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Laradon Hall Society for Exceptional  
Children and Adults

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**Consolidated Financial Report  
with Supplemental Information  
June 30, 2019**

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## Independent Auditor's Report

To the Board of Directors  
Laradon Hall Society for Exceptional  
Children and Adults

We have audited the accompanying consolidated financial statements of Laradon Hall Society for Exceptional Children and Adults and its subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

### **Auditor's Responsibility**

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

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

We believe that the audit evidence 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 its subsidiary as of June 30, 2019 and the results of their activities, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 2 to the consolidated financial statements, the Organization adopted the provisions of Accounting Standards Codification (ASC) Topic 958, *Presentation of Financial Statements of Not-for-Profit Entities*, as of July 1, 2018. Our opinion is not modified with respect to this matter.

To the Board of Directors  
Laradon Hall Society for Exceptional  
Children and Adults

**Report on Prior Year Consolidated Financial Statements and Restatement**

The consolidated financial statements of Laradon Hall Society for Exceptional Children and Adults and its subsidiary as of June 30, 2018 were audited by EKS&H LLLP, whose report dated September 25, 2018 expressed an unqualified opinion on those statements.

*Plante & Moran, PLLC*

September 24, 2019

## Laradon Hall Society for Exceptional Children and Adults

### Consolidated Statement of Financial Position

June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 154,413	\$ 379,820
Cash held for participants	22,418	29,380
Investments	4,955,543	6,688,740
Receivables:		
Accounts receivable - Net	1,170,758	904,303
Current portion of pledges receivable	74,851	82,435
Other accounts receivable	206,022	55,550
Prepaid expenses	58,188	47,746
Total current assets	6,642,193	8,187,974
<b>Pledges Receivable - Net of current portion</b>	-	51,113
<b>Property and Equipment - Net</b>	9,894,124	8,522,625
Total noncurrent assets	9,894,124	8,573,738
Total assets	<b>\$ 16,536,317</b>	<b>\$ 16,761,712</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 387,253	\$ 240,056
Line of credit	599,692	-
Accrued liabilities and other:		
Accrued liabilities	723,717	1,050,366
Due to participants	22,418	29,380
Deferred revenue	87,232	67,478
Total current liabilities	1,820,312	1,387,280
<b>Net Assets</b>		
Net assets without donor restrictions	14,716,005	14,689,719
Net assets with donor restrictions	-	684,713
Total net assets	14,716,005	15,374,432
Total liabilities and net assets	<b>\$ 16,536,317</b>	<b>\$ 16,761,712</b>

## Laradon Hall Society for Exceptional Children and Adults

# Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support</b>						
Fees and grants from governmental agencies	\$ 13,509,404	\$ -	\$ 13,509,404	\$ 11,168,890	\$ -	\$ 11,168,890
Public support	525,667	-	525,667	642,217	-	642,217
Rental income - Net of expenses of \$60,800 (2019) and \$42,707 (2018)	134,858	-	134,858	94,452	-	94,452
Other	145,688	-	145,688	45,379	-	45,379
Net investment income	242,239	-	242,239	625,321	-	625,321
Gain on sale of property	-	-	-	4,209	-	4,209
Capital campaign	592,017	-	592,017	-	1,079,000	1,079,000
Net assets released from restrictions	684,713	(684,713)	-	448,907	(448,907)	-
<b>Total revenue, gains, and other support</b>	<b>15,834,586</b>	<b>(684,713)</b>	<b>15,149,873</b>	<b>13,029,375</b>	<b>630,093</b>	<b>13,659,468</b>
<b>Expenses</b>						
Program services:						
Children services	6,138,326	-	6,138,326	5,351,426	-	5,351,426
Adult day services	3,751,829	-	3,751,829	3,451,446	-	3,451,446
Community living services	3,432,283	-	3,432,283	2,469,093	-	2,469,093
<b>Total program services</b>	<b>13,322,438</b>	<b>-</b>	<b>13,322,438</b>	<b>11,271,965</b>	<b>-</b>	<b>11,271,965</b>
Support services:						
General and administration	1,845,493	-	1,845,493	1,779,373	-	1,779,373
Fundraising	422,767	-	422,767	577,190	-	577,190
<b>Total support services</b>	<b>2,268,260</b>	<b>-</b>	<b>2,268,260</b>	<b>2,356,563</b>	<b>-</b>	<b>2,356,563</b>
<b>Total expenses</b>	<b>15,590,698</b>	<b>-</b>	<b>15,590,698</b>	<b>13,628,528</b>	<b>-</b>	<b>13,628,528</b>
<b>Increase (Decrease) in Net Assets - Before nonoperating loss</b>	<b>243,888</b>	<b>(684,713)</b>	<b>(440,825)</b>	<b>(599,153)</b>	<b>630,093</b>	<b>30,940</b>
<b>Nonoperating Income (Loss)</b>						
Storm damage expense - Net of insurance recovery	-	-	-	1,876,102	-	1,876,102
Relocation expenses	-	-	-	(74,029)	-	(74,029)
Loss on sale and disposal of fixed assets	(217,602)	-	(217,602)	-	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>26,286</b>	<b>(684,713)</b>	<b>(658,427)</b>	<b>1,202,920</b>	<b>630,093</b>	<b>1,833,013</b>
<b>Net Assets - Beginning of year</b>	<b>14,689,719</b>	<b>684,713</b>	<b>15,374,432</b>	<b>13,486,799</b>	<b>54,620</b>	<b>13,541,419</b>
<b>Net Assets - End of year</b>	<b>\$ 14,716,005</b>	<b>\$ -</b>	<b>\$ 14,716,005</b>	<b>\$ 14,689,719</b>	<b>\$ 684,713</b>	<b>\$ 15,374,432</b>

See notes to consolidated financial statements.

## Laradon Hall Society for Exceptional Children and Adults

# Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services				Support Services			Total Support Services	Total Expenses
	Children Services	Adult Day Services	Community Living Services	Total Program Services	General and Administration	Fundraising	Rental		
Salaries	\$ 4,447,999	\$ 2,428,674	\$ 1,188,949	\$ 8,065,622	\$ 740,532	\$ 292,736	\$ -	\$ 1,033,268	\$ 9,098,890
Payroll taxes	327,945	173,465	45,046	546,456	51,977	22,011	-	73,988	620,444
Employee benefits	673,822	393,834	162,921	1,230,577	179,205	27,915	-	207,120	1,437,697
Contract services	52,133	30,465	1,675,756	1,758,354	35,513	357	-	35,870	1,794,224
Professional services	45,144	65,967	17,948	129,059	242,001	28,872	-	270,873	399,932
Staff development	4,332	1,829	1,701	7,862	55,513	1,753	-	57,266	65,128
Staff travel	6,032	28,725	15,386	50,143	3,694	1,271	-	4,965	55,108
Vehicles	46,031	170,810	2,279	219,120	48,665	-	-	48,665	267,785
Rent and real estate taxes	19,080	29,636	-	48,716	-	-	-	-	48,716
Maintenance	107,069	116,190	15,666	238,925	83,664	619	-	84,283	323,208
Utilities	88,144	54,823	12,062	155,029	43,461	491	-	43,952	198,981
Equipment maintenance	73,091	31,030	202,470	306,591	29,602	1,539	-	31,141	337,732
Office supplies	42,135	40,761	20,960	103,856	7,565	6,207	-	13,772	117,628
Program supplies	26,035	17,065	1,125	44,225	27,698	211	-	27,909	72,134
Postage and shipping	368	2,448	318	3,134	1,519	7,128	-	8,647	11,781
Telephone and internet	5,151	16,502	6,279	27,932	16,671	722	-	17,393	45,325
Dues, fees, and licenses	9,978	11,617	5,866	27,461	25,429	9,520	-	34,949	62,410
Food	10,935	33,367	2,437	46,739	6,619	5,200	-	11,819	58,558
Insurance	-	26,690	13,878	40,568	50,172	-	-	50,172	90,740
Other	16,013	115	22,469	38,597	93,372	16,215	-	109,587	148,184
Rental expenses - Net with revenue	-	-	-	-	-	-	60,800	60,800	60,800
Depreciation	136,889	77,816	18,767	233,472	102,621	-	-	102,621	336,093
<b>Total functional expenses</b>	<b>\$ 6,138,326</b>	<b>\$ 3,751,829</b>	<b>\$ 3,432,283</b>	<b>\$ 13,322,438</b>	<b>\$ 1,845,493</b>	<b>\$ 422,767</b>	<b>\$ 60,800</b>	<b>\$ 2,329,060</b>	<b>\$ 15,651,498</b>

## Laradon Hall Society for Exceptional Children and Adults

# Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services				Support Services			Total Support Services	Total Expenses
	Children Services	Adult Day Services	Community Living Services	Total Program Services	General and Administration	Fundraising	Rental		
Salaries	\$ 3,826,418	\$ 2,132,191	\$ 715,677	\$ 6,674,286	\$ 729,140	\$ 274,143	\$ -	\$ 1,003,283	\$ 7,677,569
Payroll taxes	282,264	154,052	50,250	486,566	50,098	20,655	-	70,753	557,319
Employee benefits	659,663	403,738	113,876	1,177,277	189,642	15,170	-	204,812	1,382,089
Contract services	29,519	28,156	1,452,107	1,509,782	3,897	22,501	-	26,398	1,536,180
Professional services	53,357	26,833	7,751	87,941	282,110	179,361	-	461,471	549,412
Staff development	6,547	947	128	7,622	50,462	4,040	-	54,502	62,124
Staff travel	10,145	26,400	12,750	49,295	2,186	1,542	-	3,728	53,023
Vehicles	17,273	214,879	4,300	236,452	17,346	-	-	17,346	253,798
Rent and real estate taxes	59,560	24,741	-	84,301	-	-	-	-	84,301
Maintenance	78,508	70,116	12,176	160,800	73,489	220	-	73,709	234,509
Utilities	45,903	51,824	9,484	107,211	44,594	449	-	45,043	152,254
Equipment maintenance	62,009	48,657	6,744	117,410	64,032	3,354	-	67,386	184,796
Office supplies	57,054	25,882	15,014	97,950	14,728	7,192	-	21,920	119,870
Program supplies	23,756	15,867	8,592	48,215	1,967	1,277	-	3,244	51,459
Postage and shipping	330	1,817	111	2,258	1,303	1,974	-	3,277	5,535
Telephone and internet	5,094	17,001	7,377	29,472	18,085	583	-	18,668	48,140
Dues, fees, and licenses	6,767	16,893	14,091	37,751	32,599	13,022	-	45,621	83,372
Food	44,146	3,489	5,038	52,673	14,529	12,614	-	27,143	79,816
Insurance	20,468	58,253	7,872	86,593	70,847	-	-	70,847	157,440
Other	641	1,823	3,815	6,279	44,097	19,093	-	63,190	69,469
Rental expenses - Net with revenue	-	-	-	-	-	-	42,707	42,707	42,707
Depreciation	62,004	127,887	21,940	211,831	74,222	-	-	74,222	286,053
<b>Total functional expenses</b>	<b>\$ 5,351,426</b>	<b>\$ 3,451,446</b>	<b>\$ 2,469,093</b>	<b>\$ 11,271,965</b>	<b>\$ 1,779,373</b>	<b>\$ 577,190</b>	<b>\$ 42,707</b>	<b>\$ 2,399,270</b>	<b>\$ 13,671,235</b>



## Laradon Hall Society for Exceptional Children and Adults

### Consolidated Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (658,427)	\$ 1,833,013
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	336,093	286,053
Provision for bad debt	8,239	7,827
Gain (loss) on disposal of property and equipment	217,602	(1,862,440)
Realized and unrealized gain on sale of investments	(132,407)	(475,708)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(274,694)	(249,734)
Pledges receivable	58,697	(83,348)
Other accounts receivable	(150,472)	4,551
Prepaid expenses	(10,442)	(1,926)
Accounts payable	147,197	60,616
Accrued liabilities	(326,649)	490,633
Deferred revenue	19,754	9,126
Net cash and cash equivalents (used in) provided by operating activities	(765,509)	18,663
<b>Cash Flows from Investing Activities</b>		
Insurance proceeds	-	2,040,428
Purchase of property and equipment	(2,225,194)	(5,118,102)
Proceeds from sale of property and equipment	300,000	7,000
Purchases of investments	(109,833)	(699,612)
Proceeds from sales and maturities of investments	1,975,437	3,645,424
Net cash and cash equivalents used in investing activities	(59,590)	(124,862)
<b>Cash Flows from Financing Activities</b>		
Proceeds from draws on line of credit	749,692	-
Repayments on line of credit	(150,000)	-
Net cash and cash equivalents provided by financing activities	599,692	-
<b>Net Decrease in Cash and Cash Equivalents</b>	(225,407)	(106,199)
<b>Cash and Cash Equivalents - Beginning of year</b>	379,820	486,019
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 154,413</b>	<b>\$ 379,820</b>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	\$ 10,630	\$ -

**Note 1 - Nature of Business**

Laradon Hall Society for Exceptional Children and Adults (Laradon) is a nonprofit corporation organized under the laws of the State of Colorado for the purposes of assisting children and adults with intellectual and developmental disabilities to realize their full potential and maximize 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."

***Description of Program Services***

**Children Services**

*Family/Infant/Toddler Services*

The family, infant, and toddler (FIT) 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. Services focus on all the basic and new skills that children learn during the first three years of life. Many children who receive early intervention services do not require special education or other services later in life.

*The Laradon School*

The Laradon School offers state-of-the-art academic and behavior services for school age children from 5 to 21 years of age with intellectual and developmental disabilities. The Laradon School is accredited by the Colorado Department of Education as an Eligible Facility School. The Colorado Department of Human Services licenses The Laradon School as a Day Treatment program. All teachers and service providers are certified and licensed professionals who strive for a comprehensive understanding of each student through conscious and careful study. Person-centered thinking is first and foremost, which highlights the belief that all students are capable of learning and establishing and maintaining social relationships.

*Calabrese Youth Center*

The Calabrese Youth Center provides 24-hour residential treatment to children, ages 11 to 18, who have identified intellectual and developmental disabilities. Laradon's therapeutic program is designed to assist youth with resolving social, emotional, and behavioral problems so they can return to their home or community.

**Adult Day Services**

Adult day programs consist of a broad array of programs designed to help people with developmental disabilities maximize their full potential. The goal is to assist individuals 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 and group employment services, programs for seniors, and programs for adults with serious and chronic medical conditions. Laradon also operates a Ticket to Work program for Social Security beneficiaries who are interested and motivated to return to work.

**Notes to Consolidated Financial Statements**

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**June 30, 2019 and 2018**

**Note 1 - Nature of Business (Continued)**

***Community Living Services***

The Organization provides training, monitoring, consultation, and support to the provider and family member providing service to an individual through the following three different community living services programs:

*Host Home Program*

The host home program provides individualized services and supports to adult individuals in host homes throughout the Denver metropolitan area. The individuals may live with an individual or family and experience a family or roommate-like atmosphere. The host home providers contract with Laradon to provide one or two individuals 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, behavioral services, recreation, leisure, and community involvement.

*Independent Living Program*

The independent living program offers services in the homes of individuals who have the skills and wish to live more independently. Staff assist with tasks such as filling medical boxes, scheduling appointments, money management, cleaning, and meal planning.

*Family Caregiver Program*

The family caregiver program allows individuals to receive their services directly from a family member, with paid support. Paid support may include housekeeping, bathing, dressing, and meal planning.

**Note 2 - Significant Accounting Policies**

***Principles of Consolidation***

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

***Use of 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 of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Classification of Net Assets***

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

**Notes to Consolidated Financial Statements**

**June 30, 2019 and 2018**

**Note 2 - Significant Accounting Policies (Continued)**

***Cash Equivalents***

For the purposes of the consolidated statement 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. As of the consolidated statement of financial position date and periodically throughout the year, the Organization held balances of cash that exceeded federally insured limits.

***Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. Investment income (including realized and unrealized gains and losses on investments, interest, dividends, and fees) is recorded in the accompanying consolidated statement of activities and changes in net assets as investment income without donor restrictions unless restricted by donor or law.

***Concentrations***

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.

The Organization had one customer that represented 44 percent of revenue and two customers that represented 53 percent of accounts receivable as of and for the year ended June 30, 2019.

The Organization had one customer that represented 33 percent of revenue three customers that represented 63 percent of accounts receivable as of and for the year ended June 30, 2018.

***Accounts Receivable***

The Organization provides services to developmentally disabled persons within the state. The accounts receivable balance constitutes amounts due from governmental programs, other nonprofit 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. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. The allowance for doubtful accounts on accounts receivable balances was \$36,207 and \$27,968 as of June 30, 2019 and 2018, respectively.

***Pledges Receivable***

Pledges of cash and other assets, including unconditional promises to give in the future, are reported as revenue when granted or received, measured at fair value. Contributions receivable at June 30, 2019 that are due in future periods are classified as noncurrent assets with donor restrictions. Contributions due in one to five years were \$0 and \$51,113 as of June 30, 2019 and 2018, respectively. All other contributions receivable are due in less than one year.

The Organization has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

***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 5 to 30 years.

**Note 2 - Significant Accounting Policies (Continued)**

***Impairment or Disposal of Long-lived Assets***

The Organization reviews the recoverability of long-lived assets, including buildings and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

***Recognition of Services Revenue***

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

***Contributions***

Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

***Functional Allocation of Expenses***

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Vehicle costs are allocated to programs based on the number of vehicles used by each program. Building maintenance costs are allocated based on square footage. Payroll costs related to direct conduct and supervision of programs, as well as other shared costs, are allocated based on percentage of effort by employees. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

***Income Taxes***

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**Note 2 - Significant Accounting Policies (Continued)**

***Adoption of New Accounting Pronouncement***

As of July 1, 2018 and applied retrospectively, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. In addition, the underwater portion of donor-restricted endowments is now reported as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the Organization, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. Upon implementation of the standard, amounts of temporarily restricted net assets totaling \$684,713 at June 30, 2018 were reclassified to net assets with donor restrictions. Additionally, during the years ended June 30, 2019 and 2018, \$476,099 and \$676,805, respectively, of program services expenses were reclassified to supporting services expenses, and \$19,137 and \$37,257, respectively, of investment management fees previously reported as general and administration expenses were reclassified to net investment income.

***Upcoming Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Organization has not yet determined which application method it will use.

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending June 30, 2022 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Organization is still evaluating which method it will apply. The new lease standard is expected to have a significant effect on the Organization's financial statements as a result of the Organization's operating leases, as disclosed in Note 9, that will be reported on the consolidated statement of financial position at adoption. Upon adoption, the Organization will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Note 2 - Significant Accounting Policies (Continued)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Organization's year ending June 30, 2019 and will be applied on a modified prospective basis. The Organization does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts, but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 24, 2019, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditure are as follows:

	2019	2018
Cash and cash equivalents	\$ 154,413	\$ 379,820
Investments	4,955,543	6,688,740
Accounts receivable	1,170,758	904,303
Current portion of pledges receivable	74,851	82,435
Other accounts receivable	206,022	55,550
Total	<u>\$ 6,561,587</u>	<u>\$ 8,110,848</u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$2,468,000 and \$2,199,000 at June 30, 2019 and 2018, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in various short-term investments.

The Organization also realizes there could be unanticipated liquidity needs.

## Laradon Hall Society for Exceptional Children and Adults

# Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### Note 4 - Investments

Investments are stated at fair value and summarized at June 30 as follows:

	2019	2018
Cash and cash equivalents	\$ 160,879	\$ 92,284
Corporate debt securities	1,013,955	1,713,081
Common stock	1,031,366	1,153,758
Mutual funds	1,010,998	1,249,999
Exchange-traded funds	1,738,345	2,479,618
Total	<u>\$ 4,955,543</u>	<u>\$ 6,688,740</u>

Investment income is composed of the following:

	2019	2018
Dividends and interest - Net	\$ 109,832	\$ 149,613
Realized and unrealized gain on investments	132,407	475,708
Total	<u>\$ 242,239</u>	<u>\$ 625,321</u>

### Note 5 - Fair Value Measurements

The Organization has adopted the methods of fair value 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. 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 instances whereby inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.



## Laradon Hall Society for Exceptional Children and Adults

# Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### Note 5 - Fair Value Measurements (Continued)

The following tables present information about the Organization's assets measured at fair value on a recurring basis at June 30, 2019 and 2018:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Investments		
	(at Fair Value)	Level 1	Level 2
Exchange-traded funds	\$ 1,738,345	\$ 1,738,345	\$ -
Corporate debt securities	1,013,955	-	1,013,955
Common stock	1,031,366	1,031,366	-
Mutual funds	1,010,998	1,010,998	-
<b>Total</b>	<b>\$ 4,794,664</b>	<b>\$ 3,780,709</b>	<b>\$ 1,013,955</b>

  

Assets Measured at Fair Value on a Recurring Basis at June 30, 2018			
	Investments		
	(at Fair Value)	Level 1	Level 2
Exchange-traded funds	\$ 2,479,618	\$ 2,479,618	\$ -
Corporate debt securities	1,713,081	-	1,713,081
Common stock	1,153,758	1,153,758	-
Mutual funds	1,249,999	1,249,999	-
<b>Total</b>	<b>\$ 6,596,456</b>	<b>\$ 4,883,375</b>	<b>\$ 1,713,081</b>

### Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2019	2018
Buildings	\$ 7,180,325	\$ 4,004,663
Building improvements	4,297,353	4,584,174
Land	1,789,237	1,859,475
Transportation equipment	817,474	765,385
Machinery and equipment	787,525	850,609
Construction in progress	767,540	3,042,845
<b>Total cost</b>	<b>15,639,454</b>	<b>15,107,151</b>
Accumulated depreciation	5,745,330	6,584,526
<b>Net property and equipment</b>	<b>\$ 9,894,124</b>	<b>\$ 8,522,625</b>

Depreciation and amortization expense for 2019 and 2018 was \$336,093 and \$286,053, respectively.

### Note 7 - Net Assets

Net assets with donor restrictions consist of the following as of June 30:

	2019	2018
Capital campaign	\$ -	\$ 684,713

**Notes to Consolidated Financial Statements**

**June 30, 2019 and 2018**

**Note 7 - Net Assets (Continued)**

The Organization's board of directors had designated \$100,000 for school curriculum purposes. The principal was to be maintained, and earnings on the investment were available for the designated purpose. The designated balance net of investment earnings totaled \$192,115 at June 30, 2018. During the year ended June 30, 2019, the board released the designation.

**Note 8 - Retirement Plan**

The Organization sponsors a 401(k) plan (the "Plan") for employees with at least six months of service. Employees may contribute up to the maximum allowed by the Internal Revenue Code. The Organization will match 100 percent of the employee's contribution up to 4 percent of the participant's salary. Contributions to the Plan totaled \$187,106 and \$151,696 for the years ended June 30, 2019 and 2018, respectively.

**Note 9 - Leases**

***Operating Leases***

The Organization leases equipment and office space under noncancelable operating leases. Total costs for such leases were \$83,156 and \$119,874 for the years ended June 30, 2019 and 2018, respectively. The future minimum lease payments for these leases are as follows:

<u>Years Ending</u>	<u>Amount</u>
2020	\$ 42,255
2021	38,991
2022	38,991
2023	38,991
2024	29,243
Total	<u>\$ 188,471</u>

**Note 10 - Lines of Credit**

The Organization maintains a \$500,000 unsecured revolving line of credit with a bank. Draws on this line of credit bear interest at the bank's prime rate plus 0.5 percent (6.74 and 5.25 percent at June 30, 2019 and 2018, respectively). There were no outstanding borrowings under the line of credit as of June 30, 2019 and 2018. The line of credit expires in December 2019.

Under a line of credit agreement with a bank, the Organization has available borrowings of approximately \$5,600,000. Interest is payable monthly at a variable rate based on LIBOR plus the applicable percentage set forth in the agreement (4.398 and 0 percent at June 30, 2019 and 2018, respectively). The line of credit is collateralized by all current and future cash and investment instruments of the Foundation. The outstanding balance on this line of credit totaled \$599,692 and \$0 at June 30, 2019 and 2018, respectively.

**Note 11 - 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.

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## Supplemental Information

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## Independent Auditor's Report on Supplemental Information

To the Board of Directors  
Laradon Hall Society for Exceptional  
Children and Adults

We have audited the consolidated financial statements of Laradon Hall Society for Exceptional Children and Adults and its subsidiary as of and for the year ended June 30, 2019 and have issued our report thereon dated September 24, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the 2019 consolidated financial statements as a whole. The supplemental consolidating statements of financial position and activities and changes in net assets are presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual entities 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 2019 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2019 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 2019 consolidated financial statements as a whole.

The supplemental consolidating statements of financial position and activities and changes in net assets of Laradon Hall Society for Exceptional Children and Adults and its subsidiary as of June 30, 2018 were subject to the auditing procedures applied in the audit of the 2018 consolidated financial statements audited by EKS&H LLLP, whose report dated September 25, 2018 expressed an unqualified opinion on the 2018 consolidated financial statements.

*Plante & Moran, PLLC*

September 24, 2019

## Laradon Hall Society for Exceptional Children and Adults

### Consolidating Statement of Financial Position

June 30, 2019

	Laradon	Foundation	Eliminating Entries	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 154,413	\$ -	\$ -	\$ 154,413
Cash held for participants	22,418	-	-	22,418
Investments	878,453	4,077,090	-	4,955,543
Receivables:				
Accounts receivable - Net	1,170,758	-	-	1,170,758
Current portion of pledges receivable	74,851	-	-	74,851
Other accounts receivable	243,244	-	(37,222)	206,022
Prepaid expenses	58,188	-	-	58,188
Total current assets	2,602,325	4,077,090	(37,222)	6,642,193
<b>Property and Equipment - Net</b>	9,894,124	-	-	9,894,124
Total assets	<b>\$ 12,496,449</b>	<b>\$ 4,077,090</b>	<b>\$ (37,222)</b>	<b>\$ 16,536,317</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 387,253	\$ 37,222	\$ (37,222)	\$ 387,253
Line of credit	599,692	-	-	599,692
Accrued liabilities and other:				
Accrued liabilities	723,717	-	-	723,717
Due to participants	22,418	-	-	22,418
Deferred revenue	87,232	-	-	87,232
Total current liabilities	1,820,312	37,222	(37,222)	1,820,312
<b>Net Assets - Without donor restrictions</b>	10,676,137	4,039,868	-	14,716,005
Total liabilities and net assets	<b>\$ 12,496,449</b>	<b>\$ 4,077,090</b>	<b>\$ (37,222)</b>	<b>\$ 16,536,317</b>

## Laradon Hall Society for Exceptional Children and Adults

# Consolidating Statement of Financial Position

June 30, 2018

	Laradon	Foundation	Eliminating Entries	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 379,820	\$ -	\$ -	\$ 379,820
Cash held for participants	29,380	-	-	29,380
Investments	1,623,067	5,065,673	-	6,688,740
Receivables:				
Accounts receivable - Net	904,303	-	-	904,303
Current portion of pledges receivable	82,435	-	-	82,435
Other accounts receivable	211,979	-	(156,429)	55,550
Prepaid expenses	47,746	-	-	47,746
Total current assets	3,278,730	5,065,673	(156,429)	8,187,974
<b>Pledges Receivable - Net of current portion</b>	51,113	-	-	51,113
<b>Property and Equipment - Net</b>	8,522,625	-	-	8,522,625
Total assets	<b>\$ 11,852,468</b>	<b>\$ 5,065,673</b>	<b>\$ (156,429)</b>	<b>\$ 16,761,712</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 240,056	\$ 156,429	\$ (156,429)	\$ 240,056
Accrued liabilities and other:				
Accrued liabilities	1,050,366	-	-	1,050,366
Due to participants	29,380	-	-	29,380
Deferred revenue	67,478	-	-	67,478
Total current liabilities	1,387,280	156,429	(156,429)	1,387,280
<b>Net Assets</b>				
Net assets without donor restrictions	9,780,475	4,909,244	-	14,689,719
Net assets with donor restrictions	684,713	-	-	684,713
Total net assets	10,465,188	4,909,244	-	15,374,432
Total liabilities and net assets	<b>\$ 11,852,468</b>	<b>\$ 5,065,673</b>	<b>\$ (156,429)</b>	<b>\$ 16,761,712</b>

## Laradon Hall Society for Exceptional Children and Adults

# Consolidating Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019

	Laradon	Foundation	Eliminating Entries	Total
<b>Changes Net Assets</b>				
Revenue, gains, and other support:				
Fees and grants from governmental agencies	\$ 13,509,404	\$ -	\$ -	\$ 13,509,404
Public support	1,503,076	-	(977,409)	525,667
Rental income - Net	134,858	-	-	134,858
Other	145,688	-	-	145,688
Net investment income	48,387	193,852	-	242,239
Capital campaign	592,017	-	-	592,017
Total revenue, gains, and other support	15,933,430	193,852	(977,409)	15,149,873
Expenses:				
Program services:				
Children services	6,138,326	-	-	6,138,326
Adult day services	3,751,829	-	-	3,751,829
Community living services	3,432,283	-	-	3,432,283
Grant awards to Laradon	-	200,000	(200,000)	-
Capital campaign contributions to Laradon	-	355,700	(355,700)	-
Total program services	13,322,438	555,700	(555,700)	13,322,438
Support services:				
General and administrative	1,759,674	85,819	-	1,845,493
Fundraising	422,767	421,709	(421,709)	422,767
Total support services	2,182,441	507,528	(421,709)	2,268,260
Total expenses	15,504,879	1,063,228	(977,409)	15,590,698
<b>Increase (Decrease) in Net Assets - Before nonoperating loss</b>	428,551	(869,376)	-	(440,825)
<b>Nonoperating Loss - Loss on sale and disposal of fixed assets</b>	(217,602)	-	-	(217,602)
<b>Increase (Decrease) in Net Assets</b>	210,949	(869,376)	-	(658,427)
<b>Net Assets - Beginning of year</b>	10,465,188	4,909,244	-	15,374,432
<b>Net Assets - End of year</b>	<b>\$ 10,676,137</b>	<b>\$ 4,039,868</b>	<b>\$ -</b>	<b>\$ 14,716,005</b>

## Laradon Hall Society for Exceptional Children and Adults

# Consolidating Statement of Activities and Changes in Net Assets

Year Ended June 30, 2018

	Laradon	Foundation	Eliminating Entries	Total
<b>Changes Net Assets</b>				
Revenue, gains, and other support:				
Fees and grants from governmental agencies	\$ 11,168,890	\$ -	\$ -	\$ 11,168,890
Public support	3,623,728	-	(2,981,511)	642,217
Rental income - Net	94,452	-	-	94,452
Other	45,379	-	-	45,379
Net investment income	111,070	514,251	-	625,321
Loss on sale of property and equipment	4,209	-	-	4,209
Capital campaign	1,079,000	-	-	1,079,000
Total revenue, gains, and other support	16,126,728	514,251	(2,981,511)	13,659,468
Expenses:				
Program services:				
Children services	5,351,426	-	-	5,351,426
Adult day services	3,451,446	-	-	3,451,446
Community living services	2,469,093	-	-	2,469,093
Grant awards to Laradon	-	250,000	(250,000)	-
Capital campaign contributions to Laradon	-	2,293,680	(2,293,680)	-
Total program services	11,271,965	2,543,680	(2,543,680)	11,271,965
Support services:				
General and administration	1,645,962	133,411	-	1,779,373
Fundraising	577,190	437,831	(437,831)	577,190
Total support services	2,223,152	571,242	(437,831)	2,356,563
Total expenses	13,495,117	3,114,922	(2,981,511)	13,628,528
<b>Increase (Decrease) in Net Assets - Before nonoperating income (expenses)</b>	2,631,611	(2,600,671)	-	30,940
<b>Nonoperating Income (Loss)</b>				
Storm damage expense - Net of insurance recovery	1,876,102	-	-	1,876,102
Relocation expenses	(74,029)	-	-	(74,029)
Total nonoperating income	1,802,073	-	-	1,802,073
<b>Increase (Decrease) in Net Assets</b>	4,433,684	(2,600,671)	-	1,833,013
<b>Net Assets - Beginning of year</b>	6,031,504	7,509,915	-	13,541,419
<b>Net Assets - End of year</b>	<b>\$ 10,465,188</b>	<b>\$ 4,909,244</b>	<b>\$ -</b>	<b>\$ 15,374,432</b>