



**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

**Consolidated Financial Statements  
and  
Independent Auditors' Report  
June 30, 2016 and 2015**

**EKS&H**  
AUDIT | TAX | CONSULTING

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Laradon Hall Society for Exceptional Children and Adults and Subsidiary  
Denver, Colorado

We have audited the accompanying consolidated financial statements of Laradon Hall Society for Exceptional Children and Adults (a non-profit corporation) and Subsidiary, which are comprised of the consolidated statements of financial position as of June 30, 2016 and 2015, 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 CONSOLIDATED 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.

### **AUDITORS' 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. 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 auditors' 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 auditors consider 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 Laradon Hall Society for Exceptional Children and Adults and Subsidiary as of June 30, 2016 and 2015, 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.

## **OTHER MATTERS**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information and the summary of unrestricted support, revenue, and expenses by program - based on internal management reporting 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 audits 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.

*EKS+H LLLP*  
EKS&H LLLP

September 29, 2016  
Denver, Colorado

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

**Consolidated Statements of Financial Position**

	June 30,	
	2016	2015
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 490,218	\$ 22,864
Cash held for participants	19,372	24,824
Investments	9,415,154	2,220,202
Accounts receivable, net of allowance for uncollectible accounts of \$15,756 (2016) and \$21,748 (2015)	509,431	703,176
Grants and other receivables	54,971	18,451
Prepaid expenses	56,033	22,338
Total current assets	10,545,179	3,011,855
Long-term grants receivable, net of current portion	50,000	-
Property and equipment, net	4,164,641	4,078,855
Interest in net assets of the Laradon Foundation	-	9,062,521
Total assets	\$ 14,759,820	\$ 16,153,231
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 187,634	\$ 119,692
Accrued liabilities	501,198	443,306
Due to participants	19,372	24,824
Deferred revenue	112,939	64,568
Total liabilities	821,143	652,390
Commitments and contingencies		
Net assets		
Unrestricted		
Designated	153,587	157,215
Undesignated	13,684,620	6,250,635
Total unrestricted	13,838,207	6,407,850
Temporarily restricted	100,470	9,092,991
Total net assets	13,938,677	15,500,841
Total liabilities and net assets	\$ 14,759,820	\$ 16,153,231

See notes to consolidated financial statements.

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

**Consolidated Statements of Activities**

	For the Years Ended					
	June 30, 2016			June 30, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support, revenue, and other gains						
Fees and grants from governmental agencies	\$ 8,264,460	\$ -	\$ 8,264,460	\$ 8,048,449	\$ -	\$ 8,048,449
Public support	354,959	150,000	504,959	1,607,172	-	1,607,172
Rental income, net of expenses of \$45,597 (2016) and \$52,652 (2015)	62,619	-	62,619	53,440	-	53,440
Investment (loss) income	(31,847)	-	(31,847)	82,065	-	82,065
Other	80,490	-	80,490	127,579	-	127,579
Net assets released from restrictions						
Satisfaction of program and time restrictions	80,000	(80,000)	-	-	-	-
Release of Laradon Hall Foundation net assets upon consolidation	9,062,521	(9,062,521)	-	-	-	-
Total support, revenue, and other gains	<u>17,873,202</u>	<u>(8,992,521)</u>	<u>8,880,681</u>	<u>9,918,705</u>	<u>-</u>	<u>9,918,705</u>
Expenses						
Program services						
Children services						
Family/infant/toddler	274,823	-	274,823	268,112	-	268,112
School	3,635,731	-	3,635,731	3,315,511	-	3,315,511
Adult services						
Day program	3,816,056	-	3,816,056	3,723,921	-	3,723,921
Residential	1,817,304	-	1,817,304	1,564,818	-	1,564,818
Total program services	<u>9,543,914</u>	<u>-</u>	<u>9,543,914</u>	<u>8,872,362</u>	<u>-</u>	<u>8,872,362</u>
Supporting services						
General and administration	669,953	-	669,953	1,023,594	-	1,023,594
Fundraising	228,978	-	228,978	296,516	-	296,516
Total supporting services	<u>898,931</u>	<u>-</u>	<u>898,931</u>	<u>1,320,110</u>	<u>-</u>	<u>1,320,110</u>
Total expenses	<u>10,442,845</u>	<u>-</u>	<u>10,442,845</u>	<u>10,192,472</u>	<u>-</u>	<u>10,192,472</u>
Changes in net assets from operations	7,430,357	(8,992,521)	(1,562,164)	(273,767)	-	(273,767)
Change in interest in net assets of the Laradon Foundation	-	-	-	-	(519,324)	(519,324)
Write-off of Alternative School planning costs	-	-	-	(507,725)	-	(507,725)
Changes in net assets	7,430,357	(8,992,521)	(1,562,164)	(781,492)	(519,324)	(1,300,816)
Net assets at beginning of year	<u>6,407,850</u>	<u>9,092,991</u>	<u>15,500,841</u>	<u>7,189,342</u>	<u>9,612,315</u>	<u>16,801,657</u>
Net assets at end of year	<u>\$ 13,838,207</u>	<u>\$ 100,470</u>	<u>\$ 13,938,677</u>	<u>\$ 6,407,850</u>	<u>\$ 9,092,991</u>	<u>\$ 15,500,841</u>

See notes to consolidated financial statements.

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2016**

	Program Services				Supporting Services			Total Expenses	
	Family/Infant/ Toddler	School	Adult Day Program	Residential	Total Program Services	General and Administration	Fundraising		Total Supporting Services
Direct program expenses									
Personnel services									
Salaries	\$ 217,954	\$ 2,414,464	\$ 2,358,681	\$ 395,973	\$ 5,387,072	\$ 253,463	\$ 170,015	\$ 423,478	\$ 5,810,550
Payroll taxes	15,905	176,405	170,605	28,876	391,791	17,639	12,493	30,132	421,923
Employee benefits	24,728	488,192	450,169	57,611	1,020,700	52,172	12,842	65,014	1,085,714
Total personnel services	258,587	3,079,061	2,979,455	482,460	6,799,563	323,274	195,350	518,624	7,318,187
Contract services	670	36,803	38,471	966,537	1,042,481	21,088	206	21,294	1,063,775
Professional services	166	63,853	61,477	28,952	154,448	96,596	8,450	105,046	259,494
Staff development	-	16,214	17,328	6,585	40,127	2,699	1,132	3,831	43,958
Staff travel	9,049	1,810	29,485	8,003	48,347	681	1,382	2,063	50,410
Vehicles	-	22,392	194,936	3,155	220,483	6,716	-	6,716	227,199
Occupancy									
Maintenance	785	95,544	80,117	8,441	184,887	69,168	249	69,417	254,304
Utilities	419	50,560	56,376	14,260	121,615	27,880	227	28,107	149,722
Equipment maintenance	218	59,574	64,229	39,001	163,022	40,181	1,142	41,323	204,345
Office supplies	318	28,638	29,131	11,815	69,902	11,977	1,405	13,382	83,284
Program supplies	2,625	16,492	10,312	1,534	30,963	-	2,525	2,525	33,488
Postage and shipping	-	903	1,783	1,114	3,800	692	1,890	2,582	6,382
Telephone	1,880	3,480	12,340	3,094	20,794	775	635	1,410	22,204
Dues, fees, and licenses	-	7,775	13,725	7,560	29,060	5,134	2,625	7,759	36,819
Food	67	29,462	4,853	2,437	36,819	1,514	944	2,458	39,277
Insurance	-	21,614	43,226	27,018	91,858	16,212	-	16,212	108,070
Other	39	12,141	12,653	155,116	179,949	2,559	10,816	13,375	193,324
Total direct program expenses	274,823	3,546,316	3,649,897	1,767,082	9,238,118	627,146	228,978	856,124	10,094,242
Depreciation	-	89,415	166,159	50,222	305,796	42,807	-	42,807	348,603
Total functional expenses	\$ 274,823	\$ 3,635,731	\$ 3,816,056	\$ 1,817,304	\$ 9,543,914	\$ 669,953	\$ 228,978	\$ 898,931	\$ 10,442,845

See notes to consolidated financial statements.

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2015**

	Program Services				Supporting Services			Total Expenses	
	Family/Infant/ Toddler	School	Adult Day Program	Residential	Total Program Services	General and Administration	Fundraising		Total Supporting Services
Direct program expenses									
Personnel services									
Salaries	\$ 212,874	\$ 2,245,507	\$ 2,371,100	\$ 264,814	\$ 5,094,295	\$ 388,897	\$ 140,379	\$ 529,276	\$ 5,623,571
Payroll taxes	16,454	172,209	179,145	20,138	387,946	29,056	10,986	40,042	427,988
Employee benefits	24,308	460,394	456,907	51,313	992,922	83,124	18,460	101,584	1,094,506
Total personnel services	253,636	2,878,110	3,007,152	336,265	6,475,163	501,077	169,825	670,902	7,146,065
Contract services	227	15,229	27,841	1,127,485	1,170,782	9,615	1,586	11,201	1,181,983
Professional services	46	51,623	43,223	18,421	113,313	54,971	50,570	105,541	218,854
Staff development	-	12,633	14,927	5,231	32,791	5,762	650	6,412	39,203
Staff travel	8,455	1,628	18,712	7,390	36,185	2,675	398	3,073	39,258
Vehicles	-	23,727	206,573	929	231,229	7,117	-	7,117	238,346
Occupancy									
Maintenance	839	86,246	75,615	6,316	169,016	84,541	75	84,616	253,632
Utilities	493	46,958	51,697	6,674	105,822	51,023	277	51,300	157,122
Equipment maintenance	333	34,777	83,207	7,576	125,893	20,401	1,371	21,772	147,665
Office supplies	1,368	17,814	33,087	9,668	61,937	16,344	5,674	22,018	83,955
Program supplies	300	5,895	9,998	5,441	21,634	-	-	-	21,634
Postage and shipping	1	876	671	262	1,810	4,170	5,029	9,199	11,009
Telephone	2,413	5,437	15,219	3,361	26,430	1,921	442	2,363	28,793
Dues, fees, and licenses	-	7,415	6,218	2,091	15,724	26,960	1,059	28,019	43,743
Food	-	26,588	1,512	519	28,619	2,230	14,217	16,447	45,066
Insurance	-	13,923	8,568	3,213	25,704	81,398	-	81,398	107,102
Other	1	8,312	9,971	14,891	33,175	7,061	45,343	52,404	85,579
Total direct program expenses	268,112	3,237,191	3,614,191	1,555,733	8,675,227	877,266	296,516	1,173,782	9,849,009
Depreciation	-	78,320	109,730	9,085	197,135	146,328	-	146,328	343,463
Total functional expenses	<u>\$ 268,112</u>	<u>\$ 3,315,511</u>	<u>\$ 3,723,921</u>	<u>\$ 1,564,818</u>	<u>\$ 8,872,362</u>	<u>\$ 1,023,594</u>	<u>\$ 296,516</u>	<u>\$ 1,320,110</u>	<u>\$ 10,192,472</u>

See notes to consolidated financial statements.



**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

**Consolidated Statements of Cash Flows**

	For the Years Ended	
	June 30.	
	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (1,562,164)	\$ (1,300,816)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	348,603	343,463
Provision for bad debt	(5,992)	3,304
Realized and unrealized loss on investments	510,758	29,882
Gain on disposal of assets	(9,472)	(11,746)
Change in interest in net assets of the Laradon Foundation	-	519,324
Write-off of Alternative School planning costs	-	507,725
Changes in assets and liabilities		
Accounts receivable	199,737	(110,140)
Grants and other receivables	(86,520)	(10,486)
Prepaid expenses	(33,695)	9,182
Accounts payable	67,942	(25,011)
Accrued liabilities	57,892	(74,142)
Deferred revenue	48,371	19,851
Net cash used in operating activities	(464,540)	(99,610)
Cash flows from investing activities		
Change in restricted cash	-	6,411
Cash paid to purchase fixed assets and construction in progress	(438,545)	(193,670)
Proceeds from disposal of assets	13,628	20,989
Cash paid to purchase investments	(2,063,363)	(211,947)
Net proceeds from the sale of investments	3,216,814	300,000
Net cash provided by (used in) investing activities	728,534	(78,217)
Net increase (decrease) in cash and cash equivalents	263,994	(177,827)
Cash and cash equivalents at beginning of year	22,864	200,691
Laradon Foundation cash balance recognized upon consolidation (Note 6)	203,360	-
Cash and cash equivalents at end of year	\$ 490,218	\$ 22,864

See notes to consolidated financial statements.

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**Note 1 - Organization and Summary of Significant Accounting Policies**

Organization

Laradon Hall Society for Exceptional Children and Adults ("Laradon") is a non-profit corporation organized under the laws of the state of Colorado for the purposes of assisting developmentally disabled individuals to develop their capabilities to the maximum level of achievement possible and to deal effectively in the social environment and achieve self-sufficiency. The Laradon Foundation, Inc. (the "Foundation") was established to raise funds to support the operation of Laradon. Collectively, they are referred to as the "Organization". The Organization is the major project of the Colorado Elks Association. See Note 6 for information on change in accounting presentation.

Description of Program Services

*Family/Infant/Toddler Services*

The Family, Infant, and Toddler program offers therapeutic services for children from birth to age three who have developmental disabilities or are identified as being at risk for developmental delays. Educational, therapeutic, and support services are provided to the families in their homes.

*School*

The Organization's Alternative School program offers a specialized curriculum designed to meet the needs of students who are between the ages of 5 and 21 with a dual diagnosis of a developmental disability and a psychiatric/behavioral disorder. Every student has an individualized education plan tailored to his or her specific needs. Instructional focus is on functional academics in accordance with the Colorado Department of Education standards and teaches skills that contribute to each student's ability to function in real-life situations at home, school, work, and in the community. Based on their unique needs, students receive occupational therapy, speech/language therapy, music education, and adaptive physical education. Equally strong components of the Alternative School's curriculum are behavioral and mental health services. Students receive group psychotherapy and have individualized positive behavior intervention programs.

*Adult Day Services*

The Organization's Day Program Services for Adults consist of a broad array of programs designed to help people with developmental disabilities maximize their full potential. The goal is to assist participants in developing connections in their communities by providing opportunities, experiences, personal security, and self-respect. These programs offer a variety of services for adults with developmental disabilities, including individual employment services, programs for seniors, and programs for adults with serious and chronic medical conditions. The Organization also operates a Ticket to Work program for Social Security beneficiaries who are interested and motivated to return to work.

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
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**Notes to Consolidated Financial Statements**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

Description of Program Services (continued)

*Adult Residential Services*

The Organization's Adult Residential Services program provides individualized services and support to adult participants in host homes throughout Denver. The participants may live with an individual or family and experience a family or roommate-like atmosphere. The host home providers contract with the Organization to provide one or two participants with 24-hour services and support based on their individual needs and have a wide variety of skill levels. Services and support provided include assistance in the following areas: medication administration, health and medical, domestic skills, personal hygiene, money management, recreation, leisure, and community involvement. The Organization provides training, monitoring, consultation, and support to providers.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Laradon and its supporting organization, the Foundation. All material intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The fund balances and statements of activities of the Organization are reported separately by class of net assets:

Unrestricted net assets are those currently available at the discretion of the Board of Directors for use in the Organization's exempt purpose and those resources invested in property and equipment.

Temporarily restricted net assets are those that are restricted by donors for operating purposes, use in a specified future period, or acquisition of long-lived assets.

Permanently restricted net assets are those amounts that must be maintained permanently by the Organization as required by the donor, but the Organization may be permitted to use or expend part or all of any income derived from those assets. The Organization does not have any permanently restricted net assets as of June 30, 2016 and 2015.

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments generally having a maturity date of three months or less from the date of purchase to be cash equivalents, unless held within the investment portfolio. Cash held for participants is not considered cash and cash equivalents and is not available for use by the Organization.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value using quoted market prices where available. Investment income (including realized and unrealized gains and losses on investments, interest, and dividends) is recorded in the accompanying statements of activities as unrestricted investment income unless restricted by donor or law.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of money market accounts and investment securities. The Organization places its temporary cash and money market accounts with creditworthy, high-quality financial institutions.

Accounts Receivable

The Organization provides services to developmentally disabled persons within the state. The accounts receivable balance constitutes amounts due from governmental programs, other non-profit organizations, purchasers of client services, and other entities. The Organization provides an allowance for uncollectible accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are allowed for or written off based on individual credit evaluation and specific circumstances of the customer.

Grants Receivable

Grants receivable consist of unconditional promises to give and are recorded at their net present value in the year made. No provision for uncollectible accounts has been made because the amount is expected to be insignificant.

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

Property and Equipment

Expenditures for land, buildings, and equipment greater than \$10,000 are capitalized at cost. Donated assets to be used by the Organization are capitalized at their fair value on the date of the gift. Depreciation of buildings and equipment is computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 30 years.

Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Organization looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. No impairment was recorded at June 30, 2016 and 2015.

Recognition of Services Revenue

Revenues from services are recognized by the Organization upon the completion of the service. Amounts received in advance are deferred until the time they are earned.

Contributions

All contributions are considered to be available for the general programs of the Organization unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restricted contributions and income whose restrictions are met in the same reporting period are reported as unrestricted support.

Functional Allocation of Expenses

The costs of providing various programs and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited and reported in the statements of functional expenses.

Alternative School Planning Costs

The Organization has incurred costs related to the planning of a new Alternative School. During 2015, the Organization suspended the planning for the new Alternative School and expensed all previously capitalized planning costs. No costs were incurred during the current year. As a result, the Organization recognized a total of \$507,725 of planning cost expense in 2015.

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
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**Notes to Consolidated Financial Statements**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and comparable state law, and contributions to the Organization are tax deductible within the limitations prescribed by the Code. Income from activities not directly related to the Organization's tax-exempt purposes are subject to taxation as unrelated business income. There were no income taxes from unrelated business activities during the years ended June 30, 2016 and 2015.

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2016 or 2015. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general and administration expenses. No interest or penalties have been assessed as of June 30, 2016 or 2015.

Subsequent Events

The Organization has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available for issuance.

**Note 2 - Investments**

Investments are stated at fair value and are summarized as follows:

	<u>June 30.</u>	
	<u>2016</u>	<u>2015</u>
Money market funds	\$ 10	\$ 6,690
Fixed-income mutual funds	2,301,949	476,223
Balanced mutual funds	743,769	795,297
Equity mutual funds	5,949,368	941,992
Mixed mutual funds	<u>420,058</u>	<u>-</u>
Total investments	<u>\$ 9,415,154</u>	<u>\$ 2,220,202</u>

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
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**Notes to Consolidated Financial Statements**

**Note 2 - Investments (continued)**

Investment income consists of the following:

	For the Years Ended June 30,	
	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 478,911	\$ 111,947
Realized and unrealized loss on investments	<u>(510,758)</u>	<u>(29,882)</u>
Total investment (loss) income	<u>\$ (31,847)</u>	<u>\$ 82,065</u>

**Note 3 - Fair Value Measurements**

The Organization has adopted the methods of fair value as defined by GAAP to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted on active markets, but are corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity. All investments held by the Organization are determined by reference to quoted market prices and relevant information generated by market transactions (Level 1). There were no changes in valuation techniques during the year.

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**Note 4 - Grants Receivable**

Grants receivable consist of the following as of June 30, 2016:

Due in less than one year	\$ 50,000
Due in one to five years	<u>50,000</u>
	100,000
Less current portion	<u>(50,000)</u>
Long-term grants receivable	<u>\$ 50,000</u>

The Organization has determined that the discount on long-term grants receivable is immaterial to the consolidated financial statements; therefore, no discount has been recorded as of June 30, 2016.

One donor accounted for 100% of the Organization's grants receivable as of June 30, 2016.

Grants and other receivables on the consolidated statement of financial position includes \$4,971 of other receivables as of June 30, 2016.

**Note 5 - Property and Equipment**

The Organization's property and equipment are comprised of the following:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Buildings	\$ 4,004,663	\$ 3,656,559
Improvements	3,093,713	3,351,191
Land	1,859,475	1,859,475
Furniture and equipment	774,879	827,739
Motor vehicles	<u>746,425</u>	<u>774,175</u>
	10,479,155	10,469,139
Less accumulated depreciation	<u>(6,314,514)</u>	<u>(6,390,284)</u>
	<u>\$ 4,164,641</u>	<u>\$ 4,078,855</u>

**Note 6 - Interest in Net Assets of the Laradon Foundation**

At June 30, 2015, in accordance with GAAP, Laradon included its interest in the net assets of the Foundation in the financial statements of the Organization as they were financially interrelated organizations. The interest in the net assets of the Foundation was recognized as temporarily restricted net assets as Laradon could not influence the operating and financial decisions of the Foundation in that it could not determine the timing and amount of distributions from the Foundation.



**LARADON HALL SOCIETY FOR EXCEPTIONAL  
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**Notes to Consolidated Financial Statements**

**Note 6 - Interest in Net Assets of the Laradon Foundation (continued)**

Effective July 1, 2015, the Foundation's by-laws were amended in order to give Laradon approval over the Foundation's Board appointments; therefore, under GAAP, the accounts of the Foundation are now combined with Laradon's in the accompanying consolidated financial statements.

**Note 7 - Net Assets**

Net assets are temporarily restricted for the following purposes or for use in a future period:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Grants receivable	\$ 100,000	\$ -
Interest in net assets of the Foundation	-	9,062,521
ADA ramps	-	30,000
Satellite program	<u>470</u>	<u>470</u>
	<u>\$ 100,470</u>	<u>\$ 9,092,991</u>

The Organization's Board of Directors has designated \$100,000 for school curriculum purposes. The principal is to be maintained, and earnings on the investment are available for the designated purpose. The designated balance net of investment earnings totaled \$153,587 and \$157,215 at June 30, 2016 and 2015, respectively.

**Note 8 - 401(k) Plan**

The Organization maintains a Code Section 401(k) salary reduction/deferred compensation plan (the "Plan"). Employees with at least six months of service are eligible to participate in the Plan. Those who elect to contribute to the Plan may contribute up to the maximum allowed under the Code. The Organization will match 100% of the employee's contribution up to 4% of the participant's salary.

Expense is recognized when contributions to the Plan are funded. The Organization made contributions of \$116,398 and \$135,035 to the Plan during the years ended June 30, 2016 and 2015, respectively.

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**Note 9 - Operating Leases**

The Organization has entered into leases for equipment and a vehicle that expire at various dates through March 2021. Future minimum lease payments are as follows:

**For the Year Ending June 30,**

2017	\$	24,336
2018		24,336
2019		24,336
2020		24,336
2021		<u>16,244</u>
	\$	<u>113,588</u>

Lease expense for the years ended June 30, 2016 and 2015 was \$30,963 and \$43,912, respectively.

**Note 10 - Line-of-Credit**

The Organization maintains a \$500,000 unsecured revolving line-of-credit. Draws on this line-of-credit bear interest at the bank's prime rate plus 0.50% (4.75% at June 30, 2016). There were no outstanding borrowings under the line-of-credit at June 30, 2016 and 2015. The line-of-credit expires in December 2016.

**Note 11 - Concentrations**

The Organization had one customer that represented 49% of revenues and two customers that represented 53% of accounts receivable as of and for the year ended June 30, 2016.

The Organization had one customer that represented 52% of revenues and 53% of accounts receivable as of and for the year ended June 30, 2015.

**Note 12 - Contingencies**

**Litigation**

From time to time, the Organization is a party to or otherwise involved in legal proceedings or other legal matters that arise in the ordinary course of business. While management does not believe that any pending legal claim or proceeding will be resolved in a manner that would have a material adverse effect on the Organization's business, there is no assurance on the ultimate outcome of any legal proceeding or contingency in which the Organization may be involved.

**SUPPLEMENTARY INFORMATION**

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

**Summary of Unrestricted Support, Revenue, and Expenses by Program - Based on Internal Management Reporting  
For the Year Ended June 30, 2016**

	Children Services			Program Services			2016 Total	2015 Total
	Family/Infant/ Toddler	School	Total Children Services	Adult Services				
				Day	Residential Host Homes	Total Adult Services		
Support, revenue, and other gains								
Fees and grants from governmental agencies								
State of Colorado	\$ 199,270	\$ 3,233,855	\$ 3,433,125	\$ 3,063,623	\$ 21,791	\$ 3,085,414	\$ 6,518,539	\$ 6,286,820
Medicaid	-	-	-	-	1,745,921	1,745,921	1,745,921	1,761,629
Total fees and grants from governmental agencies	<u>199,270</u>	<u>3,233,855</u>	<u>3,433,125</u>	<u>3,063,623</u>	<u>1,767,712</u>	<u>4,831,335</u>	<u>8,264,460</u>	<u>8,048,449</u>
Public support								
Contributions and fundraisers	<u>73,432</u>	<u>707,216</u>	<u>780,648</u>	<u>672,202</u>	<u>62,797</u>	<u>734,999</u>	<u>1,515,647</u>	<u>1,607,172</u>
Other revenue								
Rental income	3,034	29,219	32,253	27,772	2,594	30,366	62,619	53,440
Investment (loss) income	(2,764)	(26,619)	(29,383)	(25,301)	(2,364)	(27,665)	(57,048)	82,065
Other	<u>3,890</u>	<u>37,464</u>	<u>41,354</u>	<u>35,609</u>	<u>3,327</u>	<u>38,936</u>	<u>80,290</u>	<u>127,579</u>
Total other revenue	<u>4,160</u>	<u>40,064</u>	<u>44,224</u>	<u>38,080</u>	<u>3,557</u>	<u>41,637</u>	<u>85,861</u>	<u>263,084</u>
Net assets released from restrictions								
Satisfaction of program and time restrictions	<u>1,453</u>	<u>13,998</u>	<u>15,451</u>	<u>13,305</u>	<u>1,244</u>	<u>14,549</u>	<u>30,000</u>	<u>-</u>
Total support, revenue, and other gains	<u>278,315</u>	<u>3,995,133</u>	<u>4,273,448</u>	<u>3,787,210</u>	<u>1,835,310</u>	<u>5,622,520</u>	<u>9,895,968</u>	<u>9,918,705</u>
Expenses								
Direct program	274,823	3,546,316	3,821,139	3,649,897	1,767,082	5,416,979	9,238,118	8,675,227
Supporting services	<u>38,575</u>	<u>371,513</u>	<u>410,088</u>	<u>353,120</u>	<u>32,989</u>	<u>386,109</u>	<u>796,197</u>	<u>1,173,782</u>
Changes in unrestricted net assets before depreciation	(35,083)	77,304	42,221	(215,807)	35,239	(180,568)	(138,347)	69,696
Depreciation	<u>2,074</u>	<u>109,389</u>	<u>111,463</u>	<u>185,144</u>	<u>51,996</u>	<u>237,140</u>	<u>348,603</u>	<u>343,463</u>
Change in unrestricted net assets after depreciation	<u>\$ (37,157)</u>	<u>\$ (32,085)</u>	<u>\$ (69,242)</u>	<u>\$ (400,951)</u>	<u>\$ (16,757)</u>	<u>\$ (417,708)</u>	<u>\$ (486,950)</u>	<u>\$ (273,767)</u>

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

**Consolidating Statement of Financial Position  
June 30, 2016**

	<u>Laradon</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 147,779	\$ 342,439	\$ -	\$ 490,218
Cash held for participants	19,372	-	-	19,372
Investments	1,781,112	7,634,042	-	9,415,154
Accounts receivable, net	509,431	-	-	509,431
Contributions receivable	-	-	-	-
Grants and other receivables	64,145	50,000	(59,174)	54,971
Prepaid expenses	<u>56,033</u>	<u>-</u>	<u>-</u>	<u>56,033</u>
Total current assets	<u>2,577,872</u>	<u>8,026,481</u>	<u>(59,174)</u>	<u>10,545,179</u>
Non-current assets				
Long-term grants receivable, net of current portion	-	50,000	-	50,000
Property and equipment, net	<u>4,164,641</u>	<u>-</u>	<u>-</u>	<u>4,164,641</u>
<b>Total assets</b>	<b><u>\$ 6,742,513</u></b>	<b><u>\$ 8,076,481</u></b>	<b><u>\$ (59,174)</u></b>	<b><u>\$ 14,759,820</u></b>
<b>Liabilities and Net Assets</b>				
Liabilities				
Accounts payable	\$ 187,634	\$ 59,174	\$ (59,174)	\$ 187,634
Accrued liabilities	501,198	-	-	501,198
Due to participants	19,372	-	-	19,372
Deferred revenue	<u>112,939</u>	<u>-</u>	<u>-</u>	<u>112,939</u>
Total liabilities	<u>821,143</u>	<u>59,174</u>	<u>(59,174)</u>	<u>821,143</u>
Commitments and contingencies				
Net assets				
Unrestricted				
Designated	153,587	-	-	153,587
Undesignated	<u>5,767,313</u>	<u>7,917,307</u>	<u>-</u>	<u>13,684,620</u>
Total unrestricted	5,920,900	7,917,307	-	13,838,207
Temporarily restricted	<u>470</u>	<u>100,000</u>	<u>-</u>	<u>100,470</u>
Total net assets	<u>5,921,370</u>	<u>8,017,307</u>	<u>-</u>	<u>13,938,677</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 6,742,513</u></b>	<b><u>\$ 8,076,481</u></b>	<b><u>\$ (59,174)</u></b>	<b><u>\$ 14,759,820</u></b>

**LARADON HALL SOCIETY FOR EXCEPTIONAL  
CHILDREN AND ADULTS AND SUBSIDIARY**

**Consolidating Statement of Activities  
For the Year Ended June 30, 2016**

	<u>Laradon</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Support, revenue, and other gains				
Fees and grants from				
governmental agencies	\$ 8,264,460	\$ -	\$ -	\$ 8,264,460
Public support	1,515,647	150,413	(1,161,101)	504,959
Rental income, net	62,619	-	-	62,619
Investment (loss) income	(57,048)	25,201	-	(31,847)
Other	<u>80,290</u>	<u>200</u>	<u>-</u>	<u>80,490</u>
Total support, revenue, and other gains	<u>9,865,968</u>	<u>175,814</u>	<u>(1,161,101)</u>	<u>8,880,681</u>
Expenses				
Program services				
Children services				
Family/infant/toddler	274,823	-	-	274,823
School	3,635,731	-	-	3,635,731
Adult services	-	-	-	-
Day program	3,816,056	-	-	3,816,056
Residential	1,817,304	-	-	1,817,304
Grant awards to Laradon	<u>-</u>	<u>878,472</u>	<u>(878,472)</u>	<u>-</u>
Total program services	<u>9,543,914</u>	<u>878,472</u>	<u>(878,472)</u>	<u>9,543,914</u>
Supporting services				
General and administration	610,026	72,359	(12,432)	669,953
Fundraising	<u>228,978</u>	<u>270,197</u>	<u>(270,197)</u>	<u>228,978</u>
Total supporting services	<u>839,004</u>	<u>342,556</u>	<u>(282,629)</u>	<u>898,931</u>
Total expenses	<u>10,382,918</u>	<u>1,221,028</u>	<u>(1,161,101)</u>	<u>10,442,845</u>
Change in net assets	(516,950)	(1,045,214)	-	(1,562,164)
Net assets at beginning of year	<u>6,438,320</u>	<u>9,062,521</u>	<u>-</u>	<u>15,500,841</u>
Net assets at end of year	<u>\$ 5,921,370</u>	<u>\$ 8,017,307</u>	<u>\$ -</u>	<u>\$ 13,938,677</u>