



Consolidated Financial Statements
June 30, 2018 and 2017

**Mesa Developmental Services
dba Strive Colorado**

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Independent Auditor's Report

The Board of Directors
Mesa Developmental Services, dba Strive Colorado
Grand Junction, Colorado

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Mesa Developmental Services, dba Strive Colorado, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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. 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 Mesa Developmental Services, dba Strive Colorado, as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules on pages 20 to 23 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 on pages 20 to 23 has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain other 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 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 taken as a whole.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, professional style.

Denver, Colorado
September 25, 2018

Mesa Developmental Services
dba Strive Colorado
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,023,699	\$ 3,360,242
Accounts receivable		
Fees and grants from governmental agencies, net	1,116,875	1,264,978
Other	180,597	282,772
Promises to give, net	148,121	-
Inventory	11,955	17,602
Prepaid expenses and other assets	39,048	86,786
Total current assets	4,520,295	5,012,380
Restricted cash	236,624	112,895
Assets held for sale, net	-	99,149
Earnest money on office building	100,000	-
Property and equipment, net	4,983,750	5,251,855
Total assets	\$ 9,840,669	\$ 10,476,279
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 703,688	\$ 955,642
Deferred revenue	32,749	221,590
Note payable	115,178	110,053
Total current liabilities	851,615	1,287,285
Long-Term Liabilities		
Note payable, net	1,188,207	1,303,134
Total liabilities	2,039,822	2,590,419
Net Assets		
Unrestricted		
Undesignated	3,717,265	3,987,871
Invested in property and equipment, net of related debt	3,680,365	3,838,668
Total unrestricted	7,397,630	7,826,539
Temporarily restricted	403,217	59,321
Total net assets	7,800,847	7,885,860
Total liabilities and net assets	\$ 9,840,669	\$ 10,476,279

Mesa Developmental Services
dba Strive Colorado
Consolidated Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support, Revenue and Gains			
Fees for services from governmental agencies			
State of Colorado			
State General Fund			
Support services	\$ 781,165	\$ -	\$ 781,165
Case management	135,926	-	135,926
Management and general	120,378	-	120,378
Special purpose	106,094	-	106,094
Medicaid	12,859,102	-	12,859,102
Part C	26,647	-	26,647
QA/UR	211,493	-	211,493
Grants from governmental agencies			
Mesa County	535,913	-	535,913
State of Colorado	500,362	-	500,362
Total from governmental agencies	15,277,080	-	15,277,080
Residential room and board	987,688	-	987,688
Public support - contributions	140,267	413,032	553,299
Retail and service contract	132,400	-	132,400
Private pay and private health insurance	106,399	-	106,399
Other revenue	106,668	-	106,668
Gain on sale of property	219,815	-	219,815
Net assets released from restrictions	69,136	(69,136)	-
Total support, revenue and gains	17,039,453	343,896	17,383,349
Expenses			
Program services	15,757,168	-	15,757,168
Supporting services			
Management and general	1,624,901	-	1,624,901
Public relations and fundraising	86,293	-	86,293
Total expenses	17,468,362	-	17,468,362
Change in Net Assets	(428,909)	343,896	(85,013)
Net Assets, Beginning of Year	7,826,539	59,321	7,885,860
Net Assets, End of Year	\$ 7,397,630	\$ 403,217	\$ 7,800,847

Mesa Developmental Services
dba Strive Colorado
Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support, Revenue and Gains			
Fees for services from governmental agencies			
State of Colorado			
State General Fund			
Support services	\$ 832,064	\$ -	\$ 832,064
Case management	133,772	-	133,772
Management and general	148,427	-	148,427
Special purpose	57,991	-	57,991
Medicaid	13,140,918	-	13,140,918
Part C	213,459	-	213,459
QA/UR	208,369	-	208,369
Grants from governmental agencies			
Mesa County	535,913	-	535,913
State of Colorado	723,531	-	723,531
Total from governmental agencies	15,994,444	-	15,994,444
Residential room and board	1,014,796	-	1,014,796
Public support - contributions	118,863	87,092	205,955
Retail and service contract	167,971	-	167,971
Private pay and private health insurance	323,506	-	323,506
Other revenue	132,042	-	132,042
Gain on sale of property	115,273	-	115,273
Net assets released from restrictions	97,922	(97,922)	-
Total support, revenue and gains	17,964,817	(10,830)	17,953,987
Expenses			
Program services	15,555,709	-	15,555,709
Supporting services			
Management and general	1,546,609	-	1,546,609
Public relations and fundraising	119,722	-	119,722
Total expenses	17,222,040	-	17,222,040
Change in Net Assets	742,777	(10,830)	731,947
Net Assets, Beginning of Year	7,083,762	70,151	7,153,913
Net Assets, End of Year	\$ 7,826,539	\$ 59,321	\$ 7,885,860

Mesa Developmental Services
dba Strive Colorado
Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

Program Services

	Child and Family Services	Employment Related Services	Residential and Supported Living Services	Case Management	Total Program Services	Management and General	Public Relations and Fundraising	Total
Salaries and wages	\$ 596,233	\$ 1,756,251	\$ 4,627,925	\$ 1,052,120	\$ 8,032,530	\$ 688,376	\$ 30,981	\$ 8,751,887
Host home	-	-	2,771,544	-	2,771,544	-	-	2,771,544
Employee benefits	96,878	203,284	551,888	187,756	1,039,806	107,325	944	1,148,075
Professional services	169,331	39,402	167,507	13,249	389,489	606,023	628	996,139
Payroll taxes	52,215	155,381	411,344	91,517	710,457	144,315	2,536	857,308
Occupancy and admin burden	120,689	158,422	549,356	149,682	978,149	(431,202)	9,642	556,590
Medical professional services	304,523	-	132,579	805	437,907	-	-	437,907
Supplies	10,445	134,000	154,917	6,604	305,967	76,702	1,764	384,433
Other	8,808	17,866	170,831	1,472	198,977	115,799	39,078	353,854
Depreciation	1,020	60,111	151,930	-	213,062	138,111	-	351,173
Food	-	-	197,003	-	197,003	-	-	197,003
Vehicles	-	-	189,469	-	189,469	-	-	189,469
Training and development	2,255	25	69,493	1,734	73,507	37,792	50	111,349
Insurance	856	4,206	9,758	-	14,820	67,685	-	82,505
Travel	12,570	4,828	40,443	14,829	72,670	5,521	13	78,204
Telephone	3,609	10,747	30,781	5,769	50,905	20,238	182	71,326
Purchased services	-	-	53,340	-	53,340	-	-	53,340
Interest	-	-	-	-	-	40,820	-	40,820
Assistive tech and modifications	20,376	-	4,082	-	24,458	-	-	24,458
Dues and subscriptions	250	1,545	750	563	3,108	7,395	475	10,978
Inter-program allocations	(4,881)	(53,350)	58,231	-	-	-	-	-
Total expenses included in the expense section on the statement of activities	<u>\$ 1,395,177</u>	<u>\$ 2,492,719</u>	<u>\$ 10,343,170</u>	<u>\$ 1,526,101</u>	<u>\$ 15,757,168</u>	<u>\$ 1,624,901</u>	<u>\$ 86,293</u>	<u>\$ 17,468,362</u>

Mesa Developmental Services
dba Strive Colorado
Consolidated Statement of Functional Expenses
Year Ended June 30, 2017

Program Services

	Child and Family Services	Employment Related Services	Residential and Supported Living Services	Case Management	Total Program Services	Management and General	Public Relations and Fundraising	Total
Salaries and wages	\$ 632,826	\$ 1,501,416	\$ 5,623,491	\$ 901,452	\$ 8,659,184	\$ 782,607	\$ 52,719	\$ 9,494,510
Host home	-	-	2,376,095	-	2,376,095	-	-	2,376,095
Employee benefits	39,852	87,323	376,025	87,688	590,888	75,043	4,403	670,334
Professional services	143,180	37,042	83,522	7,484	271,228	355,936	4,075	631,239
Payroll taxes	62,152	137,262	525,430	82,191	807,035	143,677	4,719	955,431
Occupancy and admin burden	119,656	123,987	575,325	182,935	1,001,903	(405,278)	10,356	606,981
Medical professional services	236,756	-	95,352	-	332,108	-	-	332,108
Supplies	22,260	157,025	176,397	23,584	379,266	106,765	1,603	487,633
Other	12,967	17,215	127,366	10,168	167,716	101,163	40,948	309,827
Depreciation	8,315	53,594	172,875	-	234,785	158,896	-	393,680
Food	-	-	272,799	-	272,799	-	-	272,799
Vehicles	-	-	179,618	-	179,618	-	-	179,618
Training and development	3,254	615	12,396	2,735	18,999	48,339	334	67,672
Insurance	890	4,385	11,631	-	16,906	67,796	-	84,702
Travel	19,939	4,612	67,778	14,090	106,418	9,942	-	116,360
Telephone	7,119	7,918	40,024	6,135	61,196	20,780	129	82,106
Purchased services	-	-	47,537	-	47,537	-	-	47,537
Interest	-	-	-	-	-	48,391	-	48,391
Assistive tech and modifications	20,681	-	5,937	-	26,618	-	-	26,618
Dues and subscriptions	1,842	961	2,123	483	5,409	32,553	436	38,398
Inter-program allocations	(1,846)	(59,746)	61,592	-	-	-	-	-
Total expenses included in the expense section on the statement of activities	\$ 1,329,842	\$ 2,073,610	\$ 10,833,313	\$ 1,318,945	\$ 15,555,709	\$ 1,546,609	\$ 119,722	\$ 17,222,040

Mesa Developmental Services
dba Strive Colorado
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	\$ (85,013)	\$ 731,947
Adjustment to reconcile changes in net assets to net cash from (used for) operating activities		
Depreciation	351,173	393,680
Gain on sale of property	(219,815)	(115,273)
Interest attributable to amortization of debt issuance costs	1,752	1,752
Changes in operating assets and liabilities		
Accounts receivable	148,103	(199,146)
Other receivables	102,174	(18,801)
Promises to give, net	(148,121)	9,900
Inventory	5,647	3,813
Prepaid expenses and other assets	47,738	51,383
Accounts payable and accrued liabilities	(251,954)	20,437
Deferred revenue	(188,841)	221,590
Net Cash from (used for) Operating Activities	(237,157)	1,099,530
Investing Activities		
Purchases of property and equipment	(89,057)	(104,815)
Proceeds from sale of property and equipment	324,953	386,426
Payment of earnest money	(100,000)	-
Change in restricted cash	(123,729)	(1,344)
Net Cash from (used for) Investing Activities	12,167	282,019
Financing Activities		
Principal payments on note payable	(111,553)	(150,771)
Payment of debt issuance costs	-	(19,267)
Net Cash from (used for) Financing Activities	(111,553)	(170,038)
Net Change in Cash and Cash Equivalents	(336,543)	1,211,511
Cash and Cash Equivalents, Beginning of the Year	3,360,242	2,148,731
Cash and Cash Equivalents, End of the Year	\$ 3,023,699	\$ 3,360,242
Supplemental Disclosures		
Cash paid for interest	\$ 40,235	\$ 48,391
Proceeds from debt used to repay outstanding loan	\$ -	\$ 1,530,000

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Mesa Developmental Services, dba Strive Colorado (Strive) is a nonprofit organization, incorporated in 1966 for the purpose of providing a community center board to coordinate programs through interagency cooperation and local agencies to provide services to individuals with developmental disabilities in Mesa County.

DD Housing, Inc. (DDH) is a nonprofit organization, incorporated in 2000 for the purpose of holding assets purchased and constructed pursuant to grants received from the U.S. Department of Housing and Urban Development (HUD). Under HUD regulations, these assets are required to be held in a separate corporation for a period of not less than forty years.

Principles of Consolidation

The consolidated financial statements include the accounts of Strive and DDH because Strive has both control and an economic interest in DDH. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as “Strive.”

Program Services

Child and Family Services are designed around the child and family needs, concerns and priorities related to the development of the child. The purpose of family support services is to reduce, delay or prevent out of home placement and to decrease stress on the families that often occurs as a result of supporting a family member with a developmental disability in the home. The Parenting Place is a family resource center that strives to strengthen families within Mesa County, offering many different resources to support, educate and develop a strong parent community. Included in this service category are services directed to individuals with autism to help them learn new skills for communicating, problem-solving, social integration and coping. Strive also offers staff and family training and offer workshops and training in emerging autism topics.

Employment Related Services include a number of supported community small group opportunities. Pre-vocational skills focus on four main skills including community business, community employment, community integration and life skills. Specialized habilitation services and supports are offered in four distinct settings which enable an individual to attain the maximum functioning level or to be supported in such a manner that allows an individual to gain an increased level of self-sufficiency.

Residential and Supported Living Services offers community-based living arrangements that are catered to the needs of each individual. Options include twelve supervised group homes, host homes and congregate apartments. Minimal support staff is also available for clients living independently in homes or apartments. Supported Living Services is for clients 18 years and older and living in their own homes or with their families and support is tailored to promote independence, integration and productivity.

Case Management - each client served is assisted by a case manager in a client / family directed system of coordination and accountability regarding individual needs and preferences. Case managers are responsible for coordinating the development and implementation of individual plans, coordinating needed services, monitoring and reviewing a client’s progress toward individual program goals and providing continuous support and guidance to client and family.

Supporting Services

Management and General includes those activities necessary for planning, coordination and overall direction of Strive, financial administration, general board activities and other related activities indispensable to the organization's corporate existence.

Public Relations and Fundraising includes those activities necessary to promote the organization within the community and State in order to secure adequate resources to provide for the continued growth and stability of the Organization.

Cash and Cash Equivalents

Strive considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due from the State of Colorado and Mesa County. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2018 and 2017, the allowance was \$25,600 and \$24,045, respectively.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2018 and 2017, the allowance for doubtful accounts was \$4,200 and \$0, respectively.

Inventory

Inventory is comprised of program-related merchandise held for sale in the thrift or gift shop and is stated at the lower of cost or net realizable value determined by the first-in first-out method. Management has determined no allowance for inventory obsolescence to be necessary at June 30, 2018 and 2017.

Assets Held for Sale

Assets held for sale are carried at net book value as the expected selling price exceeds this amount. If the expected selling price were lower than net book value, the carrying value would be reduced by an impairment charge.

Property and Equipment

Property and equipment additions over \$1,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2018 and 2017.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of Strive and/or the passage of time.

Strive reports contributions as temporarily restricted support 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of Strive.

Revenue Recognition

Revenue is recognized when earned. Amounts received in advance of performance of the underlying services are deferred to the period in which the services are performed. Revenue consists primarily of funds received from the State of Colorado for Medicaid and other services, proceeds from mill levies in Mesa County, miscellaneous smaller grants and awards from federal, state and municipal sources. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Advertising

Advertising costs are expensed as incurred, and totaled \$52,892 and \$52,763 for the years ended June 30, 2018 and 2017, respectively.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to Strive's program services, management and general, and public relations and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Strive records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended June 30, 2018 and 2017.

Functional Allocation of Expense

The costs of program and other supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Mesa Developmental Services and DD Housing, Inc. are organized as Colorado nonprofit corporations and have been recognized by the Internal Revenue Services (IRS) as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Section 170(b)(1)(A)(ii) and have been determined not to be private foundations under Sections 509(a)(1) and (3) respectively. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. Management has determined that each entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

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 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, and those differences could be material.

Financial Instruments and Credit Risk

Strive manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, Strive has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and individuals supportive of Strive's mission.

Note 2 - Fees and Grants from Governmental Agencies

Amounts due from governmental agencies are as follows at June 30, 2018 and 2017:

	2018	2017
State of Colorado		
General Fund	\$ 212,971	\$ 233,330
Medicaid	600,323	729,154
Other	35,625	34,537
	848,919	997,021
 Mesa County	 267,956	 267,957
 Total	 \$ 1,116,875	 \$ 1,264,978

Note 3 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2018:

	2018
Within one year	\$ 87,461
In one to five years	73,160
	160,621
Less discount to net present value at rates ranging from 1% to 5%	(8,300)
Less allowance for uncollectable promises to give	(4,200)
	\$ 148,121

At June 30, 2018, five donors accounted for 77 percent of total promises to give. Two contributors accounted for approximately 55 percent of total contribution revenue for the year ended June 30, 2018.

Note 4 - Restricted Cash

Restricted cash for Mesa Developmental Services includes cash restricted as collateral for a note payable as well as cash held on behalf of clients and totaled \$211,916 and \$74,087 as of June 30, 2018 and 2017, respectively.

Restricted cash for DDH includes cash restricted for HUD operations and totaled \$24,708 and \$38,808 as of June 30, 2018 and 2017, respectively.

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30, 2018 and 2017:

	2018	2017
Land	\$ 890,047	\$ 890,047
Building and improvements	7,503,735	7,439,528
Furniture and equipment	947,772	952,168
Vehicles	1,194,108	1,269,564
Construction in progress	3,500	-
	10,539,162	10,551,307
Less accumulated depreciation	(5,555,412)	(5,299,452)
Total	\$ 4,983,750	\$ 5,251,855

Note 6 - Note Payable

Note payable consists of the following at June 30, 2018 and 2017:

	2018	2017
Promissory note requiring monthly payments of \$12,503, including interest at fixed rate of 2.75%, to August 2028. Secured by real estate.	\$ 1,320,901	\$ 1,432,454
Unamortized debt issuance costs	(17,516)	(19,267)
	1,303,385	1,413,187
Current portion of notes payable	115,178	110,053
Long-term portion of notes payable	\$ 1,188,207	\$ 1,303,134

Future maturities of the note payable are as follows:

<u>Years Ending June 30,</u>	<u>Principal payments</u>	<u>Unamortized debt issuance costs</u>	<u>Total</u>
2019	\$ 114,918	\$ (1,752)	\$ 113,166
2020	118,068	(1,752)	116,316
2021	121,455	(1,752)	119,703
2022	124,789	(1,752)	123,037
2023	128,264	(1,752)	126,512
Thereafter	713,407	(8,756)	704,651
Total	<u>\$ 1,320,901</u>	<u>\$ (17,516)</u>	<u>\$ 1,303,385</u>

Note 7 - Leases

Strive leases building space and residential facilities on a month-to-month basis and also has a non-cancelable operating lease for a retail store expiring in 2021.

Rent expense for property under operating leases was \$124,400 and \$138,809 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments for the non-cancelable operating lease are as follows:

<u>Years ending June 30,</u>	
2019	\$ 50,284
2020	24,400
2021	6,120
	<u>\$ 80,804</u>

Note 8 - Retirement Plan

Strive sponsors a tax deferred annuity plan (the Plan) in which all employees are eligible to participate. The Plan includes mandatory contributions in which Strive matches employee contributions up to 3% of the employee's gross salary after meeting eligibility requirements. The retirement plan expense totaled \$98,113 and \$101,785 for the years ended June 30, 2018 and 2017, respectively.

Note 9 - Self-Insured Employee Health Plan

Strive’s employee health benefit coverage consists of a self-insured medical plan. As of June 30, 2018 and 2017 Strive has recorded a liability of approximately \$62,000 and \$63,000, respectively, which represents the estimated amount of medical claims incurred but not reported as of year-end. This liability is included in accounts payable and accrued liabilities in the statement of financial position. Claims are filed directly with a third-party administrator (“TPA”) for processing. The TPA dispenses funds to and on behalf of participants for covered medical claims. Strive carries specific stop-loss insurance coverage for payment of eligible participant claims in excess of certain limits. The individual stop-loss claim deductible per participant is \$90,000 with a \$30,000 aggregate stop-loss limit as of June 30, 2018.

Note 10 - Restricted Net Assets

Temporarily restricted net assets as of June 30, 2018 and 2017 consist of the following:

	2018	2017
Residential services	\$ 8,696	\$ 10,455
Children's extensive support	-	500
Family support services	18,527	19,585
Parenting Place	-	15,745
Supported employment	836	4,936
Autism services	73,000	8,100
Framing the Future - building fund	302,158	-
	\$ 403,217	\$ 59,321

Net assets were released from restrictions as follows during the years ended June 30, 2018 and 2017:

	2018	2017
Family support services	\$ 23,738	\$ 19,338
Autism services	8,100	1,340
Residential services	11,841	23,345
Parenting Place	15,745	12,969
Early intervention	-	7,591
Supported employment	8,952	2,491
Home health services	-	482
Children's extensive support	500	-
Other	260	30,366
	\$ 69,136	\$ 97,922

Note 11 - Commitments and Contingencies

Sale of 950 Grand Avenue

Strive has signed a contract to sell their administrative office facility at 950 Grand Avenue. Terms include a sales price of \$1,100,000 with an anticipated closing date in January 2019. The facility remains occupied by Strive personnel, thus the net book value of the property is not classified as held for sale in these financial statements. Strive will be responsible for the cost of any required asbestos remediation, however no information is available as to this potential liability as of June 30, 2018.

Purchase of 790 Wellington Avenue

Strive and a third party have formed an entity, 790 Holdings LLC, and this entity has signed a contract to acquire an administrative office facility at 790 Wellington Avenue. These actions were performed to secure the property while Strive continues to accumulate the necessary financing to acquire the property outright rather than using the LLC entity. Contract terms include a purchase price of \$6,770,000, subject to change resulting from tenant improvements. The anticipated closing date is in January 2019.

U. S. Department of Housing and Urban Development Capital Advance

Strive received a capital advance of \$694,238 from HUD for two group homes (309 Kava Way and 1444 N. 23rd Street) under agreements dated May 1, 2001. The terms of the agreements specify that the advance including any interest thereon is not required to be repaid so long as the housing remains available for a period of 40 years to eligible very low-income persons with disabilities in accordance with Section 811 of the National Affordable Housing Act. The capital advance is subject to compliance with a Regulatory Agreement and other requirements and conditions identified in the agreements.

In the event of noncompliance under the provisions of the agreements before the maturity date of February 1, 2042, the capital advance would be payable. The advance is secured by a deed of trust on the property, which has a carrying value of \$661,731 and \$668,117 at June 30, 2018 and 2017, respectively. If payable, the advance would bear interest at the rate of 6.0% per annum. Accrued interest through June 30, 2018 and 2017 totaling approximately \$640,000 and \$598,000 respectively, is not recorded as a liability in the financial statements as it is only payable as a penalty in the event of default under the provisions of the agreements.

Colorado Division of Housing Grant

Strive is contingently liable to the State of Colorado, Department of Local Affairs, Division of Housing, for the funding of construction of two group homes (309 Kava Way and 1444 N. 23rd Street) in the amount of \$150,000 under an agreement dated May 1, 2001. The grant contract provides that as long as the facilities are used to provide housing for low and moderate-income persons at affordable rents for a period of not less than 40 years from the date of initial occupancy, Strive will not be required to repay any portion of the grant. This requirement ends in the year 2042. If any default occurs, the grant becomes immediately payable in full, but bears no interest.

Colorado Department of Local Affairs Grant

Strive is contingently liable to the Colorado Department of Local Affairs for funding of an addition to the group home at 385 Evergreen Road in the amount of \$39,000 in Home Investment Partnerships Program (HOME) grant funds. The grant agreement provides that, as long as the facility is used to provide housing for people with very low and low incomes for 20 years from the date of contract execution, Strive will not be required to repay any portion of the grant. The usage restriction will end in 2027. If there is a change in use, Strive, its successors and assignees, grantees or lessees shall be required to repay the State the grant funds attributed to this property, unless the State authorizes the transfer of repaid funds to one or more public housing entities or private nonprofit corporations.

Strive is contingently liable to the Colorado Department of Local Affairs for funding of the construction of three group homes (2746 Olson Avenue, 680 29 ½ Road and 2865 Victoria Drive) in the amount of \$307,171 in HOME grant funds. The grant agreement provides that, as long as the facility is used to provide housing for people with very low and low incomes for 30 years from the date of the contract, which was June 2010, Strive will not be required to repay any portion of the grant. The usage restriction will end in 2040. If there is a change in use, Strive, its successors and assignees, grantees or lessees shall be required to repay the State the grant funds attributed to this property, unless the State authorizes the transfer of repaid funds to one or more public housing entities or private nonprofit corporations.

Strive is contingently liable to the Colorado Department of Local Affairs for funding of the construction of three group homes (2746 Olson Avenue, 680 29 ½ Road and 2865 Victoria Drive) in the amount of \$292,829 in Housing Development Grant (HDG) funds. The grant agreement provides that, as long as the facility is used to provide housing for people with very low, low and moderate-incomes for 30 years from the date of project closeout which was June 2010, Strive will not be required to repay any portion of the grant. The usage restriction will end in 2040. If there is a change in use, Strive, its successors and assignees, heirs, grantees or lessees shall be required to repay the State the grant funds attributed to this property. In lieu of repayment, the State may authorize Strive, its successors and assignees, heirs, grantees or lessees to retain such funds for other projects or repay the funds to one or more public housing entities or private nonprofit corporations.

Clear Energy Group

On October 31, 2011, Strive signed a contract with Clear Energy (a solar energy equipment company) who installed solar energy equipment on approximately 75% of Strive's facilities. Energy generated by Clear Energy equipment is required to be purchased by Strive at varying rates and management expects energy costs to decline as the result of this contract.

The equipment is owned and maintained by Clear Energy and installation was at no cost to Strive. Strive has been granted an option to purchase the equipment after the first five years of operation. If this option is exercised, the purchase price will be equal to the greater of the fair market value of the equipment or a buyout price as stated in the agreement, which declines over time.

The agreement expires 20 years from the date the equipment came online, which will be July 2032. If Strive terminates the agreement prior to the expiration date, Strive will owe an amount which is equal to the greater of the fair market value of the equipment or a termination cost as stated in the agreement, which declines over time and approximates the option price discussed above. As of June 30, 2018 the termination cost per the agreement is \$1,286,010.

Note 12 - Subsequent Events

Strive has evaluated subsequent events through September 25, 2018, the date the financial statements were available to be issued.



Supplementary Information
June 30, 2018 and 2017

Mesa Developmental Services dba Strive Colorado

Mesa Developmental Services
 dba Strive Colorado
 Consolidating Schedule of Financial Position
 June 30, 2018

	Mesa Developmental Services	DD Housing, Inc.	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 3,013,655	\$ 10,044	\$ -	\$ 3,023,699
Accounts receivable				
Fees and grants from governmental agencies, net	1,116,875	-	-	1,116,875
Other	226,835	-	(46,238)	180,597
Promises to give, net	148,121	-	-	148,121
Inventory	11,955	-	-	11,955
Prepaid expenses and other assets	39,048	-	-	39,048
Total current assets	<u>4,556,489</u>	<u>10,044</u>	<u>(46,238)</u>	<u>4,520,295</u>
Restricted cash	211,916	24,708	-	236,624
Earnest money on office building	100,000	-	-	100,000
Property and equipment, net	4,322,019	661,731	-	4,983,750
Total assets	<u>\$ 9,190,424</u>	<u>\$ 696,483</u>	<u>\$ (46,238)</u>	<u>\$ 9,840,669</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 703,688	\$ 46,238	\$ (46,238)	\$ 703,688
Deferred revenue	32,749	-	-	32,749
Note payable	115,178	-	-	115,178
Total current liabilities	<u>851,615</u>	<u>46,238</u>	<u>(46,238)</u>	<u>851,615</u>
Long-Term Liabilities				
Note payable, net	1,188,207	-	-	1,188,207
Total liabilities	<u>2,039,822</u>	<u>46,238</u>	<u>(46,238)</u>	<u>2,039,822</u>
Net Assets				
Unrestricted				
Undesignated	3,728,751	(11,486)	-	3,717,265
Invested in property and equipment, net of related debt	3,018,634	661,731	-	3,680,365
Total unrestricted	<u>6,747,385</u>	<u>650,245</u>	<u>-</u>	<u>7,397,630</u>
Temporarily restricted	403,217	-	-	403,217
Total net assets	<u>7,150,602</u>	<u>650,245</u>	<u>-</u>	<u>7,800,847</u>
Total liabilities and net assets	<u>\$ 9,190,424</u>	<u>\$ 696,483</u>	<u>\$ (46,238)</u>	<u>\$ 9,840,669</u>

Mesa Developmental Services
 dba Strive Colorado
 Consolidating Schedule of Financial Position
 June 30, 2017

	Mesa Developmental Services	DD Housing, Inc.	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 3,352,340	\$ 7,902	\$ -	\$ 3,360,242
Accounts receivable				
Fees and grants from governmental agencies, net	1,264,978	-	-	1,264,978
Other	333,032	-	(50,260)	282,772
Inventory	17,602	-	-	17,602
Prepaid expenses and other assets	86,786	-	-	86,786
Total current assets	<u>5,054,738</u>	<u>7,902</u>	<u>(50,260)</u>	<u>5,012,380</u>
Restricted cash	74,087	38,808	-	112,895
Assets held for sale, net	99,149	-	-	99,149
Property and equipment, net	4,583,678	668,177	-	5,251,855
Total assets	<u>\$ 9,811,652</u>	<u>\$ 714,887</u>	<u>\$ (50,260)</u>	<u>\$ 10,476,279</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 955,642	\$ 50,260	\$ (50,260)	\$ 955,642
Deferred revenue	221,590	-	-	221,590
Note payable	110,053	-	-	110,053
Total current liabilities	<u>1,287,285</u>	<u>50,260</u>	<u>(50,260)</u>	<u>1,287,285</u>
Long-Term Liabilities				
Note payable, net	1,303,134	-	-	1,303,134
Total liabilities	<u>2,590,419</u>	<u>50,260</u>	<u>(50,260)</u>	<u>2,590,419</u>
Net Assets				
Unrestricted				
Undesignated	3,991,421	(3,550)	-	3,987,871
Invested in property and equipment, net of related debt	3,170,491	668,177	-	3,838,668
Total unrestricted	<u>7,161,912</u>	<u>664,627</u>	<u>-</u>	<u>7,826,539</u>
Temporarily restricted	59,321	-	-	59,321
Total net assets	<u>7,221,233</u>	<u>664,627</u>	<u>-</u>	<u>7,885,860</u>
Total liabilities and net assets	<u>\$ 9,811,652</u>	<u>\$ 714,887</u>	<u>\$ (50,260)</u>	<u>\$ 10,476,279</u>

Mesa Developmental Services
 dba Strive Colorado
 Consolidating Schedule of Activities
 Year Ended June 30, 2018

	Mesa Developmental Services	DD Housing	Eliminations	Consolidated
Support, Revenue and Gains				
Fees for services from governmental agencies				
State of Colorado				
State General Fund				
Support services	\$ 781,165	\$ -	\$ -	\$ 781,165
Case management	135,926	-	-	135,926
Management and general	120,378	-	-	120,378
Special purpose	106,094	-	-	106,094
Medicaid	12,859,102	-	-	12,859,102
Part C	26,647	-	-	26,647
QA/UR	211,493	-	-	211,493
Grants from governmental agencies				
Mesa County	535,913	-	-	535,913
State of Colorado	500,362	-	-	500,362
Total from governmental agencies	<u>15,277,080</u>	<u>-</u>	<u>-</u>	<u>15,277,080</u>
Residential room and board	910,675	77,013	-	987,688
Public support - contributions	553,299	-	-	553,299
Retail and service contract	132,400	-	-	132,400
Private pay and private health insurance	106,399	-	-	106,399
Other revenue	106,651	17	-	106,668
Gain on sale of property	219,815	-	-	219,815
Total revenue, support, and gains	<u>17,306,319</u>	<u>77,030</u>	<u>-</u>	<u>17,383,349</u>
Expenses				
Program services	15,665,756	91,412	-	15,757,168
Supporting services				
Management and general	1,624,901	-	-	1,624,901
Public relations and fundraising	86,293	-	-	86,293
Total expenses	<u>17,376,950</u>	<u>91,412</u>	<u>-</u>	<u>17,468,362</u>
Change in Net Assets	(70,631)	(14,382)	-	(85,013)
Net Assets, Beginning of Year	<u>7,221,233</u>	<u>664,627</u>	<u>-</u>	<u>7,885,860</u>
Net Assets, End of Year	<u>\$ 7,150,602</u>	<u>\$ 650,245</u>	<u>\$ -</u>	<u>\$ 7,800,847</u>

Mesa Developmental Services
 dba Strive Colorado
 Consolidating Schedule of Activities
 Year Ended June 30, 2017

	Mesa Developmental Services	DD Housing	Eliminations	Consolidated
Support, Revenue and Gains				
Fees for services from governmental agencies				
State of Colorado				
State General Fund				
Support services	\$ 832,064	\$ -	\$ -	\$ 832,064
Case management	133,772	-	-	133,772
Management and general	148,427	-	-	148,427
Special purpose	57,991	-	-	57,991
Medicaid	13,140,918	-	-	13,140,918
Part C	213,459	-	-	213,459
QA/UR	208,369	-	-	208,369
Grants from governmental agencies				
Mesa County	535,913	-	-	535,913
State of Colorado	723,531	-	-	723,531
Total from governmental agencies	<u>15,994,444</u>	<u>-</u>	<u>-</u>	<u>15,994,444</u>
Residential room and board	940,837	73,959	-	1,014,796
Public support - contributions	205,955	-	-	205,955
Retail and service contract	167,971	-	-	167,971
Private pay and private health insurance	323,506	-	-	323,506
Other revenue	132,022	20	-	132,042
Gain on sale of property	115,273	-	-	115,273
Total revenue, support, and gains	<u>17,880,008</u>	<u>73,979</u>	<u>-</u>	<u>17,953,987</u>
Expenses				
Program services	15,494,380	61,329	-	15,555,709
Supporting services				
Management and general	1,521,668	24,941	-	1,546,609
Public relations and fundraising	119,722	-	-	119,722
Total expenses	<u>17,135,770</u>	<u>86,270</u>	<u>-</u>	<u>17,222,040</u>
Change in Net Assets	744,238	(12,291)	-	731,947
Net Assets, Beginning of Year	<u>6,476,995</u>	<u>676,918</u>	<u>-</u>	<u>7,153,913</u>
Net Assets, End of Year	<u>\$ 7,221,233</u>	<u>\$ 664,627</u>	<u>\$ -</u>	<u>\$ 7,885,860</u>