,322	(150,215)	27,792,057	23,403,705
Expenses					
Program services					
Medicaid comprehensive	370,722	-	-	370,722	333,477
State adult supported living	364,065	-	-	364,065	312,178
Medicaid adult supported living	198,290	-	-	198,290	162,053
Children's extensive support	34,942	-	-	34,942	137,618
Early intervention	7,457,746	-	-	7,457,746	6,571,270
Family support	730,885	-	-	730,885	810,415
Case management	15,462,388	-	-	15,462,388	13,917,098
Total program services	24,619,038	-	-	24,619,038	22,244,109
Supporting services					
Management and general	2,167,119	-	-	2,167,119	1,965,695
Property management	-	1,352,133	-	1,352,133	1,481,468
Total expenses	26,786,157	1,352,133	-	28,138,290	25,691,272
CHANGE IN NET ASSETS	542,793	(738,811)	(150,215)	(346,233)	(2,287,567)
Net assets, beginning of year	6,282,743	1,038,548	208,409	7,529,700	9,817,267
Net assets, end of year	\$ 6,825,536	\$ 299,737	\$ 58,194	\$ 7,183,467	\$ 7,529,700

The accompanying notes are an integral part of this statement.

The Resource Exchange, Inc. and Affiliate
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2023
(With summarized financial information for the year ended June 30, 2022)

	Program Services			
	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living	Children's extensive support
Expenses				
Salaries, benefits and taxes	\$ -	\$ -	\$ -	\$ -
Professional services	370,722	364,065	198,290	34,858
Staff development and travel	-	-	-	-
Occupancy and utilities	-	-	-	-
Supplies, equipment, dues and subscriptions	-	-	-	84
Communications	-	-	-	-
Insurance	-	-	-	-
Interest	-	-	-	-
Other expense	-	-	-	-
Depreciation and amortization	-	-	-	-
Total expenses	\$ 370,722	\$ 364,065	\$ 198,290	\$ 34,942

The accompanying notes are an integral part of this statement.

Program Services

Early interven- tion	Family support	Case manage- ment	Management and general	Property management	Total	
					2023	2022
\$ 6,711,993	\$ 182,769	\$13,882,098	\$ 1,721,958	\$ 162,078	\$ 22,660,896	\$ 20,306,989
146,523	508,826	231,913	129,911	68,542	2,053,650	2,335,896
144,262	84	36,451	74,176	878	255,851	132,611
29,997	1,295	98,298	36,064	268,906	434,560	412,647
62,676	10,037	124,741	95,177	24,112	316,827	320,322
205,406	9,492	682,610	46,409	-	943,917	730,403
14,988	792	54,077	12,509	27,508	109,874	118,653
1,660	148	6,407	232	256,180	264,627	275,335
114,702	15,038	229,368	46,011	78,290	483,409	534,494
25,539	2,404	116,425	4,672	465,639	614,679	523,922
<u>\$ 7,457,746</u>	<u>\$ 730,885</u>	<u>\$15,462,388</u>	<u>\$ 2,167,119</u>	<u>\$ 1,352,133</u>	<u>\$ 28,138,290</u>	<u>\$ 25,691,272</u>

The accompanying notes are an integral part of this statement.

The Resource Exchange, Inc. and Affiliate
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2023

(With summarized financial information for the year ended June 30, 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (346,233)	\$ (2,287,567)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	509,092	523,922
Amortization of right of use assets - operating leases	28,394	26,199
Amortization of right of use assets - financing leases	77,193	94,320
Realized/unrealized (gain) loss on investments	(17,516)	114,497
Loss on sale of assets	-	6,903
Change in assets and liabilities		
Increase in accounts receivable	(241,039)	(777,065)
Decrease in pledges receivable	-	10,000
(Increase) decrease in prepaid expenses and other	(158,997)	16,010
Increase in accounts payable and accrued expenses	35,180	87,266
Increase (decrease) in deferred revenue	(977,248)	1,391,080
Decrease in operating lease liability obligations	(29,001)	(23,029)
Net cash used in operating activities	(1,120,175)	(817,464)
Cash flows from investing activities		
Purchase of land, building and equipment	(106,437)	(121,104)
Proceeds on sale of assets	-	23,491
Purchase of investments	(78,916)	(18,000)
Proceeds from sale of investments	43,998	23,525
Net cash used in investing activities	(141,355)	(92,088)
Cash flows from financing activities		
Payments on financing lease obligations	(76,586)	(97,490)
Payments on notes payable	(157,032)	(149,486)
Net cash used in financing activities	(233,618)	(246,976)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,495,148)	(1,156,528)
Cash and cash equivalents, beginning of year	2,654,417	3,810,945
Cash and cash equivalents, end of year	\$ 1,159,269	\$ 2,654,417
Supplemental data		
Cash paid for interest	\$ 264,627	\$ 275,335

The accompanying notes are an integral part of this statement.

The Resource Exchange, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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

This description of The Resource Exchange, Inc.'s and Affiliate (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*

The Resource Exchange, Inc., a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado in 1964 for the purpose of providing a community centered board to coordinate programs through local interagency cooperation, and to provide services to persons with developmental disabilities in El Paso, Park and Teller counties. The Center's revenue comes primarily from the State of Colorado for services provided. 6385 Corporate Drive, LLC (the LLC) was formed in 2017 to manage property.

2. *Principles of Consolidation*

The consolidated financial statements of the Center include its affiliate, 6385 Corporate Drive, LLC, a Colorado for-profit corporation. The LLC is an affiliate of the Center due to the fact that the Center is the sole member of the LLC. All material intercompany accounts and 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 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, or are living with family.

The Resource Exchange, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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

3. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

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 or Prior Authorization Request (PAR), and the evaluation of results identified in the IP or PAR. The Center previously provided these services to persons with developmental disabilities (CCB case management). Effective July 1, 2020, the Center contracted with the State of Colorado to also provide these services through the Single Entry Point Waivers (SEP) for other eligible individuals in the area (SEP case management).

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.

Property Management includes those activities necessary for managing operations and maintaining the corporate office.

The Resource Exchange, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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. *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.

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 April 1, 2024, the date on which the financial statements were issued. Except as disclosed in Note M, 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 cash to be cash on hand, cash on deposit and money market accounts, 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 Springs, 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 determines its allowance for uncollectible receivables 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 to bad debt expense when they become uncollectible. Payments subsequently received on such receivables, if any, are recorded as other revenue.

The Resource Exchange, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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

9. *Investments*

The Center records its investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the statement of financial position as determined by quoted market prices. Unrealized gains and losses are reported in investment income. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

10. *Land, Building and Equipment*

Land, building, and equipment are reported at cost for purchased assets and at estimated fair value, at date of receipt, for donated property. Any asset valued in excess of \$2,499 with a life expectancy of more than one year is capitalized. Depreciation is provided on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Administrative equipment	3 – 5
Program equipment	3 – 5
Building	25

11. *Leases*

The Center has adopted Accounting Standards Update (ASU) 2016-02, *Leases*, which was amended in some respects by subsequent ASUs (collectively, Accounting Standards Codification 842) (ASC 842) and supersedes existing lease guidance. The Standard requires the Center to record operating and financing lease assets and corresponding lease liabilities on the balance sheet and disclose key quantitative and qualitative information about lease contracts.

Under ASC 842, the Center determines if a contract is a leasing arrangement at inception. Operating lease assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payment arising from the lease. Operating and financing lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Center used the risk-free rate of return. The Center recognized operating lease expense for operating leases on a straight-line basis over the lease term.

The Resource Exchange, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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

11. *Leases (Continued)*

The Center leases office space and equipment under noncancelable operating leases which may include renewal or termination options that are reasonably certain of exercise. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are expensed on a straight-line basis. Lease and non-lease components are accounted for together as a single lease component for operating leases associated with office space and equipment leases.

12. *Revenue Recognition*

Revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing services. Program revenue consists primarily of funds received from the State of Colorado for Medicaid and other services, miscellaneous smaller grants and awards from federal, state, county and municipal sources. Billings for services are billed after the services are performed. As performance obligations are satisfied, revenue is recognized.

Performance obligations are determined based on the nature of the services provided. As performance obligations are satisfied over time, revenue is recognized based on when related services are performed. This method provides for the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligations. Revenue received in advance is deferred to the applicable period in which the related program services are performed and at which time will be recognized in the period in which the related services are performed. Transaction price is based on standard charges for services provided, which is set by the State of Colorado. Rent income is recognized in the month in which it is earned rather than received.

13. *Accounting for Contributions*

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 increases 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 increases in net assets without donor restrictions.

The Resource Exchange, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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

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 recorded no estimated tax payment as of June 30, 2023. The Center is subject to routine audits by 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, 2020.

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 time and effort, full-time equivalents, square footage of space, and other methods.

16. *Fair Value Measurements*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established under accepted accounting principles, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and mutual funds that are traded in an active exchange market.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government agency debt securities, corporate-debt securities and certificates of deposit.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include

The Resource Exchange, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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

16. *Fair Value Measurements (Continued)*

financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. The disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed. Management recognizes transfers between fair value hierarchy levels at the time of fair value measurement.

17. *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 of America. Accordingly, such information should be read in conjunction with the Center's financial statements as of and for the year ended June 30, 2022, from which the summarized information was derived. Certain financial information as of and for the year ended June 30, 2022 has been reclassified to conform with the presentation for the current year.

NOTE B – 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	\$ 1,159,269
Investments	573,533
Accounts receivable	<u>4,442,438</u>
Total financial assets	6,175,240
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (Note H)	<u>(58,194)</u>
Amount available for general expenditures within one year	\$ <u>6,117,046</u>

The Resource Exchange, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE B – LIQUIDITY AND AVAILABILITY (CONTINUED)

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. To help manage unanticipated liquidity needs, the Center has a committed line of credit in the amount of \$400,000 and the LLC has a committed line of credit in the amount of \$750,000 which they could draw upon. See Note F for details on the lines of credit.

NOTE C – INVESTMENTS AT FAIR VALUE

The Center’s investments are based on quoted market prices in an active market or pricing model and are considered a Level 1 asset.

The following table presents the Center’s fair value hierarchy for those assets measured at fair value as of June 30, 2023:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Mutual funds - Equity	\$ 268,142	\$ 268,142	\$ -	\$ -
Mutual funds - Fixed	241,554	241,554	-	-
ETFs - Fixed	<u>63,837</u>	<u>63,837</u>	-	-
	<u>\$ 573,533</u>	<u>\$ 573,533</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE D – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following at June 30, 2023:

Building & tenant improvements	\$ 10,568,341
Administrative equipment	328,826
Program equipment	<u>210,118</u>
	11,107,285
Less accumulated depreciation	<u>3,094,369</u>
	8,012,916
Land	<u>675,690</u>
	<u>\$ 8,688,606</u>

Depreciation expense was \$509,092 for the year ended June 30, 2023.

NOTE E – DEFERRED REVENUE

Deferred revenue as of June 30, 2023 consists unspent single entry point funds from the State of Colorado of \$602,347.

The Resource Exchange, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE F – LINE OF CREDIT

The Center had a revolving line of credit from a financial institution with a limit of \$400,000, which matured on September 30, 2022 and was extended with no change in terms through December 30, 2022. The outstanding balance as of June 30, 2023 was \$0. The interest rate to be charged on utilization of this line will be the Wall Street Journal Prime plus 1% adjusting daily (Prime was 4.75% at June 30, 2023). Interest is due monthly. The line of credit is collateralized by the investment account. The line of credit continues under assessment with the financial institution until a new agreement is finalized.

The LLC has a revolving line of credit from a financial institution dated December 12, 2018 and was extended on May 29, 2021 with a limit of \$750,000 and variable rate of 0.50% above the Wall Street Journal Prime Rate (Prime was 4.75% at June 30, 2023) with a floor of 4.25%. The line of credit matured on June 21 2022 and was extended with no change in terms through March 21, 2023. The line of credit continues under assessment with the financial institution until a new agreement is finalized. The line of credit is collateralized by real property. The outstanding balance as of June 30, 2023 was \$0.

Interest expense on the lines of credit for the year ended June 30, 2023, was \$0.

NOTE G – NOTES PAYABLE

Notes payable consist of the following at June 30, 2023:

4.94% rate note dated July 21, 2017, payments of principal and interest of \$34,434 are due monthly plus a balloon payment at maturity on July 21, 2027. Collateralized by the land and property held by the LLC and related rents. The note agreement contains covenants that require a minimum debt service coverage ratio annually of no less than 1.0 to 1.0 and audited financial statements to be issued not later than 180 days after year-end. The Center met the ratio covenants at June 30, 2023 and has obtained a waiver on submission of the audited financials through April 1, 2024.	\$ 5,099,527
Less current portion	<u>164,618</u>
	\$ <u>4,934,909</u>

The Resource Exchange, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE G – NOTES PAYABLE (CONTINUED)

Interest expense for notes payable for the year ended June 30, 2023 was \$256,201. Future maturities under notes payable are as follows:

Year ending June 30,		
2024	\$	164,618
2025		173,665
2026		182,635
2027		191,278
2028		200,268
Thereafter		<u>4,187,063</u>
		5,099,527
Less current portion		<u>164,618</u>
	\$	<u><u>4,934,909</u></u>

NOTE H – NET ASSETS

Net investment in land, building and equipment is comprised of land, building and equipment less notes payable secured by land, building and equipment.

Net assets with donor restrictions consisted of the following purpose-restricted amounts as of June 30, 2023:

Early intervention	\$	48,692
Health integration		<u>9,502</u>
	\$	<u><u>58,194</u></u>

NOTE I – LEASES

Operating Leases

The Center has operating leases for real estate and equipment. The Center determines if an arrangement is a lease at the inception of a contract and recognizes operating lease expense on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are not recorded on the consolidated statement of financial position and are expense on a straight-line basis. The Center has lease agreements which require payments for lease and nonlease components and has elected to account for these as a single lease component, with any variable elements being recorded as variable lease expense. One lease for real estate is subleased through June 30, 2023 with total rental income for the year-ended June 30, 2023 of \$24,000.

The Resource Exchange, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE I – LEASES (CONTINUED)

Operating Leases (Continued)

Operating expenses for the leasing activity of the Center as lessee for the year ended June 30, 2023 are as follows:

Operating lease costs	\$ 112,827
Short-term lease costs	<u>28,958</u>
Total lease expense	\$ <u>141,785</u>

Total lease expense was \$141,785 for the year ended June 30, 2023 and is included in occupancy and utilities and supplies, equipment, dues and subscriptions on the consolidated statement of functional expenses.

The aggregate future operating lease payments below summarize the remaining future undiscounted cash flows for operating lease liabilities reported on the consolidated statement of financial position:

Year ending June 30,	
2024	\$ 48,299
2025	<u>24,281</u>
Total lease payments	72,580
Less interest	<u>(7,434)</u>
Present value of lease liability	\$ <u>65,146</u>

Average operating lease terms and discount rate at June 30, 2023 were as follows:

Weighted average remaining lease term (years)	1.79
Weighted average discount rate	5.00%

The following summarizes cash paid for operating lease liabilities and other non-cash information:

Cash paid for amounts included in the measurement of operating lease liability	\$ 29,001
Right of use assets obtained in exchange for operating lease obligations	\$ 34,335

Financing Leases

The Center has financing leases for equipment. The leases are non-cancelable and expire at various dates through 2026. Lease obligations are secured by the underlying equipment.

The Resource Exchange, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE I – LEASES (CONTINUED)

Financing Leases (Continued)

The aggregate future financing lease payments below summarize the remaining future undiscounted cash flows for operating lease liabilities reported on the consolidated statement of financial position:

Year ending June 30,		
2024	\$	81,920
2025		40,206
2026		<u>20,148</u>
Total lease payments		142,274
Less interest		<u>(4,402)</u>
Present value of lease liability	\$	<u>137,872</u>

Average financing lease terms and discount rate at June 30, 2023 were as follows:

Weighted average remaining lease term (years)	1.49
Weighted average discount rate	5.00%

The following summarizes cash paid for operating lease liabilities and other non-cash information:

Cash paid for amounts included in the measurement of financing lease liability	\$ 64,008
Right of use assets obtained in exchange for financing lease obligations	\$ 76,586

Tenant Leases

The Center currently leases office space to various tenants under operating lease arrangements which expire at various dates through 2034. Rental income under the leases was \$278,973 for the year ended June 30, 2023. For the year ended June 30, 2023, \$226,377 of the total rental receipts was from one tenant.

Future minimum rental receipts at June 30, 2023 are as follows:

Year ending June 30,		
2024	\$	356,141
2025		417,808
2026		430,377
2027		407,250
2028		418,984
Thereafter		<u>816,877</u>
	\$	<u>2,847,437</u>

The Resource Exchange, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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 and benefits, depreciation, insurance, utilities, postage, communications, rental of office space and equipment, depreciation, and interest which are allocated on the basis of usage studies, square footage and other methods.

NOTE K – RETIREMENT PLAN

In March 1999, the Board of Directors adopted a 401(k) retirement plan covering all employees who are 21 years of age or older and have three months of service with the Center. The amount of cost recognized for the plan for the year ended June 30, 2023 was \$228,679.

NOTE L – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue from the State of Colorado. As of June 30, 2023, the Center has receivables from the State of Colorado is \$4,185,914. The Center has a payable to the State of Colorado in the amount of \$54,880, which is recorded in accounts payable and deferred revenue of \$602,347. 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.

NOTE M – SUBSEQUENT EVENTS

In order for the State of Colorado to be in compliance with Federal Conflict Free Case Management requirements, the State opened a Request for Proposal (RFP) process for all Case Management services in each of the 20 Designated Service Areas. The Center responded to the State's Case Management Agency RFP and was notified on June 12th, 2023 that the Center had been given the Intent to Award as of November 1st, 2023 for El Paso, Park and Teller Counties, Designated Service Area 11. Subsequently on July 21st, 2023, the Center was given the Intent to Award as of March 1st, 2024, for Pueblo County, Designated Service Area 12. The Center will also continue to be the Community Centered Board (CCB) for individuals with intellectual/developmental disabilities in El Paso, Park and Teller Counties and will become the CCB for Pueblo County, as of March 1st, 2024. The Center did not historically provide program services, so was already in compliance with the Federal requirements to be conflict free.

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Supplementary Information

The Resource Exchange, Inc.
SUMMARY OF THE RESOURCE EXCHANGE REVENUES, SUPPORT AND EXPENSES BY PROGRAM
Year ended June 30, 2023
(With summarized financial information for the year ended June 30, 2022)

	Program Services			
	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living	Children's extensive support
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ -	\$ 349,780	\$ -	\$ -
Medicaid	400,186	-	160,912	30,377
Counties	-	-	-	-
Grants - Part C	-	-	-	-
Total fees and grants from governmental agencies	400,186	349,780	160,912	30,377
Public support - contributions & grants	-	-	-	-
Fees for services	-	-	-	-
Investment return, net	-	-	-	-
Other revenue	-	-	-	-
Total revenues and support	<u>\$ 400,186</u>	<u>\$ 349,780</u>	<u>\$ 160,912</u>	<u>\$ 30,377</u>
Expenses				
Salaries				
Direct care	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Payroll taxes	-	-	-	-
Employee benefits	-	-	-	-
Total personal services	-	-	-	-
Medical professional services				
Other	369,074	-	-	-
Other professional services	1,648	364,065	198,290	34,858
Staff development	-	-	-	-
Staff travel	-	-	-	-
Occupancy				
Rent	-	-	-	-
Maintenance	-	-	-	-
Utilities	-	-	-	-
Equipment				
Leases	-	-	-	-
Maintenance	-	-	-	-
Supplies - Other	-	-	-	84
Telephone	-	-	-	-
Dues and subscriptions	-	-	-	-
Insurance	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Depreciation	-	-	-	-
Total expenses before management & general allocation	<u>370,722</u>	<u>364,065</u>	<u>198,290</u>	<u>34,942</u>
Management & general allocation	25,136	24,684	13,445	2,369
Total expenses after management & general allocation	<u>\$ 395,858</u>	<u>\$ 388,749</u>	<u>\$ 211,735</u>	<u>\$ 37,311</u>

Program Services

Early intervention	Family support	CCB Case management	SEP Case management	Management and general	Total	
					2023	2022
\$ 4,549,814	\$ 579,973	\$ 1,434,510	\$ -	\$ 2,033,895	\$ 8,947,972	\$ 7,962,170
-	-	8,191,268	6,535,904	-	15,318,647	12,828,006
-	-	28,702	-	-	28,702	33,855
597,038	-	-	-	(549,873)	47,165	(276,232)
5,146,852	579,973	9,654,480	6,535,904	1,484,022	24,342,486	20,547,799
383,249	97,037	301,767	-	143,832	925,885	935,525
1,655,997	-	-	-	-	1,655,997	1,405,640
-	-	-	-	68,166	68,166	(99,358)
2,736	4,000	93,001	-	62,464	162,201	139,636
<u>\$ 7,188,834</u>	<u>\$ 681,010</u>	<u>\$ 10,049,248</u>	<u>\$ 6,535,904</u>	<u>\$ 1,758,484</u>	<u>\$ 27,154,735</u>	<u>\$ 22,929,242</u>
\$ 5,849,234	\$ 152,733	\$ 7,175,675	\$ 4,680,875	\$ -	\$ 17,858,517	\$ 16,174,421
-	-	-	-	1,505,182	1,505,182	1,110,972
429,034	12,545	587,650	381,865	110,564	1,521,658	1,501,439
433,725	17,491	663,668	392,365	106,212	1,613,461	1,434,845
6,711,993	182,769	8,426,993	5,455,105	1,721,958	22,498,818	20,221,677
-	-	-	-	-	369,074	332,257
146,523	508,826	137,920	93,993	129,911	1,616,034	1,725,099
24,739	84	2,432	377	72,493	100,125	51,765
119,523	-	23,899	9,743	1,683	154,848	80,846
24,499	683	54,730	28,901	35,676	144,489	152,874
1,596	61	3,291	2,044	388	7,380	8,035
3,902	551	5,314	4,018	-	13,785	12,445
11,202	1,877	46,964	(15,138)	11,748	56,653	157,137
6,957	271	12,662	8,725	1,483	30,098	26,895
21,748	7,317	18,864	4,508	22,170	74,691	76,984
205,406	9,492	444,980	237,630	46,409	943,917	730,403
22,769	572	30,100	18,056	59,776	131,273	54,804
14,988	792	33,620	20,457	12,509	82,366	86,285
1,660	148	4,384	2,023	232	8,447	-
114,702	15,038	135,264	94,104	46,011	405,119	433,419
25,539	2,404	67,313	49,112	4,672	149,040	58,879
7,457,746	730,885	9,448,730	6,013,658	2,167,119	26,786,157	24,209,804
609,223	49,543	537,103	407,741	(1,669,244)	-	-
<u>\$ 8,066,969</u>	<u>\$ 780,428</u>	<u>\$ 9,985,833</u>	<u>\$ 6,421,399</u>	<u>\$ 497,875</u>	<u>\$ 26,786,157</u>	<u>\$ 24,209,804</u>

The Resource Exchange, Inc. and Affiliate
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2023

	The Resource Exchange	6385 Corporate Drive, LLC	Eliminating Entries	Consolidated
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,146,070	\$ 13,199	\$ -	\$ 1,159,269
Investments	573,533	-	-	573,533
Accounts receivable				
Fees and grants from governmental agencies	4,191,722	-	-	4,191,722
Other, net of allowance for uncollectible receivables of \$2,157	250,716	-	-	250,716
Intercompany receivable	3,203,403	-	(3,203,403)	-
Prepaid expenses and other assets	207,408	-	-	207,408
Total current assets	<u>9,572,852</u>	<u>13,199</u>	<u>(3,203,403)</u>	<u>6,382,648</u>
Right of use assets - operating leases	65,146	-	-	65,146
Right of use assets - financing leases	137,872	-	-	137,872
Land, building and equipment, net	42,592	8,646,014	-	8,688,606
Total assets	<u>\$ 9,818,462</u>	<u>\$ 8,659,213</u>	<u>\$ (3,203,403)</u>	<u>\$ 15,274,272</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 488,639	\$ 3,219,878	\$ (3,203,403)	\$ 505,114
Accrued expenses	1,640,728	40,071	-	1,680,799
Deferred revenue	602,347	-	-	602,347
Current portion of lease obligation - operating	42,704	-	-	42,704
Current portion of lease obligation - financing	79,036	-	-	79,036
Current portion of long-term debt				
Notes payable	-	164,618	-	164,618
Total current liabilities	<u>2,853,454</u>	<u>3,424,567</u>	<u>(3,203,403)</u>	<u>3,074,618</u>
Long-term lease obligation - operating	22,442	-	-	22,442
Long-term lease obligation - financing	58,836	-	-	58,836
Long-term debt, net of current portion				
Notes payable	-	4,934,909	-	4,934,909
Total liabilities	<u>2,934,732</u>	<u>8,359,476</u>	<u>(3,203,403)</u>	<u>8,090,805</u>
Net assets				
Without donor restrictions				
Net investment in land, building and equipment	42,592	3,546,487	-	3,589,079
Undesignated	6,782,944	(3,246,750)	-	3,536,194
Total without donor restrictions	<u>6,825,536</u>	<u>299,737</u>	<u>-</u>	<u>7,125,273</u>
With donor restrictions	58,194	-	-	58,194
Total net assets	<u>6,883,730</u>	<u>299,737</u>	<u>-</u>	<u>7,183,467</u>
Total liabilities and net assets	<u>\$ 9,818,462</u>	<u>\$ 8,659,213</u>	<u>\$ (3,203,403)</u>	<u>\$ 15,274,272</u>

The Resource Exchange, Inc. and Affiliate
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended June 30, 2023

	The Resource Exchange	6385 Corporate Drive, LLC	Eliminations	Consolidated
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ 8,398,099	\$ -	\$ -	\$ 8,398,099
Medicaid	15,318,647	-	-	15,318,647
Counties	28,702	-	-	28,702
Grants - Part C	597,038	-	-	597,038
Total fees and grants from governmental agencies	24,342,486	-	-	24,342,486
Public support - contributions & grants	925,885	-	-	925,885
Fees for services	1,655,997	-	-	1,655,997
Rental revenue	24,000	700,630	(88,315)	636,315
Investment return, net	68,166	-	-	68,166
Other revenue	162,201	1,007	-	163,208
Total revenues and support	27,178,735	701,637	(88,315)	27,792,057
Expenses				
Program services				
Medicaid comprehensive	370,722	-	-	370,722
State adult supported living	364,065	-	-	364,065
Medicaid adult supported living	198,290	-	-	198,290
Children's extensive support	34,942	-	-	34,942
Early intervention	7,457,746	-	-	7,457,746
Family support	730,885	-	-	730,885
Case management	15,462,388	-	-	15,462,388
Total program services	24,619,038	-	-	24,619,038
Supporting services				
Management and general	2,167,119	-	-	2,167,119
Property management	-	1,440,448	(88,315)	1,352,133
Total expenses	26,786,157	1,440,448	(88,315)	28,138,290
CHANGE IN NET ASSETS	392,578	(738,811)	-	(346,233)
Net assets, beginning of year	6,491,152	1,038,548	-	7,529,700
Net assets, end of year	\$ 6,883,730	\$ 299,737	\$ -	\$ 7,183,467