

**Rocky Mountain Human Services
and Subsidiary**

**Consolidated Financial Statements and
Supplemental Information**

June 30, 2021 and 2020

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Rocky Mountain Human Services and Subsidiary

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Independent Auditor's Report

Board of Directors Rocky Mountain Human Services and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Rocky Mountain Human Services and Subsidiary (RMHS), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RMHS as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Board of Directors
Rocky Mountain Human Services and Subsidiary**

Other Matters - Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2021, on our consideration of RMHS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RMHS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RMHS' internal control over financial reporting and compliance.

Kundinger, Caudia + Congle, P.C.

November 10, 2021

Rocky Mountain Human Services and Subsidiary
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 12,950,695	8,580,512
Receivables		
Service receivables, less allowance for uncollectable accounts of \$360,000 in 2021 and 2020	1,793,913	2,063,007
Denver Mill Levy receivables	2,814,997	2,761,952
State grant receivables	6,644,367	2,784,240
Federal grant receivables	791,263	1,119,268
Other receivables	<u>21,210</u>	<u>24,392</u>
Net accounts receivable	<u>12,065,750</u>	<u>8,752,859</u>
Prepaid expenses and other assets	283,714	650,015
Cash held for others (note 3)	155,845	113,116
Property and equipment, net (note 4)	<u>4,693,287</u>	<u>5,082,715</u>
Total assets	<u>\$ 30,149,291</u>	<u>23,179,217</u>
Liabilities and Net Assets		
Accounts payable	\$ 2,026,725	1,933,305
Accrued liabilities	2,299,249	1,955,275
Deferred revenue	—	109,712
Deferred gain on conversion of debt	—	240,000
Paycheck Protection Program loan (note 6)	2,580,300	2,580,300
Obligations under capital leases	—	283,450
Bond and notes payable, net (note 5)	<u>7,125,328</u>	<u>7,177,887</u>
Total liabilities	<u>14,031,602</u>	<u>14,279,929</u>
Net assets		
Without donor restrictions	<u>16,117,689</u>	<u>8,899,288</u>
Total net assets	<u>16,117,689</u>	<u>8,899,288</u>
Commitments (notes 6 through 8)		
Total liabilities and net assets	<u>\$ 30,149,291</u>	<u>23,179,217</u>

See the accompanying notes to the consolidated financial statements.

Rocky Mountain Human Services and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenue		
Case management	\$ 20,976,028	4,532,617
Client directed funds	11,009,628	9,546,606
Child and family services	12,066,537	14,191,866
Residential services and support	8,424,638	8,532,893
Transition programs	15,055,031	10,574,107
Other programs	1,826,094	2,358,829
Total operating revenue	<u>69,357,956</u>	<u>49,736,918</u>
Expenses		
Program services		
Case management	15,823,696	4,810,251
Client directed funds	9,889,971	8,105,381
Child and family services	9,473,899	10,927,703
Residential services and support	7,503,264	7,633,313
Transition programs	13,908,203	9,410,550
Other programs	1,034,282	1,445,201
Total program services	<u>57,633,315</u>	<u>42,332,399</u>
Supporting services		
Management and general	4,823,703	4,664,079
Total supporting services	<u>4,823,703</u>	<u>4,664,079</u>
Total operating expenses	<u>62,457,018</u>	<u>46,996,478</u>
Total operating net income	<u>6,900,938</u>	<u>2,740,440</u>
Non-operating revenue and expenses		
Contributions and grants	73,209	29,524
Billing revenue	17,661	18,597
Other revenue	8,392	116,170
Gain on conversion of debt	240,000	480,000
Fund raising expenses	(21,799)	(14,901)
Total non-operating revenue and expenses	<u>317,463</u>	<u>629,390</u>
Change in net assets		
Net assets at beginning of year	<u>8,899,288</u>	<u>5,529,458</u>
Net assets at end of year	<u>\$ 16,117,689</u>	<u>8,899,288</u>

See the accompanying notes to the consolidated financial statements.

Rocky Mountain Human Services and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Case management	Client directed funds	Child and family services	Residential services and support	Transition programs	Other programs	Total program services	Management and general	Fund raising	Total expenses
Salaries	\$ 10,813,969	540,488	4,754,755	1,418,925	4,320,499	–	21,848,636	2,753,631	10,735	24,613,002
Payroll taxes	856,361	41,098	372,190	109,387	335,749	–	1,714,785	209,054	715	1,924,554
Benefits	1,846,507	91,571	813,044	259,582	753,000	–	3,763,704	470,476	1,805	4,235,985
Client expenses										
Services and activities	–	5,723,169	2,119,620	255,356	405,410	100,421	8,603,976	–	–	8,603,976
Professional services	38,001	2,836,528	703,693	5,749	483,359	1,300	4,068,630	–	–	4,068,630
Habilitation services	–	–	–	501,382	–	142,375	643,757	–	–	643,757
Personal care	–	–	109,025	259,038	500,838	99,559	968,460	–	–	968,460
Transportation	–	–	3,375	142,274	196,506	707,824	1,049,979	–	–	1,049,979
Housing	–	470,072	225	4,271,396	5,901,873	–	10,643,566	–	–	10,643,566
Other expenses	–	–	14,140	–	21,119	4,014	39,273	–	–	39,273
Professional fees	334,002	33,616	64,392	22,190	204,264	–	658,464	463,869	1,654	1,123,987
Office supplies	1,393,345	33,490	338,508	123,704	339,281	–	2,228,328	346,867	1,090	2,576,285
Occupancy	109,933	12,139	45,004	36,522	242,598	–	446,196	70,148	486	516,830
Travel	110	134	1,349	17,234	33,243	–	52,070	196	2	52,268
Conferences	22,079	3,520	25,303	6,798	47,730	–	105,430	80,617	100	186,147
Interest	111,595	39,063	10,068	14,374	25,177	–	200,277	78,683	61	279,021
Depreciation and amortization	273,150	51,003	81,693	38,665	74,023	–	518,534	137,564	209	656,307
Insurance	22,806	12,948	14,118	5,491	14,172	–	69,535	57,251	1,021	127,807
Bad debt	–	–	–	–	–	–	–	13,895	–	13,895
Other expenses	1,838	1,132	3,397	15,197	9,362	(21,211)	9,715	141,452	3,921	155,088
Total expenses	\$ 15,823,696	9,889,971	9,473,899	7,503,264	13,908,203	1,034,282	57,633,315	4,823,703	21,799	62,478,817

See the accompanying notes to the consolidated financial statements.

Rocky Mountain Human Services and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Case management	Client directed funds	Child and family services	Residential services and support	Transition programs	Other programs	Total program services	Management and general	Fund raising	Total expenses
Salaries	\$ 2,966,459	419,840	4,536,329	1,354,660	3,539,452	17,743	12,834,483	2,520,139	7,027	15,361,649
Payroll taxes	231,092	28,587	350,681	104,116	272,934	984	988,394	198,111	356	1,186,861
Benefits	482,034	67,875	740,565	241,849	583,400	1,747	2,117,470	422,259	1,203	2,540,932
Client expenses										
Services and activities	—	4,456,271	3,001,944	270,870	380,995	90,308	8,200,388	—	—	8,200,388
Professional services	1,147	2,858,936	1,089,660	5,095	379,393	575	4,334,806	—	—	4,334,806
Habilitation services	—	—	2,749	724,988	43,683	441,961	1,213,381	—	—	1,213,381
Personal care	8	—	134,201	396,926	281,715	81,532	894,382	—	—	894,382
Transportation	—	—	4,093	159,080	130,924	784,523	1,078,620	—	—	1,078,620
Housing	564	283,720	426	4,060,835	2,851,696	—	7,197,241	—	—	7,197,241
Other expenses	—	—	3,000	841	21,033	57,266	82,140	—	—	82,140
Professional fees	66,160	33,290	81,581	45,687	100,552	94	327,364	530,388	2,206	859,958
Office supplies	371,536	26,590	460,228	143,332	348,354	6,751	1,356,791	360,719	2,240	1,719,750
Occupancy	311,455	(112,669)	122,407	(24,132)	127,997	(27,811)	397,247	142,835	454	540,536
Travel	34,909	681	53,547	17,818	146,399	2	253,356	10,462	56	263,874
Conferences	5,996	5,234	18,029	15,633	34,757	3	79,652	113,990	355	193,997
Interest	96,378	8,976	78,185	23,282	30,622	7	237,450	50,586	62	288,098
Depreciation and amortization	230,641	22,028	239,834	73,112	106,059	162	671,836	129,627	204	801,667
Insurance	11,793	5,925	10,121	3,500	5,889	—	37,228	62,812	733	100,773
Bad debt	—	—	—	—	—	—	—	10,049	—	10,049
Other expenses	79	97	123	15,821	24,696	(10,646)	30,170	112,102	5	142,277
Total expenses	\$ 4,810,251	8,105,381	10,927,703	7,633,313	9,410,550	1,445,201	42,332,399	4,664,079	14,901	47,011,379

See the accompanying notes to the consolidated financial statements.

Rocky Mountain Human Services and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 7,218,401	3,369,830
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization of property and equipment	644,424	796,813
Amortization of debt issuance costs	11,883	4,854
Bad debt expense	13,895	10,049
Gain on conversion of debt	(240,000)	(480,000)
Loss on disposal of property and equipment	—	10,939
Change in operating assets and liabilities		
Accounts receivable	(3,326,786)	40,443
Prepaid expenses and other assets	366,301	(567,804)
Accounts payable and accrued liabilities	437,394	161,611
Deferred revenue	(109,712)	17,009
Net cash provided by operating activities	<u>5,015,800</u>	<u>3,363,744</u>
Cash flows from investing activities		
Increase in restricted cash and cash equivalents	(42,729)	(40,468)
Purchases of property and equipment	(254,996)	(236,198)
Net cash used in investing activities	<u>(297,725)</u>	<u>(276,666)</u>
Cash flows from financing activities		
Paycheck Protection Program loan proceeds	—	2,580,300
Proceeds from notes payable	800,000	—
Principal payments on bonds and notes payable	(864,442)	(557,704)
Payments on capital lease obligations	(283,450)	(482,257)
Net cash provided by (used in) financing activities	<u>(347,892)</u>	<u>1,540,339</u>
Increase in cash and cash equivalents	<u>4,370,183</u>	<u>4,627,417</u>
Cash and cash equivalents at beginning of year	<u>8,580,512</u>	<u>3,953,095</u>
Cash and cash equivalents at end of year	<u>\$ 12,950,695</u>	<u>8,580,512</u>
Supplemental cash flow information		
Interest paid	<u>\$ 282,555</u>	<u>290,281</u>

See the accompanying notes to the consolidated financial statements.

Rocky Mountain Human Services and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(1) Summary of Significant Accounting Policies

(a) Organization

Rocky Mountain Human Services (the Organization) embraces the power of community to support individuals and families in creating their future. The Organization is a not-for-profit corporation designated by the State of Colorado as a Community Centered Board to coordinate programs to provide services to individuals with developmental disabilities in the City and County of Denver. The Organization also provides services and programs in addition to those specific to its designation as a Community Centered Board. On January 1, 2019, the Organization formed Rocky Mountain Human Services Foundation (the Foundation) as a wholly-owned not-for-profit subsidiary.

The Organization and Foundation are supported primarily through governmental and client service revenue, grants, and contributions. The Organization and Foundation's services and programs can be categorized under the following pillars:

Case Management: Case management for Single Entry Point (SEP), Home Care Allowance (HCA), and Service Coordination includes intake activities and eligibility determination, the facilitation of enrollment into home and community-based services, and locating, coordinating, and monitoring services and supports for people with disabilities and ongoing health conditions. Case managers monitor the effective and efficient provision of services across multiple funding sources and may also assist clients with obtaining services outside of Medicaid waiver funding to include medical, social, education, and other services for individuals with disabilities (I/DD).

Client Directed Funds: This Denver Mill Levy funded program provides services and resources not available from other funding sources to individuals with I/DD and delays. Additionally, the program provides funding to other agencies offering services to individuals with I/DD. Services and resources provided including behavioral/mental health; basic needs/environmental supports; education and increasing independence; medical/dental; social/recreational; training and support; and services addressing system gaps.

Child and Family Services: RMHS provides services to children and adolescents with developmental delays or disabilities, including autism, under three programs. The Early Intervention (EI) program provides case management and child development services to eligible infants and toddlers, and their families, in the areas of cognition, speech and communication, sensory and motor development, social and emotional development, and self-help skills. The Children's Clinical program provides comprehensive assessment, consultation, and intervention services to infants, children, and adolescents under age nineteen, and children with autism spectrum disorder. The Family Support Services Program (FSSP) provides support for families who have children with developmental disabilities or delays with costs that are beyond those normally experienced by other families and focuses on preventing out-of-home placements. The Denver Early Steps Program (DES) provides case management and direct and services for children under the age of 3 in the city and county of a Denver with a 25-32% delay in one of the five areas of development, who are no longer supported by the state Early Intervention program due to an eligibility criteria rule change, which requires a 33% delay in one area.

Rocky Mountain Human Services and Subsidiary

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(a) Organization, Continued

Child and Family Services, Continued: DES also include the Transition Home Project, which provides families being discharged from the NICU access to an infant specialist, as well as resources and supports to be evaluated for the Early Intervention program, and autism diagnostic or adaptive testing for children over 3 and outside of the Early Intervention program.

Residential Services and Support: This program provides direct care for adults and children with intellectual and developmental disabilities through the Home and Community-Based Services Waiver for Developmentally Disabled (HCBS-DD), Supported Living Services Waiver (SLS), and Children's Extensive Waiver (CES). HCBS-DD provides 24/7 home living arrangements and all associated supports; SLS and CES services include, but are not limited to, home health care, daily living skills coaching, and independent living support. For clients not eligible for Waivers, the State SLS program provides select services to eligible clients. Depending on individual needs, clients may also be provided caregiver respite, personal care, behavioral services, mentorship, transportation, hippotherapy, movement therapy, massage therapy, day habilitation, basic and enhanced homemaker services, supported employment, and community connections.

Transition Programs: RMHS runs programs with services for adults and children transitioning from mental health institutions, psychiatric hospitals, or substance abuse facilities to a community setting. RMHS also provides stable housing services to Veterans who are homeless or at risk of becoming homeless, while addressing root causes of homelessness through case management.

Other Programs: Transportation services to daily activities are available to adult clients who have the ability to participate in independent local travel. The Program Approved Service Agency (PASA) Administration program provides general oversight and administrative services to PASAs which enable clients to receive services from the provider of their choice.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Rocky Mountain Human Services and Rocky Mountain Human Services Foundation (collectively RMHS). All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Rocky Mountain Human Services and Subsidiary

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Financial Statement Presentation

RMHS is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of RMHS. These net assets may be used at the discretion of RMHS' management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of RMHS or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2021 and 2020, RMHS did not have any net assets with donor restrictions.

(e) Measure of Operations

The consolidated statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to RMHS' ongoing program activities, including governmental grants and service fee income. Non-operating activities are limited to contributions and grants for general operations from non-governmental sources, billing revenue, other revenue, fund raising expenses, and activities considered to be of a more unusual or nonrecurring nature.

(f) Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, RMHS considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

(g) Concentrations of Credit Risk

Financial instruments that potentially subject RMHS to concentrations of credit risk consist of cash and cash equivalents and receivables. RMHS places its cash and cash equivalents with creditworthy, high quality, financial institutions. At times, a portion of these cash balances may not be insured by the Federal Deposit Insurance Corporation or related entity. Credit risk with respect to trade receivables is generally diversified due to the large number of entities and credit-worthiness of the organizations that comprise RMHS' customer base.

(h) Property and Equipment

Property and equipment is recorded at cost. RMHS capitalizes all expenditures for property and equipment in excess of \$10,000. Depreciation is computed using the straight-line method over estimated useful lives of the assets ranging from two to forty years. Leasehold improvements are amortized ratably over the lesser of the lease term or their respective estimated useful life.

Rocky Mountain Human Services and Subsidiary

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Debt Issuance Costs

RMHS incurred debt issuance costs totaling \$303,268 on a bond issue and two term loans which are being amortized over the life of the respective bond and loans. The balance at June 30, 2021 and 2020 was \$153,160 and \$165,043, respectively, and amortization expense was \$11,883 in 2021 and \$4,854 in 2020.

(j) Revenue Recognition

Contributions and grants

Contributions are recognized when cash or unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Should RMHS substantially meet all the conditions in the same period that the contribution was recognized, and barring any further donor-imposed restrictions, RMHS has elected to recognize the revenue in net assets without donor restrictions.

Federal, state, and local government grants included in operating revenue are treated as contributions that are conditioned upon specific performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2021, conditional contributions totaling \$67,007,579 relating to these grants have not been recognized in the accompanying consolidated financial statements.

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purposes restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. All Contributions and grants receivable are expected to be collected within one year.

Medicaid and private insurance revenue

Medicaid and private insurance charges are billed by encounter, usually on an hourly or unitized basis, and recognized as revenue in the month in which the services are rendered. For services outsourced to third party providers, RMHS recognizes revenue in the month the services are billed. At year-end, management and the revenue cycle team make a concerted effort to receive any outstanding billings from the third party providers related to the fiscal year so that those services can be accrued. Billing rules may allow third parties additional time to bill, so in addition to the year-end accrual based on actual invoice received after the year-end, RMHS may also accrue an estimated amount for services incurred but not billed. No funds are received in advance.

Rocky Mountain Human Services and Subsidiary
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Revenue Recognition, Continued

Denver Mill Levy revenue

Denver Mill Levy revenue is revenue from a reimbursement-based grant that is conditioned upon specific spending and service requirements set forth by the City. Revenue is recognized following the contribution and grants revenue recognition policies discussed above.

State revenue

State revenue consists of both grants and fee for service contracts. Grants revenue is recognized following the contributions and grants revenue recognition policies discussed above.

Contract revenue is billed by encounter, usually on an hourly or unitized basis, and recognized as revenue in the month the services are rendered. For services outsourced to third party providers, RMHS recognizes revenue in the month the services are billed. At year-end, management and the revenue cycle team make a concerted effort to receive any outstanding billings from the third party providers related to the fiscal year so that those services can be accrued. Billing rules may allow third parties additional time to bill, so in addition to the year-end accrual based on actual invoice received after the year-end, RMHS may also accrue an estimated amount for services incurred but not billed. No funds are received in advance.

Other program revenue

Room and board revenue is recognized in the month received with all clients paying twelve times per year. Funds are typically not received in advance.

RMHS uses the allowance method to determine uncollectable contract amounts. In determining the collectability of service receivables, management considers past collection experience and performs an analysis of subsequent collections compared to age of receivables. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectable.

(k) Functional Allocation of Expenses

The costs of providing various programs and other supporting activities have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. RMHS incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. RMHS also conducts a number of activities, which benefit both its program objective as well as supporting services (i.e. fund raising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

Rocky Mountain Human Services and Subsidiary
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure on contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(m) Income Taxes

The Organization and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualify for the charitable contribution deduction. However, income from activities not directly related to their respective tax-exempt purpose is subject to taxation as unrelated business income. These entities incurred no unrelated business income tax during 2021 or 2020.

Management is required to evaluate tax positions taken by the entities and to recognize a tax liability if an entity has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. Each entity believes that it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements. Each entity is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Tax returns for the previous three years are subject to examination by the IRS, generally for three years after initial filing.

(n) Subsequent Events

RMHS has evaluated subsequent events through November 10, 2021, the date the consolidated financial statements were available to be issued.

(o) Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. The reclassifications had no effect on net assets or change in net assets.

(2) Liquidity and Availability of Financial Assets

The following reflects RMHS' financial assets available for general expenditure as of June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 12,950,695	8,580,512
Accounts receivable	<u>12,065,750</u>	<u>8,752,859</u>
Total financial assets available for general expenditure within one year	\$ <u>25,016,445</u>	<u>17,333,371</u>

Rocky Mountain Human Services and Subsidiary
Notes to Consolidated Financial Statements, Continued

(2) Liquidity and Availability of Financial Assets, Continued

As part of RMHS' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. RMHS manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. In the event of an unanticipated liquidity need, RMHS could also draw upon \$2,500,000 of available line of credit (see note 5).

(3) Cash Held for Others

RMHS receives funds on behalf of certain clients that are restricted by government agencies for the exclusive benefit of the named clients. At June 30, 2021 and 2020, these funds totaled \$155,845 and \$113,116, respectively.

(4) Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,231,000	1,231,000
Buildings and improvements	3,572,235	3,572,235
Furniture, fixtures, and equipment	2,953,975	2,664,895
Vehicles	<u>81,526</u>	<u>81,526</u>
	7,838,736	7,549,656
Less accumulated depreciation	(3,145,449)	(2,466,941)
	<u>\$ 4,693,287</u>	<u>5,082,715</u>

(5) Bond and Notes Payable

On December 1, 2012, the Organization entered into an agreement for an \$11,100,000 Bond Issue (Bond) secured by the deed of trust for the administrative building and carries a fixed interest rate of 3.27%. On January 1, 2019, the Organization transferred the outstanding Bond obligation to the Foundation as part of the purchase and sale agreement related to the building and land. On March 19, 2019, a portion of the Bond was converted to a loan (see Foundation Term Loan below). After the partial conversion to a loan, principal and interest totaling \$53,535 are due monthly through February 1, 2031. The Bond has certain financial covenants which have been met at June 30, 2021 and 2020.

On March 19, 2019, RMHS entered into a twelve-year, \$1,704,367 term loan agreement (Foundation Term Loan) due to the conversion of a portion of the bond payable to a note payable. This agreement is secured by the deed of trust for the administrative building and carries a fixed interest rate of 4.34%. Principal and interest totaling \$15,286 are due monthly through February 1, 2031. This Term Loan has certain financial covenants which have been met at June 30, 2021.

On July 1, 2020, RMHS entered into a loan agreement (RMHS Term Loan) in the amount of \$800,000 secured by general business assets and carries a fixed interest rate of 3.28%. Principal and interest payments totaling \$27,834 are due monthly through January 3, 2023. Subsequent to year-end, on September 22, 2021, the remaining balance of the RMHS Term Loan was paid in full.

Rocky Mountain Human Services and Subsidiary
Notes to Consolidated Financial Statements, Continued

(5) Bond and Notes Payable, Continued

RMHS opened a line of credit for \$2,500,000 on September 23, 2020 with a one-year term. The line of credit has a variable interest rate of 0.25% over Prime Rate and is secured by personal property. Subsequent to year-end, on September 21, 2021, this line of credit was renewed under the same terms for an additional year. There was no balance outstanding as of June 30, 2021.

Bond and notes payable outstanding consist of the following at June 30, 2021:

Bond	\$ 5,321,162
Foundation Term Loan	1,442,860
RMHS Term Loan	<u>514,466</u>
Total bond and notes payable	7,278,488
Less unamortized debt issuance costs	<u>(153,160)</u>
Bond and notes payable, net	\$ <u>7,125,328</u>

Aggregate future principal payments on the bond and notes are as follows for the years ended June 30:

2022	\$ 920,529
2023	812,686
2024	642,002
2025	664,802
2026	688,426
Thereafter	<u>3,550,043</u>
Total bond and notes payable	7,278,488
Less unamortized debt issuance costs	<u>(153,160)</u>
Total bond and notes payable, net	\$ <u>7,125,328</u>

(6) Paycheck Protection Program Loan

In April 2020, RMHS received a \$3,380,300 loan under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act. Under the program, this loan may be partially or fully forgiven if certain eligibility requirements are met, including that 60% of the loan must be spent on payroll.

RMHS elected to repay \$800,000 immediately upon receiving the loan. At June 30, 2021 and 2020, the remaining PPP loan totaled \$2,580,300. The loan is being treated as a refundable advance of a conditional contribution until such time that the loan has been explicitly forgiven by the SBA. Subsequent to year-end on August 5, 2021, RMHS received full forgiveness of the PPP loan.

Rocky Mountain Human Services and Subsidiary
Notes to Consolidated Financial Statements, Continued

(7) Operating Leases

The Organization leases office space, equipment, and vehicles used in operations under non-cancelable operating lease agreements. The leases expire at various dates through February 2031. Future minimum lease payments under these non-cancelable operating leases are as follows as of June 30:

2022	\$ 1,043,936
2023	925,353
2024	870,976
2025	866,530
2026	865,300
Thereafter	<u>4,903,366</u>
	<u>\$ 9,475,461</u>

Total office, equipment, and vehicle rent expense for the years ended June 30, 2021 and 2020, was \$1,112,143 and \$1,135,786, respectively.

Total rent paid by the Organization to the Foundation during 2021 and 2020 was \$865,300 and \$869,672, respectively. The rent amount charged by the Foundation to the Organization was made at fair market value as of the date of the lease agreement, January 1, 2019. Rent paid by the Organization pursuant to the lease agreement is used, in part, by the Foundation to make debt service payments.

(8) Retirement Plan

RMHS maintains a tax sheltered annuity plan (the Plan) which covers substantially all employees. Eligible employees may begin to participate in the Plan with elective deferral contributions on the date of hire. An employee becomes eligible for employer matching contributions after six months of service. Under the Plan, RMHS matches 4% of eligible compensation. For the years ended June 30, 2021 and 2020, RMHS contributed \$654,060 and \$446,075, respectively, to the Plan.

Rocky Mountain Human Services and Subsidiary
Supplemental Consolidating Schedule of Financial Position
June 30, 2021

	<u>Organization</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 12,557,909	392,786	–	12,950,695
Receivables				
Service receivables, less allowance for uncollectable accounts	1,793,913	–	–	1,793,913
Denver Mill Levy receivables	2,814,997	–	–	2,814,997
State grant receivables	6,644,367	–	–	6,644,367
Federal grant receivables	791,263	–	–	791,263
Other receivables	21,210	–	–	21,210
Intercompany receivables	33,127	–	(33,127)	–
Net accounts receivable	12,098,877	–	(33,127)	12,065,750
Prepaid expenses and other assets	283,714	–	–	283,714
Security deposit	144,217	–	(144,217)	–
Cash held for others	155,845	–	–	155,845
Property and equipment, net	530,410	4,162,877	–	4,693,287
Total assets	<u>\$ 25,770,972</u>	<u>4,555,663</u>	<u>(177,344)</u>	<u>30,149,291</u>
Liabilities and Net Assets				
Accounts payable	\$ 2,026,725	–	–	2,026,725
Intercompany payables	–	33,127	(33,127)	–
Accrued liabilities	2,277,232	22,017	–	2,299,249
Security deposit	–	144,217	(144,217)	–
Paycheck Protection Program loan	2,580,300	–	–	2,580,300
Bond and notes payable, net	514,466	6,610,862	–	7,125,328
Total liabilities	<u>7,398,723</u>	<u>6,810,223</u>	<u>(177,344)</u>	<u>14,031,602</u>
Net assets (deficit)				
Without donor restrictions	<u>18,372,249</u>	<u>(2,254,560)</u>	<u>–</u>	<u>16,117,689</u>
Total net assets (deficit)	<u>18,372,249</u>	<u>(2,254,560)</u>	<u>–</u>	<u>16,117,689</u>
Total liabilities and net assets	<u>\$ 25,770,972</u>	<u>4,555,663</u>	<u>(177,344)</u>	<u>30,149,291</u>

See the accompanying independent auditor's report.

Rocky Mountain Human Services and Subsidiary
Supplemental Consolidating Schedule of Financial Position
June 30, 2020

	<u>Organization</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 8,247,023	333,489	–	8,580,512
Receivables				
Service receivables, less allowance for uncollectable accounts	2,063,007	–	–	2,063,007
Denver Mill Levy receivables	2,761,952	–	–	2,761,952
State grant receivables	2,784,240	–	–	2,784,240
Federal grant receivables	1,119,268	–	–	1,119,268
Other receivables	24,392	–	–	24,392
Intercompany receivables (payables)	<u>(21,655)</u>	<u>–</u>	<u>21,655</u>	<u>–</u>
Net accounts receivable	8,731,204	–	21,655	8,752,859
Prepaid expenses and other assets	650,015	–	–	650,015
Security deposit	144,217	–	(144,217)	–
Cash held for others	113,116	–	–	113,116
Property and equipment, net	664,673	4,418,042	–	5,082,715
Total assets	<u>\$ 18,550,248</u>	<u>4,751,531</u>	<u>(122,562)</u>	<u>23,179,217</u>
Liabilities and Net Assets				
Accounts payable	\$ 1,933,305	–	–	1,933,305
Intercompany payables (receivables)	–	(21,655)	21,655	–
Accrued liabilities	1,933,777	21,498	–	1,955,275
Security deposit	–	144,217	(144,217)	–
Deferred revenue	109,712	–	–	109,712
Deferred gain on conversion of debt	240,000	–	–	240,000
Paycheck Protection Program loan	2,580,300	–	–	2,580,300
Obligations under capital leases	283,450	–	–	283,450
Bond and notes payable, net	657	7,177,230	–	7,177,887
Total liabilities	<u>7,081,201</u>	<u>7,321,290</u>	<u>(122,562)</u>	<u>14,279,929</u>
Net assets (deficit)				
Without donor restrictions	<u>11,469,047</u>	<u>(2,569,759)</u>	<u>–</u>	<u>8,899,288</u>
Total net assets (deficit)	<u>11,469,047</u>	<u>(2,569,759)</u>	<u>–</u>	<u>8,899,288</u>
Total liabilities and net assets	<u>\$ 18,550,248</u>	<u>4,751,531</u>	<u>(122,562)</u>	<u>23,179,217</u>

See the accompanying independent auditor's report.

Rocky Mountain Human Services and Subsidiary
Supplemental Consolidating Schedule of Activities
Year Ended June 30, 2021

	Organization	Foundation	Eliminations	Total
Operating revenue				
Case management	\$ 20,976,028	—	—	20,976,028
Client directed funds	11,009,628	—	—	11,009,628
Child and family services	12,066,537	—	—	12,066,537
Residential services and support	8,424,638	—	—	8,424,638
Transition programs	15,055,031	—	—	15,055,031
Other programs	1,826,094	—	—	1,826,094
Total operating revenue	<u>69,357,956</u>	<u>—</u>	<u>—</u>	<u>69,357,956</u>
Expenses				
Program services				
Case management	15,974,621	219,747	(370,672)	15,823,696
Client directed funds	9,836,644	80,505	(27,178)	9,889,971
Child and family services	9,593,506	16,101	(135,708)	9,473,899
Residential services and support	7,522,685	28,233	(47,654)	7,503,264
Transition programs	13,942,088	49,211	(83,096)	13,908,203
Other programs	1,034,282	—	—	1,034,282
Total program services	<u>57,903,826</u>	<u>393,797</u>	<u>(664,308)</u>	<u>57,633,315</u>
Supporting services				
Management and general	4,868,320	156,191	(200,808)	4,823,703
Total supporting services	<u>4,868,320</u>	<u>156,191</u>	<u>(200,808)</u>	<u>4,823,703</u>
Total operating expenses	<u>62,772,146</u>	<u>549,988</u>	<u>(865,116)</u>	<u>62,457,018</u>
Total operating net income	<u>6,585,810</u>	<u>(549,988)</u>	<u>865,116</u>	<u>6,900,938</u>
Non-operating revenue and expenses				
Contributions and grants	73,209	—	—	73,209
Billing revenue	17,661	—	—	17,661
Other revenue	8,392	—	—	8,392
Rental income	—	865,300	(865,300)	—
Gain on conversion of debt	240,000	—	—	240,000
Fund raising expenses	(21,870)	(113)	184	(21,799)
Total non-operating revenue and expenses	<u>317,392</u>	<u>865,187</u>	<u>(865,116)</u>	<u>317,463</u>
Change in net assets				
Net assets (deficit) at beginning of year	<u>11,469,047</u>	<u>(2,569,759)</u>	<u>—</u>	<u>8,899,288</u>
Net assets (deficit) at end of year	<u>\$ 18,372,249</u>	<u>(2,254,560)</u>	<u>—</u>	<u>16,117,689</u>

See the accompanying independent auditor's report.

Rocky Mountain Human Services and Subsidiary
Supplemental Consolidating Schedule of Activities
Year Ended June 30, 2020

	Organization	Foundation	Eliminations	Total
Operating revenue				
Case management	\$ 4,532,617	—	—	4,532,617
Client directed funds	9,546,606	—	—	9,546,606
Child and family services	14,191,866	—	—	14,191,866
Residential services and support	8,532,893	—	—	8,532,893
Transition programs	10,574,107	—	—	10,574,107
Other programs	2,358,829	—	—	2,358,829
Total operating revenue	<u>49,736,918</u>	<u>—</u>	<u>—</u>	<u>49,736,918</u>
Expenses				
Program services				
Case management	4,717,733	179,485	(86,967)	4,810,251
Client directed funds	8,240,035	16,669	(151,323)	8,105,381
Child and family services	10,987,232	142,235	(201,764)	10,927,703
Residential services and support	7,732,898	42,172	(141,757)	7,633,313
Transition programs	9,531,156	54,198	(174,804)	9,410,550
Other programs	1,473,031	—	(27,830)	1,445,201
Total program services	<u>42,682,085</u>	<u>434,759</u>	<u>(784,445)</u>	<u>42,332,399</u>
Supporting services				
Management and general	<u>4,631,942</u>	<u>117,364</u>	<u>(85,227)</u>	<u>4,664,079</u>
Total supporting services	<u>4,631,942</u>	<u>117,364</u>	<u>(85,227)</u>	<u>4,664,079</u>
Total operating expenses	<u>47,314,027</u>	<u>552,123</u>	<u>(869,672)</u>	<u>46,996,478</u>
Total operating net income	<u>2,422,891</u>	<u>(552,123)</u>	<u>869,672</u>	<u>2,740,440</u>
Non-operating revenue and expenses				
Contributions and grants	29,524	—	—	29,524
Billing revenue	18,597	—	—	18,597
Other revenue	692	115,478	—	116,170
Rental income	—	869,672	(869,672)	—
Gain on conversion of debt	480,000	—	—	480,000
Fund raising expenses	(14,789)	(112)	—	(14,901)
Total non-operating revenue and expenses	<u>514,024</u>	<u>985,038</u>	<u>(869,672)</u>	<u>629,390</u>
Change in net assets				
Net assets (deficit) at beginning of year	<u>2,936,915</u>	<u>432,915</u>	<u>—</u>	<u>3,369,830</u>
Net assets (deficit) at end of year	<u>\$ 11,469,047</u>	<u>(2,569,759)</u>	<u>—</u>	<u>8,899,288</u>

See the accompanying independent auditor's report.

Rocky Mountain Human Services and Subsidiary
Supplemental Consolidating Schedules of Operating Revenue by Funder
Years Ended June 30, 2021 and 2020

	2021	2020
Federal grant revenue		
Case management	\$ 7,737,078	—
Child and family services	373,859	1,136,099
Transition programs	<u>8,038,047</u>	<u>4,456,026</u>
Total federal grant revenue	<u>16,148,984</u>	<u>5,592,125</u>
Medicaid contract revenue		
Case management	2,916,185	2,477,171
Child and family services	978,099	997,702
Residential services and support	6,407,445	6,437,316
Other programs	<u>1,824,994</u>	<u>2,167,963</u>
Total Medicaid contract revenue	<u>12,126,723</u>	<u>12,080,152</u>
Denver Mill Levy grant revenue		
Case management	1,421,360	1,126,841
Client directed funds	11,009,628	9,546,606
Child and family services	3,466,536	3,828,015
Residential services and support	<u>109,842</u>	<u>(17,371)</u>
Total Denver Mill Levy grant revenue	<u>16,007,366</u>	<u>14,484,091</u>
State grant and contract revenue		
Case management	8,901,405	926,111
Child and family services	7,164,557	7,923,692
Residential services and support	1,264,775	1,490,400
Transition programs	7,016,984	6,118,081
Other programs	<u>1,100</u>	<u>190,866</u>
Total state grant and contract revenue	<u>24,348,821</u>	<u>16,649,150</u>
Private insurance contract revenue		
Child and family services	<u>83,486</u>	<u>306,358</u>
Total private insurance contract revenue	<u>83,486</u>	<u>306,358</u>
Other program contract revenue		
Case management	—	2,494
Residential services and support	<u>642,576</u>	<u>622,548</u>
Total other program contract revenue	<u>642,576</u>	<u>625,042</u>
Total program revenue	<u>\$ 69,357,956</u>	<u>49,736,918</u>

See the accompanying independent auditor's report.

Rocky Mountain Human Services and Subsidiary
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal grantor/pass-through grantor/program or cluster title	Pass-through Entity Identifying Number	Assistance listing number	Federal expenditures
<i>U.S. Department of Veteran Affairs</i>			
<i>Direct Programs</i>			
VA Supportive Services for Veteran Families	20-CO-020	64.033	\$ 2,888,868
COVID-19 VA Supportive Services for Veteran Families	20-CO-020-CA	64.033	4,649,179
Subtotal 64.033			<u>7,538,047</u>
<i>Total Direct Programs</i>			
<i>Total U.S. Department of Veteran Affairs</i>			
<i>U.S. Department of Health and Human Services</i>			
<i>Pass-through Programs From</i>			
State of Colorado, Department of Health Care Policy and Financing			
Medical Assistance Program	20-134771A2	93.778	373,859
Medical Assistance Program	21-160441	93.778	7,737,078
Subtotal 93.778			<u>8,110,937</u>
COVID-19 Public Health and Social Services Emergency Fund	21-IHJA-161836	93.003	500,000
<i>Total Pass-through Programs</i>			
<i>Total U.S. Department of Health and Human Services</i>			
<i>Total Expenditures of Federal Awards</i>			
Note 1: Basis of Presentation			
The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Rocky Mountain Human Services and Subsidiary (RMHS) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of RMHS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of RMHS.			
Note 2: Summary of Significant Accounting Policies			
(a) Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.			
(b) RMHS has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.			
Note 3: There were no subrecipients.			

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors Rocky Mountain Human Services and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Rocky Mountain Human Services and Subsidiary (RMHS), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related consolidated notes to the financial statements, and have issued our report thereon dated November 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered RMHS' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of RMHS' internal control. Accordingly, we do not express an opinion on the effectiveness of RMHS' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RHMS' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Board of Directors
Rocky Mountain Human Services**

Purpose of this Report

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

Kundinger, Caudia + Congle, P.C.

November 10, 2021

Kundinger, Corder & Engle, P.C.

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors Rocky Mountain Human Services and Subsidiary

Report on Compliance for Each Major Federal Program

We have audited Rocky Mountain Human Services and Subsidiary (RMHS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of RMHS' major federal programs for the year ended June 30, 2021. RMHS' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of RMHS' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RMHS' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of RMHS' compliance.

Opinion on Each Major Federal Program

In our opinion, RMHS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

**Board of Directors
Rocky Mountain Human Services and Subsidiary**

Report on Internal Control over Compliance

Management of RMHS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RMHS' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RMHS' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kundinger, Caudia + Congle, P.C.

November 10, 2021

Rocky Mountain Human Services and Subsidiary
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of Rocky Mountain Human Services and Subsidiary (RMHS) were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the consolidated financial statements are reported in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the consolidated financial statements of RMHS, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit as reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for RMHS expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no audit findings related to major programs that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was the Medical Assistance Program (Assistance Listing No. 93.778).
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. RMHS was determined to be a low-risk auditee.

B. Findings-Financial Statement Audit

None.

C. Findings and Questioned Costs-Major Federal Award Programs Audit

None.

Rocky Mountain Human Services and Subsidiary
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

2020-001 Procurement and Suspension and Debarment – Significant Deficiency in Internal Control over Compliance

Criteria and Condition: RMHS must document their procurement process in writing and comply with applicable state and local laws and regulations and conform to applicable federal statutes and procurement requirements identified in 2 CFR part 200. In addition, RMHS is prohibited from contracting with parties that are suspended or debarred.

Recommendation: We recommend RMHS establish a written procurement policy to include all required elements by Uniform Guidance. Procedures should be included that outline processes and control activities specifically defining which personnel are responsible for each step in the process and who is performing the review over the process, including who is responsible for ensuring vendors under covered transactions are not suspended, debarred, or otherwise disqualified.

Current Status: The recommendation was adopted and no similar findings were noted during the current year audit.