



Consolidated Financial Statements and Report of  
Independent Certified Public Accountants

**Colorado Bluesky Enterprises, Inc. and Affiliates**

June 30, 2009



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Logan, Thomas & Johnson, LLC  
Certified Public Accountants

REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Colorado Bluesky Enterprises, Inc.

We have audited the accompanying consolidated statement of financial position of Colorado Bluesky Enterprises, Inc. and Affiliates (jointly, the Center) as of June 30, 2009, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's 2008 consolidated financial statements, and in our report dated November 4, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Colorado Bluesky Enterprises, Inc. and Affiliates as of June 30, 2009, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Logan, Thomas & Johnson, LLC*

Broomfield, Colorado  
October 6, 2009

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## *Consolidated Financial Statements*

Colorado Bluesky Enterprises, Inc. and Affiliates  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
June 30, 2009  
(With summarized financial information for June 30, 2008)

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,976,944	\$ 1,800,648
Investments	931,994	1,054,365
Accounts receivable		
Fees and grants from governmental agencies, net	1,916,983	1,805,629
Other	42,340	49,358
Prepaid expenses and other	2,525	2,525
Total current assets	4,870,786	4,712,525
Restricted cash	211,162	138,431
Restricted cash in reserve funds	40,852	36,688
Land, building and equipment, net	3,181,528	3,489,036
	\$ 8,304,328	\$ 8,376,680
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,325,296	\$ 1,386,777
Accrued expenses	664,863	776,353
Deferred revenue	-	17,757
Current maturities of long-term debt	40,635	46,503
Total current liabilities	2,030,794	2,227,390
Long-term debt, less current maturities	515,849	557,999
Total liabilities	2,546,643	2,785,389
Commitments and contingencies	-	-
Net assets		
Unrestricted		
Investment in land, building and equipment	2,691,664	2,951,154
Designated for consumer home financing	3,384	3,384
Designated for transitional program	84,072	84,072
Undesignated	2,955,988	2,504,295
Total unrestricted	5,735,108	5,542,905
Temporarily restricted	22,577	48,386
Total net assets	5,757,685	5,591,291
	\$ 8,304,328	\$ 8,376,680

The accompanying notes are an integral part of this statement.

Colorado Bluesky Enterprises, Inc. and Affiliates  
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2009

(With summarized financial information for the year ended June 30, 2008)

	Unrestricted	Temporarily restricted	Total	
			2009	2008
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund				
Comprehensive	\$ 307,742	\$ -	\$ 307,742	\$ 418,183
Adult supported living	349,680	-	349,680	359,894
Children and families	522,823	-	522,823	488,842
Medicaid				
Comprehensive	15,047,548	-	15,047,548	13,269,155
Adult supported living	2,913,278	-	2,913,278	2,734,714
Children's extensive support	376,334	-	376,334	281,487
Part C	195,726	-	195,726	179,984
County	356,128	-	356,128	351,460
Grants and other				
Department of Housing and Urban Development	456,815	-	456,815	380,087
Total fees and grants from governmental agencies	20,526,074	-	20,526,074	18,463,806
Public support - donations	8,160	27,843	36,003	19,102
In-kind donations	105,098	-	105,098	107,542
Residential room and board	409,823	-	409,823	431,574
Investment income (loss)	(101,474)	-	(101,474)	52,950
Other revenue	318,722	-	318,722	344,430
Net assets released from restrictions				
Satisfaction of program restrictions	53,652	(53,652)	-	-
Total support and revenue	21,320,055	(25,809)	21,294,246	19,419,404

(Continued)

Colorado Bluesky Enterprises, Inc. and Affiliates  
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)  
Year ended June 30, 2009  
(With summarized financial information for the year ended June 30, 2008)

	Unrestricted	Temporarily restricted	Total	
			2009	2008
Expenses				
Program services				
Medicaid comprehensive	\$ 14,361,419	\$ -	\$ 14,361,419	\$ 12,893,203
State adult supported living	321,773	-	321,773	294,025
Medicaid adult supported living	2,727,319	-	2,727,319	2,635,789
Children's extensive support	348,735	-	348,735	273,100
Early intervention	599,238	-	599,238	523,691
Family support	235,781	-	235,781	224,087
Case management	1,142,088	-	1,142,088	996,291
Total program services	19,736,353	-	19,736,353	17,840,186
Supporting services				
Management and general	1,391,499	-	1,391,499	1,511,297
Total expenses	21,127,852	-	21,127,852	19,351,483
CHANGE IN NET ASSETS	192,203	(25,809)	166,394	67,921
Net assets, beginning of year	5,542,905	48,386	5,591,291	5,523,370
Net assets, end of year	\$ 5,735,108	\$ 22,577	\$ 5,757,685	\$ 5,591,291

The accompanying notes are an integral part of this statement.

Colorado Bluesky Enterprises, Inc. and Affiliates  
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2009

(With summarized financial information for the year ended June 30, 2008)

	2009	2008
Cash flows from operating activities		
Change in net assets	\$ 166,394	\$ 67,921
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	307,508	348,237
Unrealized/realized loss on investments	167,752	76,693
Loss on disposal of fixed assets	-	11,173
Change in assets and liabilities		
Increase in accounts receivable	(104,336)	(122,578)
Decrease in prepaid expenses and other	-	25,562
Increase (decrease) in accounts payable and accrued expenses	(172,971)	200,382
Decrease in deferred revenue	(17,757)	(8,151)
Net cash provided by operating activities	346,590	599,239
Cash flows from investing activities		
Purchase of land, building and equipment	-	(38,439)
Purchase of restricted reserve funds	(4,164)	(4,320)
Purchase of investments	(45,381)	(67,898)
Net cash used in investing activities	(49,545)	(110,657)
Cash flows from financing activities		
Proceeds from notes payable	-	18,500
Payments on notes payable	(48,018)	(66,760)
Increase in restricted cash	(72,731)	(7,821)
Net cash used in financing activities	(120,749)	(56,081)
NET INCREASE IN CASH AND CASH EQUIVALENTS	176,296	432,501
Cash and cash equivalents, beginning of year	1,800,648	1,368,147
Cash and cash equivalents, end of year	\$ 1,976,944	\$ 1,800,648
Supplemental data		
Cash paid for interest	\$ 43,757	\$ 43,096

The accompanying notes are an integral part of this statement.

Colorado Bluesky Enterprises, Inc. and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Colorado Bluesky Enterprises, Inc. and Affiliates (the Center) is presented to assist in understanding the Center's consolidated financial statements.

1. *Principles of Consolidation*

The consolidated financial statements of Colorado Bluesky Enterprises, Inc. (CBE) include its affiliates, Colorado Bluesky Foundation (Foundation) and Fearnow Group Home (Fearnow). The Foundation and Fearnow are affiliates of CBE due to the fact that CBE exercises control over both entities. Significant intercompany transactions have been eliminated.

2. *Summary of Business Activities*

Pueblo County Board for Developmental Disabilities, Inc. was incorporated under the laws of the State of Colorado in 1963 for the purpose of providing a community center board to coordinate programs through interagency cooperation and local agencies to provide services to persons with developmental disabilities in Pueblo County. On March 11, 1998, the Center changed its official name to Colorado Bluesky Enterprises, Inc. Colorado Bluesky Foundation was created for charitable and educational purposes in support of the Center. Fearnow was created to build a home for developmentally disabled individuals. The Center's revenue comes primarily from the State of Colorado for services provided.

3. *Description of Services Provided*

The major program services or supports and functional activities directly provided or purchased by the Center are:

**Program Services or Supports**

Comprehensive (Medicaid) refers to residential services, adult day services or supports and transportation activities as specified in the Individualized Plan. Included are a number of different types of residential settings, which provide an array of training, learning, experiential and support activities provided in residential living alternatives designed to meet individual needs. Additionally, adult day services provide opportunities for individuals to experience and actively participate in valued roles in the community. These services and supports enable individuals to access and participate in typical community activities such as work, recreation, and senior citizen activities. Finally, transportation activities refer to "Home to Day Program transportation" services relevant to an individual's work schedule as specified in the

Colorado Bluesky Enterprises, Inc. and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. *Description of Services Provided (Continued)*

**Program Services or Supports (Continued)**

Comprehensive (Continued)

Individualized Plan. For these purposes, “work schedule” is defined broadly to include adult and retirement activities such as education, training, community integration and employment.

Adult Supported Living (State and Medicaid) provides individualized living services for persons who are responsible for their own living arrangements in the community.

Children’s Extensive Support is a deeming waiver (only the child’s income is considered in determining eligibility) intended to provide needed services and supports for the children to remain in or return to the family home. Waiver services are targeted to children having extensive support needs which require constant line-of-sight supervision due to significantly challenging behaviors and/or coexisting medical conditions. Available services include personal assistance, household modification, specialized medical equipment and supplies, professional services and community connection services.

Early Intervention is for children from birth through age two which offer infants and toddlers and their families services and supports to enhance child development in the areas of cognition, speech, communication, physical, motor, vision, hearing, social-emotional development, and self help skills; parent-child or family interaction; and early identification, screening and assessment services.

Family Support provides an array of supportive services to the person with a developmental disability and his/her family when the person remains within the family home, thereby preventing or delaying the need for out-of-home placement, which is unwanted by the person or the family.

Case Management is the determination of eligibility for services and supports, service and support coordination, and the monitoring of all services and supports delivered pursuant to the Individualized Plan, and the evaluation of results identified in the Individualized Plan.

**Supporting Services**

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

Colorado Bluesky Enterprises, Inc. and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. *Basis of Accounting*

Financial statements of the Center have been prepared on the accrual basis, whereby support and revenue are recorded when services are performed and expenses are recognized when incurred.

5. *Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Center considers all cash on hand, cash on deposit, and money market accounts, subject to immediate withdrawal, to be cash equivalents.

The Center maintains its cash balances in financial institutions located in the Pueblo, Colorado area, which at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

7. *Accounts Receivable*

The majority of the Center's accounts receivable is due from the State of Colorado. Accounts receivable are due according to contractual terms and are stated at amounts management expects to collect from outstanding balances. The Center determines its allowance by considering a number of factors, including the length of time accounts receivable are past due and the Center's previous collection history. The Center writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are recorded as revenue.

8. *Investments*

The Center records its investments at fair value in the statement of financial position.

Colorado Bluesky Enterprises, Inc. and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. *Land, Building and Equipment*

Land, building and equipment are reported at cost for purchased assets and estimated value, at date of receipt, for donated property. Depreciation is provided on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	3 – 20
Administrative and program equipment	2 – 10
Transportation equipment	2 – 10

10. *Temporarily Restricted Revenue*

Donor restricted revenue, whose restrictions are currently satisfied in the same fiscal year, are reported as unrestricted revenue, rather than temporarily restricted. Donor restricted contributions whose restrictions are not currently met, are reflected as an increase to temporarily restricted net assets.

11. *In-kind Donations*

Contributions of property, materials, and personal services are known as in-kind donations and are recorded at their estimated value at the date of receipt. These donations (other than contributions of land, building and equipment) are included as program costs to properly reflect the total cost of the particular program.

12. *Income Taxes*

The Center is operated as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Effective July 1, 2008, the Center adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements. FIN 48 requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. A tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The adoption of FIN 48 had no impact on the Center's financial statements.

Colorado Bluesky Enterprises, Inc. and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. *New Accounting Pronouncement*

Adoption of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*

Effective July 1, 2008, the Center adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This pronouncement does not require any new fair value measurements. In February 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 157-2 (FAS 157-2), *Effective Date of FASB Statement No. 157*, which defers the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities that are not disclosed at fair value in the financial statements on a recurring basis. FAS 157-2 did not defer the recognition and disclosure requirements for financial or nonfinancial assets and liabilities that are measured at least annually. In February 2008, the Center adopted FAS 157-2. In October 2008, the FASB issued FSP No. FAS 157-3 (FAS 157-3), *Determining the Fair Value of a Financial Asset in a Market That Is Not Active*. FAS 157-3 was effective upon issuance, and applies to periods for which financial statements have not been issued. SFAS 157 guidance clarifies various application issues with respect to the objective of a fair value measurement, distressed transactions, relevance of observable data, and the use of management's assumptions. The effect of the adoption of SFAS 157, FAS 157-2 and FAS 157-3 did not have a material effect on the changes in net assets or financial position of the Center.

*Fair Value Hierarchy*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

Colorado Bluesky Enterprises, Inc. and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. *New Accounting Pronouncement (Continued)*

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

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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

14. *Prior Year Summarized Information*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements as of and for the year ended June 30, 2008, from which the summarized information was derived.

Colorado Bluesky Enterprises, Inc. and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2009

NOTE B – FEES AND GRANTS FROM GOVERNMENTAL AGENCIES

Amounts receivable from governmental agencies are as follows at June 30, 2009:

State of Colorado	
General Fund	\$ 113,528
Medicaid	1,728,755
Part C	24,141
Pueblo County	66,017
Less allowance for doubtful accounts	<u>(15,458)</u>
	\$ <u>1,916,983</u>

NOTE C – INVESTMENTS

Investments at June 30, 2009 are comprised of the following:

Equity mutual funds	\$ 134,392
Growth mutual funds	251,428
Income mutual funds	543,758
Equity securities	<u>2,416</u>
	\$ <u>931,994</u>

The following table presents the Center's fair value hierarchy for those assets measured at fair value as of June 30, 2009:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Equity mutual funds	\$ 134,392	\$ 134,392	\$ -	\$ -
Growth mutual funds	251,428	251,428	-	-
Income mutual funds	543,758	543,758	-	-
Equity securities	<u>2,416</u>	<u>2,416</u>	<u>-</u>	<u>-</u>
	\$ <u>931,994</u>	\$ <u>931,994</u>	\$ <u>-</u>	\$ <u>-</u>

Investment return earned on cash and cash equivalents and mutual funds for the year ended June 30, 2009, consists of the following:

Interest income	\$ 66,278
Net unrealized loss on investments reported at fair value	<u>(167,752)</u>
	\$ <u>(101,474)</u>

Colorado Bluesky Enterprises, Inc. and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2009

NOTE D – RESTRICTED CASH

Restricted cash consists of the following at June 30, 2009:

Cash restricted for repayment of debt (Note G)	\$ 66,620
Cash restricted for HUD operations	<u>144,542</u>
	\$ <u>211,162</u>

NOTE E – RESTRICTED CASH IN RESERVE FUNDS

In accordance with the U.S. Department of Housing and Urban Development (HUD) regulations, certain reserve accounts are required to be maintained for properties financed by HUD. Distributions for the replacement and/or repair of property and equipment from the replacement reserve account require approval from HUD. Minimum capital also requires HUD approval for release. Account activity in these reserves for the year ended June 30, 2009 is as follows:

	<u>Replacement reserve</u>	<u>Minimum capital</u>
Beginning balance	\$ 31,567	\$ 5,121
Interest earned	155	38
Deposits	<u>3,971</u>	<u>-</u>
Ending balance	\$ <u>35,693</u>	\$ <u>5,159</u>

NOTE F – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following at June 30, 2009:

Buildings and improvements	\$ 5,055,662
Administrative and program equipment	494,547
Transportation equipment	<u>742,902</u>
	6,293,111
Less accumulated depreciation	<u>3,425,838</u>
	2,867,273
Land	<u>314,255</u>
	\$ <u>3,181,528</u>

Depreciation expense was \$307,508 at June 30, 2009.

Colorado Bluesky Enterprises, Inc. and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2009

NOTE G – LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2009:

6.45% loan payable to Colorado Housing and Finance Authority, payable in monthly installments of \$1,195, maturing February 2029, collateralized by deed of trust on real estate	\$ 104,015
Variable rate loan, due July 2021, payable in monthly installments of \$2,362, collateralized by deed of trust on real estate. The interest rate is based on a 10 year LIBOR/Swap rate plus 2 percentage points and will not change until August 1, 2016. Currently the rate is 7.699%. (1)	220,338
6.77% loan, due March 2020, payable in monthly installments of \$2,454, collateralized by real estate	223,371
7.50% auto loan, due November 2010, payable in monthly installments of \$576, unsecured	<u>8,760</u>
	556,484
Less current maturities	<u>40,635</u>
	<u>\$ 515,849</u>

(1) This loan contains a debt covenant that requires a global debt service coverage ratio. The Center met this covenant at June 30, 2009.

Interest expense for the year ended June 30, 2009 was \$43,757. Future maturities of long-term debt are as follows:

Year ending June 30,	
2010	\$ 40,635
2011	38,998
2012	39,310
2013	42,214
2014	45,290
Thereafter	<u>350,037</u>
	<u>\$ 556,484</u>

The loan agreement with the Colorado Housing and Finance Authority requires that the Center maintain a reserve in the amount of \$66,620, which is reported as restricted cash, see Note D.

Colorado Bluesky Enterprises, Inc. and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2009

NOTE H – LINE OF CREDIT

On March 5, 2009, the Center changed the terms of the line of credit entered into on July 12, 2006 with a bank. The new terms allow for advances up to \$550,000 bearing interest at prime plus 1.75% and maturing on February 10, 2010. Prime was 3.25% at June 30, 2009. The line of credit is collateralized by the investments of the Center. There was no balance outstanding on the line of credit as of June 30, 2009.

NOTE I – RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2009:

Early intervention	\$ 19,637
In-service courses	<u>2,940</u>
	\$ <u>22,577</u>

NOTE J – RETIREMENT PLANS

403(b) Pension Plan

The Center has adopted a Section 403(b) Pension Plan in which all employees who have completed one year of service and have reached age 21, except nonresident alien employees who receive no U.S. source earned income, certain students, employees who work less than 20 hours per week, leased employees and contract employees are eligible to participate by contributing a percentage of their gross salary. The Center's contributions to the plan are discretionary. The Board of Directors approved a contribution of 6% of employees' salaries for the year ended June 30, 2009, which totaled \$183,322.

401(k) Plan

The Colorado Bluesky Enterprises, Inc. Custom 401(k) Plan and Trust (the Plan) was established July 1, 1985 to provide retirement benefits to the employees of the Center and their beneficiaries.

Each employee is eligible to participate after six months of full-time service and attaining the age of 18 years for employee contributions. For purposes of receiving employer contributions, employees must attain one year of service with at least 1,000 hours of service.

Employees may contribute between 1% and 15% of their recognized compensation, not to exceed the limitations imposed by the Internal Revenue Service.

Colorado Bluesky Enterprises, Inc. and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2009

NOTE J – RETIREMENT PLANS (CONTINUED)

401(k) Plan (Continued)

The Center is under no obligation to make contributions into the Plan. At its discretion, however, it may match employee contributions up to 15% of the participants' recognized compensation. The Center authorized no contributions to the Plan for the year ended June 30, 2009.

NOTE K – LEASES

The Center conducts a portion of its operations from leased facilities. The leases on facilities are month-to-month and classified as operating leases.

Total rent expense for operating leases for the year ended June 30, 2009 was \$362,791, which includes expenses for leases on a month-to-month basis.

NOTE L – RELATED PARTY TRANSACTIONS

State of Colorado

The Center receives a substantial amount of revenue from the State of Colorado. The amount of receivables the Center has from the State of Colorado is disclosed in Note B and the Center has a payable at June 30, 2009, to the State of Colorado in the amount of \$30,741 of which \$26,835 is recorded in accounts receivable - fees and grants from governmental agencies as an offset and \$3,906 is recorded in accounts payable. These transactions are considered to be transactions with a related party by virtue of the significant management influence exercised by the State of Colorado through contract provisions.

Purchase of Service Agencies

The Center purchases services from other entities who are economically dependent on the Center for revenue and over which the Center exercises significant management influence through contract provisions. Total expenses incurred by the Center to those organizations for the year ended June 30, 2009 were approximately \$10,038,000. At June 30, 2009, the payable to those organizations was approximately \$892,000.

Colorado Bluesky Enterprises, Inc. and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2009

NOTE L – RELATED PARTY TRANSACTIONS (CONTINUED)

Baltimore Project

During fiscal year 1998, the Center purchased land for the Baltimore Project (the Project) which is a low-income housing project. The Center then deeded the land over to the Lawrence William, Limited Partnership (LW LP) and entered into a development fee and unconditional guarantee agreement with the LW LP. The development fee agreement, in the amount of \$439,921, is to provide services necessary to construct the Project. The fee is to be paid to the Center by December 31, 2009. As of June 30, 2009, the development fee has been paid in full to the Center.

The unconditional guarantee agreement states the Center guarantees to pay all cost overruns in constructing the Project; pay all operating deficits of LW LP up to an aggregate amount of \$439,000 and complete construction of Phase II of the Project by December 31, 2000. This guarantee is in effect until the Project achieves a ratio of net operating income to debt service of 1.2 for five consecutive years. The Center has not had to act upon the guarantee.

In addition to the two agreements, the Center has loan agreements with LW LP in the total amount of \$1,156,185. These loans have accrued interest of \$713,888 at June 30, 2009. The loans and interest receivable are deemed by management of the Center to be uncollectible and therefore the Center has an allowance for the full amount at June 30, 2009.

During fiscal year 2002, the Center entered into a development fee and unconditional guarantee agreement with the Lawrence William III, Limited Partnership (LWIII LP). The development fee agreement, in the amount of \$289,685, is to provide services necessary to construct the Project. The fee is to be paid in installments to the Center based on certain actions occurring. Any unpaid development fee accrues interest at 7% until paid in full. As of June 30, 2009, the unpaid development fee plus accrued interest is \$349,432. Management of the Center has deemed the unpaid development fee plus interest as uncollectible and has an allowance for the full amount recorded at June 30, 2009.

The unconditional guarantee agreement states the Center guarantees to pay all cost overruns in constructing the Project; pay all operating deficits of LWIII LP up to an aggregate amount of \$182,000 and complete construction of the Project by January 31, 2003. This guarantee is in effect until the Project achieves a ratio of net operating income to debt service of 1.2 to 1.0 for three consecutive years. The Center has not had to act upon the guarantee.

In addition to the two agreements, the Center has a loan agreement with LWIII LP in the total amount of \$86,000 with an interest rate of 0%. The loan is deemed by management of the Center to be uncollectible and therefore the Center has an allowance for the full amount at June 30, 2009.

Colorado Bluesky Enterprises, Inc. and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2009

NOTE M – COMMITMENTS AND CONTINGENCIES

Federal Home Loan Bank of Topeka

On December 17, 1997, the Center received a grant from the Affordable Housing Program through the Federal Home Loan Bank of Topeka in the amount of \$98,000. If the property constructed with these funds is not used for affordable housing, as defined by the Federal Housing Finance Board, then the Center must repay the funds back to the Federal Home Loan Bank of Topeka. This contingency expires 50 years from the contract date.

US Department of Housing and Urban Development Capital Advance

On September 1, 2002, the Center received approval for a capital advance from HUD in the amount of \$309,000. This capital advance was awarded for the purpose of constructing a specific residential facility. Provided that this facility remains available for occupancy by very low income people with disabilities through June 1, 2043, the capital advance will not become payable and will be discharged. If any default occurs, the capital advance bears interest at 5.75% accruing from September 1, 2002, and becomes immediately payable.

State of Colorado Department of Local Affairs

During the year ended June 30, 2000, the Center entered into a contract with the State of Colorado Department of Local Affairs for a Home Investment Partnerships Program Grant in the amount of \$135,000. If the property constructed with this grant is not used for affordable housing, as defined by HUD, then the Center must repay the grant amount back to the State of Colorado. This contingency expires 40 years from the contract date.

During the year ended June 30, 2003, the Center entered into a contract with the State of Colorado Department of Local Affairs for a Home Investment Partnerships Program Grant in the amount of \$86,000. If the property constructed with this grant is not used for affordable housing, as defined by HUD, then the Center must repay the grant amount back to the State of Colorado. This contingency expires 40 years from the contract date.

On January 1, 2004, the Center entered into a contract with the State of Colorado Department of Local Affairs for a Home Investment Partnerships Program Grant in the amount of \$51,000. If the property purchased with this grant is not used for affordable housing, as defined by HUD, then the Center must repay the grant amount back to the State of Colorado. This contingency expires 30 years from the contract date.

During the year ended June 30, 2006, the Center entered into a contract with the State of Colorado Department of Local Affairs for a Home Investment Partnerships Program Grant in the amount of \$50,000. If the property purchased with this grant is not used for affordable housing, as defined by HUD, then the Center must repay the grant amount back to the State of Colorado. This contingency expires 30 years from the contract date.

Colorado Bluesky Enterprises, Inc. and Affiliates  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2009

NOTE M – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Community Housing Development Services

On December 22, 1997, the Center entered into an agreement with the City of Pueblo for a \$175,000 grant under the Home Investment Partnerships Act. If the property constructed with these funds is not used for affordable housing as defined by HUD, then the Center must pay the grant back. This contingency expires in 15 years.

On January 24, 2000, the Center entered into an agreement with the City of Pueblo for a \$139,000 grant under the Home Investment Partnerships Act. If the property constructed with these funds is not used for affordable housing as defined by HUD, then the Center must pay the grant back. This contingency expires in 20 years.

On May 25, 2004, the Center entered into an agreement with the County of Pueblo for a \$120,000 grant under the Home Investment Partnerships Act. If the property constructed with these funds is not used for affordable housing as defined by HUD, then the Center must pay the grant back. This contingency expires in 15 years.

HUD/HOME Grant Special Projects

On July 19, 2005, the Center entered into an agreement with the County of Pueblo for a \$100,000 grant under the HUD/HOME Grant Special Projects. The Center only drew down \$90,000 of this grant. If the property constructed with these funds is not used for affordable housing as defined by HUD, then the Center must pay the grant back. This contingency expires in 20 years.

*Supplementary Information*

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Logan, Thomas & Johnson, LLC  
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON SUPPLEMENTARY INFORMATION

Board of Directors  
Colorado Bluesky Enterprises, Inc.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole of Colorado Bluesky Enterprises, Inc. and Affiliates (the Center) as of and for the year ended June 30, 2009, which are presented in the preceding section of this report. The consolidated summary of revenue and expenses by program, consolidated schedule of Medicaid adult supported living services, consolidated schedule of case management services, consolidated schedule of room and board and other unallowable expenses, and the consolidated schedule of accounts receivable – fees and grants from governmental agencies are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The statistical data shown on pages 30 through 35 and the consolidated schedule of room and board and other unallowable expenses on pages 36 and 37 have been summarized from the Center’s records and were not subjected to the audit procedures applied in the audit of the consolidated financial statements. The consolidating statement of financial position and the consolidating statement of activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual companies. Such information, except for that portion marked “unaudited”, on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Logan, Thomas & Johnson, LLC*

Broomfield, Colorado  
October 6, 2009

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Colorado Bluesky Enterprises, Inc. and Affiliates  
CONSOLIDATED SUMMARY OF REVENUE AND EXPENSES BY PROGRAM  
Year ended June 30, 2009  
(With summarized financial information for the year ended June 30, 2008)

	<b>Program Services</b>				
	Non specified	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living	Children's extensive support
Fees and grants from governmental agencies					
Fees for services					
State of Colorado					
State General Fund					
Comprehensive	\$ -	\$ 183,638	\$ -	\$ -	\$ -
Adult supported living	-	-	299,892	-	-
Children and families	-	-	-	-	-
Medicaid					
Comprehensive	-	13,519,168	-	-	-
Adult supported living	-	-	-	2,913,278	-
Children's extensive support	-	-	-	-	376,334
Part C	-	-	-	-	-
County	-	-	-	-	-
Grants and other					
Department of Housing and Urban Development	-	456,815	-	-	-
Total fees and grants from governmental agencies	-	14,159,621	299,892	2,913,278	376,334
Public support - donations	-	-	-	-	-
In-kind donations	-	45,192	6,306	53,600	-
Residential room and board	-	409,823	-	-	-
Investment income (loss)	(102,070)	877	-	-	-
Other revenue	25,756	181,234	-	-	-
Total support and revenue	<u>\$ (76,314)</u>	<u>\$ 14,796,747</u>	<u>\$ 306,198</u>	<u>\$ 2,966,878</u>	<u>\$ 376,334</u>
Expenses					
Salaries					
Direct care	\$ -	\$ 1,387,805	\$ 84,470	\$ 357,955	\$ 33,570
Other	-	204,411	3,625	58,343	-
Payroll taxes	-	168,491	11,821	52,982	2,721
Employee benefits	-	286,492	19,736	92,661	2,134
Total personal services	-	2,047,199	119,652	561,941	38,425
Medical professional services					
Physicians	-	-	-	-	-
Other	-	170,164	-	-	-
Other professional services	-	689,411	39,559	302,059	310,310
Staff development	-	1,447	162	1,439	-
Staff travel	-	13,325	2,563	47,528	-

**Program Services**

Early interven- tion	Family support	Case manage- ment	Management and general	Foundation	Total	
					2009	2008
\$ -	\$ -	\$ 90,018	\$ 34,086	\$ -	\$ 307,742	\$ 418,183
-	-	-	49,788	-	349,680	359,894
246,411	198,079	-	78,333	-	522,823	488,842
-	-	1,365,199	163,181	-	15,047,548	13,269,155
-	-	-	-	-	2,913,278	2,734,714
-	-	-	-	-	376,334	281,487
137,117	-	47,699	10,910	-	195,726	179,984
-	-	-	356,128	-	356,128	351,460
-	-	-	-	-	456,815	380,087
383,528	198,079	1,502,916	692,426	-	20,526,074	18,463,806
24,981	-	-	9,777	1,245	36,003	19,102
-	-	-	-	-	105,098	107,542
-	-	-	-	-	409,823	431,574
-	-	-	-	(281)	(101,474)	52,950
4,632	-	1,800	105,300	-	318,722	344,430
<u>\$ 413,141</u>	<u>\$ 198,079</u>	<u>\$ 1,504,716</u>	<u>\$ 807,503</u>	<u>\$ 964</u>	<u>\$ 21,294,246</u>	<u>\$ 19,419,404</u>
\$ 165,313	\$ 29,095	\$ -	\$ -	\$ -	\$ 2,058,208	\$ 2,010,792
96,687	-	798,652	718,159	-	1,879,877	1,857,231
30,949	8,232	84,117	86,509	-	445,822	459,459
56,697	-	122,982	98,561	-	679,263	617,172
349,646	37,327	1,005,751	903,229	-	5,063,170	4,944,654
-	-	-	-	-	-	-
-	-	-	-	-	170,164	64,719
141,914	-	318	62,846	-	1,546,417	1,589,523
6,099	-	2,000	20,479	-	31,626	41,507
16,193	-	18,323	3,897	-	101,829	90,499

(Continued)

Colorado Bluesky Enterprises, Inc. and Affiliates  
CONSOLIDATED SUMMARY OF REVENUE AND EXPENSES BY PROGRAM (CONTINUED)  
Year ended June 30, 2009  
(With summarized financial information for the year June 30, 2008)

	<b>Program Services</b>				
	Non specified	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living	Children's extensive support
Vehicles					
Fuel and oil	\$ -	\$ 17,505	\$ 927	\$ 7,074	\$ -
Maintenance	-	21,293	223	2,963	-
Leases	-	-	-	-	-
Occupancy					
Rent	-	362,791	-	-	-
Maintenance	-	33,565	906	5,563	-
Utilities	-	42,423	1,059	8,876	-
Equipment					
Leases	-	-	-	-	-
Maintenance	-	18,043	419	4,467	-
Supplies					
Medical and client care supplies	-	99,484	42	824	-
Pharmacy	-	-	-	-	-
Production	-	-	-	-	-
Other	-	53,270	1,748	10,283	-
Telephone	-	9,359	1,021	7,640	-
Dues and subscriptions	-	6,367	120	1,077	-
Food	-	49,663	-	21,457	-
Insurance	-	121,714	2,287	23,922	-
Interest	-	-	-	-	-
Other	-	46,852	348	1,573	-
In-kind donations	-	45,192	6,306	53,600	-
Total direct program expenses	-	3,849,067	177,342	1,062,286	348,735
Purchased services	-	10,451,540	139,048	1,620,322	-
Expenses before depreciation and amortization	-	14,300,607	316,390	2,682,608	348,735
Depreciation and amortization	-	60,812	5,383	44,711	-
Total expenses	\$ -	\$ 14,361,419	\$ 321,773	\$ 2,727,319	\$ 348,735

**Program Services**

Early interven- tion	Family support	Case manage- ment	Management and general	Foundation	Total	
					2009	2008
\$ -	\$ -	\$ 862	\$ 9,896	\$ -	\$ 36,264	\$ 47,079
-	-	633	10,000	-	35,112	54,622
-	-	-	-	-	-	-
-	-	-	-	-	362,791	371,908
1,798	-	5,946	18,637	-	66,415	81,393
-	-	9,394	11,642	-	73,394	78,483
-	-	-	-	-	-	-
25,826	-	7,770	25,702	-	82,227	64,545
775	-	96	-	-	101,221	92,889
-	-	-	-	-	-	-
-	-	-	-	-	-	-
12,270	375	19,887	27,334	-	125,167	179,191
7,647	-	10,862	3,771	-	40,300	43,358
1,076	-	2,432	62,039	-	73,111	63,863
-	-	-	-	-	71,120	78,124
14,849	-	25,349	29,552	-	217,673	222,770
-	-	-	43,757	-	43,757	43,096
7,264	198,079	-	8,462	-	262,578	283,864
-	-	-	-	-	105,098	107,542
585,357	235,781	1,109,623	1,241,243	-	8,609,434	8,543,629
-	-	-	-	-	12,210,910	10,459,617
585,357	235,781	1,109,623	1,241,243	-	20,820,344	19,003,246
13,881	-	32,465	150,256	-	307,508	348,237
<u>\$ 599,238</u>	<u>\$ 235,781</u>	<u>\$ 1,142,088</u>	<u>\$ 1,391,499</u>	<u>\$ -</u>	<u>\$ 21,127,852</u>	<u>\$ 19,351,483</u>

(Continued)

Colorado Bluesky Enterprises, Inc. and Affiliates  
CONSOLIDATED SUMMARY OF REVENUE AND EXPENSES BY PROGRAM (CONTINUED)  
Year ended June 30, 2009  
(With summarized financial information for the year June 30, 2008)

	Program Services				
	Non specified	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living	Children's extensive support
Total expenses	\$ -	\$ 14,361,419	\$ 321,773	\$ 2,727,319	\$ 348,735
Less unallowable expenses	-	539,511	-	-	-
Less private pay	-	34,800	-	-	-
Total allowable expenses	-	13,787,108	321,773	2,727,319	348,735
Net allocated management and general (note A)	-	423,643	9,492	80,452	10,287
Adjusted total expenses	\$ -	\$ 14,210,751	\$ 331,265	\$ 2,807,771	\$ 359,022

Statistical Data (Unaudited)

1. Total days in residential used - State, Medicaid, private pay, etc.	87,053			
2. Total days in residential used - State and Medicaid only	86,688			
3. Unduplicated number of individuals	253	40	221	23
Cost per unit of service				
Adjusted total expense/item 2	\$ 164			
Adjusted total expense/item 3		\$ 8,282	\$ 12,705	\$ 15,610

Note A:

Net management and general costs are allocated to program services based on the individual program's expenses as a percentage to total program expenses.

**Program Services**

Early interven- tion	Family support	Case manage- ment	Management and general	Foundation	Total	
					2009	2008
\$ 599,238	\$ 235,781	\$ 1,142,088	\$ 1,391,499	\$ -	\$ 21,127,852	\$ 19,351,483
-	-	-	-	-	539,511	758,456
-	-	1,800	1,800	-	38,400	38,400
599,238	235,781	1,140,288	1,389,699	-	20,549,941	18,554,627
17,677	6,955	33,690	(582,196)	-	-	-
<u>\$ 616,915</u>	<u>\$ 242,736</u>	<u>\$ 1,173,978</u>	<u>\$ 807,503</u>	<u>\$ -</u>	<u>\$ 20,549,941</u>	<u>\$ 18,554,627</u>

147                      86                      810

\$ 4,197    \$ 2,823    \$ 1,449

Colorado Bluesky Enterprises, Inc. and Affiliates  
CONSOLIDATED SCHEDULE OF MEDICAID ADULT SUPPORTED LIVING SERVICES  
Year ended June 30, 2009

	<u>Personal assistance</u>	<u>Day habilitation</u>	<u>Supported employment</u>
Revenue			
Medicaid	\$ 829,166	\$ 1,460,998	\$ 410,541
Total expenses	771,714	1,363,235	379,797
Less unallowable expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total allowable expenses	771,714	1,363,235	379,797
Net allocated management and general (note A)	<u>22,764</u>	<u>40,214</u>	<u>11,203</u>
Adjusted total expenses	<u>794,478</u>	<u>1,403,449</u>	<u>391,000</u>
Excess (deficiency) of revenues over expenses	<u>\$ 34,688</u>	<u>\$ 57,549</u>	<u>\$ 19,541</u>

Statistical Data (Unaudited)

1. Unduplicated number of individuals	177	174	87
2. Number of units provided	211,156	246,532	55,632
3. Number of occurrences provided			

Cost per unit of service

Adjusted total expense/item 2	\$ 4	\$ 6	\$ 7
Adjusted total expense/item 3			

Note A:

Net management and general costs are allocated to the different Medicaid Adult Supported Living Services Categories based on the individual category's expenses as a percentage to total Medicaid Adult Supported Living Services expense.

<u>Professional services</u>	<u>Transportation</u>	<u>Dental/vision/hearing</u>	<u>Environmental engineering</u>	<u>Total</u>
\$ 18,676	\$ 99,176	\$ 84,521	\$ 10,200	\$ 2,913,278
18,676	99,176	84,521	10,200	2,727,319
-	-	-	-	-
18,676	99,176	84,521	10,200	2,727,319
551	2,926	2,493	301	80,452
19,227	102,102	87,014	10,501	2,807,771
<u>\$ (551)</u>	<u>\$ (2,926)</u>	<u>\$ (2,493)</u>	<u>\$ (301)</u>	<u>\$ 105,507</u>

29	261	295	2
3,512	1,617	295	2

\$ 5	\$ 63	\$ 295	\$ 5,251
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Colorado Bluesky Enterprises, Inc. and Affiliates  
CONSOLIDATED SCHEDULE OF CASE MANAGEMENT SERVICES  
Year ended June 30, 2009

	<u>Targeted case manage- ment</u>	<u>Other case manage- ment</u>	<u>Total</u>
Fees and grants from governmental agencies			
Fees for services			
State of Colorado			
State General Fund			
Comprehensive	\$ -	\$ 90,018	\$ 90,018
Medicaid			
Comprehensive	1,365,199	-	1,365,199
Part C	-	47,699	47,699
Total fees and grants from governmental agencies	<u>1,365,199</u>	<u>137,717</u>	<u>1,502,916</u>
Other revenue	-	1,800	1,800
Total support and revenue	<u>\$ 1,365,199</u>	<u>\$ 139,517</u>	<u>\$ 1,504,716</u>
Expenses			
Salaries			
Direct care	\$ -	\$ -	\$ -
Other	588,535	210,117	798,652
Payroll taxes	58,381	25,736	84,117
Employee benefits	91,544	31,438	122,982
Total personal services	<u>738,460</u>	<u>267,291</u>	<u>1,005,751</u>
Medical professional services			
Physicians	-	-	-
Other	-	-	-
Other professional services	187	131	318
Staff development	1,534	466	2,000
Staff travel	15,113	3,210	18,323
Vehicles			
Fuel and oil	862	-	862
Maintenance	633	-	633
Leases	-	-	-
Occupancy			
Rent	-	-	-
Maintenance	3,540	2,406	5,946
Utilities	5,633	3,761	9,394

(Continued)

Colorado Bluesky Enterprises, Inc. and Affiliates  
CONSOLIDATED SCHEDULE OF CASE MANAGEMENT SERVICES (CONTINUED)  
Year ended June 30, 2009

	Targeted case manage- ment	Other case manage- ment	Total
Equipment			
Leases	\$ -	\$ -	\$ -
Maintenance	4,666	3,104	7,770
Supplies			
Medical and client care supplies	96	-	96
Pharmacy	-	-	-
Production materials	-	-	-
Other	11,747	8,140	19,887
Telephone	6,497	4,365	10,862
Dues and subscriptions	1,541	891	2,432
Food	-	-	-
Insurance	15,209	10,140	25,349
Interest	-	-	-
Other	-	-	-
In-kind donations	-	-	-
Total direct program expenses	<u>805,718</u>	<u>303,905</u>	<u>1,109,623</u>
Depreciation and amortization	<u>19,479</u>	<u>12,986</u>	<u>32,465</u>
Total expenses	<u>\$ 825,197</u>	<u>\$ 316,891</u>	<u>\$ 1,142,088</u>

Statistical Data (Unaudited)

Unduplicated number of individuals	674	136
Full-time equivalents	16	4

Colorado Bluesky Enterprises, Inc. and Affiliates  
CONSOLIDATED SCHEDULE OF ROOM AND BOARD AND OTHER UNALLOWABLE EXPENSES  
Year ended June 30, 2009  
(Unaudited)

	<b>Program Services</b>				
	Non specified	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living	Children's extensive support
Salaries					
Direct care	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-
Payroll taxes	-	-	-	-	-
Employee benefits	-	-	-	-	-
Total personal services	-	-	-	-	-
Medical professional services					
Physicians	-	-	-	-	-
Other	-	-	-	-	-
Other professional services	-	212,395	-	-	-
Staff development	-	-	-	-	-
Staff travel	-	-	-	-	-
Vehicles					
Fuel and oil	-	-	-	-	-
Maintenance	-	-	-	-	-
Leases	-	-	-	-	-
Occupancy					
Rent and taxes	-	36,600	-	-	-
Maintenance	-	19,996	-	-	-
Utilities	-	34,218	-	-	-
Equipment					
Leases	-	-	-	-	-
Maintenance	-	-	-	-	-
Supplies					
Medical and client care supplies	-	-	-	-	-
Pharmacy	-	-	-	-	-
Production materials	-	-	-	-	-
Other	-	-	-	-	-
Telephone	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-
Food	-	49,663	-	-	-
Insurance	-	103,500	-	-	-
Interest	-	-	-	-	-
Other	-	83,139	-	-	-
In-kind donations	-	-	-	-	-
Total direct program expenses	-	539,511	-	-	-
Purchased services	-	-	-	-	-
Expenses before depreciation and amortization	-	539,511	-	-	-
Depreciation and amortization	-	-	-	-	-
Total expenses	\$ -	\$ 539,511	\$ -	\$ -	\$ -

**Program Services**

Early interven- tion	Family support	Case manage- ment	Management and general	Foundation	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	212,395
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	36,600
-	-	-	-	-	19,996
-	-	-	-	-	34,218
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	49,663
-	-	-	-	-	103,500
-	-	-	-	-	-
-	-	-	-	-	83,139
-	-	-	-	-	-
-	-	-	-	-	539,511
-	-	-	-	-	-
-	-	-	-	-	539,511
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 539,511

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Colorado Bluesky Enterprises, Inc. and Affiliates  
CONSOLIDATED SCHEDULE OF ACCOUNTS RECEIVABLE –  
FEES AND GRANTS FROM GOVERNMENTAL AGENCIES  
June 30, 2009

State of Colorado	
General Fund	
Adult supported living	\$ 86,145
Children and families	38,161
Management fee	9,591
Case management	6,466
Less advance due back to the State of Colorado	(26,835)
Medicaid	
Comprehensive	1,246,181
Adult supported living	268,251
Children's extensive support	47,546
Targeted case management	132,812
Quality assurance	27,365
Utilization review	6,600
Part C	24,141
Pueblo County	66,017
Less allowance for doubtful accounts	(15,458)
	<u>\$ 1,916,983</u>

Colorado Bluesky Enterprises, Inc. and Affiliates  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
June 30, 2009

	Colorado Bluesky Enterprises	Colorado Bluesky Foundation	Fearnow Group Home
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,969,935	\$ 7,009	\$ -
Investments	929,578	2,416	-
Accounts receivable			
Fees and grants from governmental agencies, net	1,916,983	-	-
Other	42,340	-	-
Prepaid expenses and other	2,525	-	-
Total current assets	4,861,361	9,425	-
Restricted cash	211,162	-	-
Restricted cash in reserve funds	40,852	-	-
Land, building and equipment, net	2,881,033	-	300,495
	\$ 7,994,408	\$ 9,425	\$ 300,495
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 1,325,296	\$ -	\$ -
Accrued expenses	664,863	-	-
Current maturities of long-term debt	40,635	-	-
Total current liabilities	2,030,794	-	-
Long-term debt, less current maturities	515,849	-	-
Total liabilities	2,546,643	-	-
Net assets			
Unrestricted			
Investment in land, building and equipment	2,391,169	-	300,495
Designated for consumer home financing	3,384	-	-
Designated for transitional program	84,072	-	-
Undesignated	2,946,563	9,425	-
Total unrestricted	5,425,188	9,425	300,495
Temporarily restricted	22,577	-	-
Total net assets	5,447,765	9,425	300,495
	\$ 7,994,408	\$ 9,425	\$ 300,495

<u>Eliminations</u>	<u>Consolidated</u>
\$ -	\$ 1,976,944
-	931,994
-	1,916,983
-	42,340
-	2,525
-	4,870,786
-	211,162
-	40,852
-	3,181,528
\$ -	\$ 8,304,328
\$ -	\$ 1,325,296
-	664,863
-	40,635
-	2,030,794
-	515,849
-	2,546,643
-	2,691,664
-	3,384
-	84,072
-	2,955,988
-	5,735,108
-	22,577
-	5,757,685
\$ -	\$ 8,304,328

Colorado Bluesky Enterprises, Inc. and Affiliates  
CONSOLIDATING STATEMENT OF ACTIVITIES  
Year ended June 30, 2009

	<u>Colorado Bluesky Enterprises</u>	<u>Colorado Bluesky Foundation</u>	<u>Fearnow Group Home</u>
Fees and grants from governmental agencies			
Fees for services			
State of Colorado			
State General Fund			
Comprehensive	\$ 307,742	\$ -	\$ -
Adult supported living	349,680	-	-
Children and families	522,823	-	-
Medicaid			
Comprehensive	15,047,548	-	-
Adult supported living	2,913,278	-	-
Children's extensive support	376,334	-	-
Part C	195,726	-	-
County	356,128	-	-
Grants and other			
Department of Housing and Urban Development	456,815	-	-
Total fees and grants from governmental agencies	<u>20,526,074</u>	<u>-</u>	<u>-</u>
Public support - donations	34,758	1,245	-
In-kind donations	105,098	-	-
Residential room and board	409,823	-	-
Investment income (loss)	(101,193)	(281)	-
Other revenue	318,722	-	-
Total support and revenue	<u>21,293,282</u>	<u>964</u>	<u>-</u>
Expenses			
Program services			
Medicaid comprehensive	14,348,766	-	12,653
State adult supported living	321,773	-	-
Medicaid adult supported living	2,727,319	-	-
Children's extensive support	348,735	-	-
Early intervention	599,238	-	-
Family support	235,781	-	-
Case management	1,142,088	-	-
Total program services	<u>19,723,700</u>	<u>-</u>	<u>12,653</u>
Supporting services			
Management and general	1,388,374	3,125	-
Total expenses	<u>21,112,074</u>	<u>3,125</u>	<u>12,653</u>
CHANGE IN NET ASSETS	181,208	(2,161)	(12,653)
Net assets, beginning of year	<u>5,266,557</u>	<u>11,586</u>	<u>313,148</u>
Net assets, end of year	<u>\$ 5,447,765</u>	<u>\$ 9,425</u>	<u>\$ 300,495</u>

<u>Eliminations</u>	<u>Consolidated</u>
\$ -	\$ 307,742
-	349,680
-	522,823
-	15,047,548
-	2,913,278
-	376,334
-	195,726
-	356,128
-	456,815
-	<u>20,526,074</u>
-	36,003
-	105,098
-	409,823
-	(101,474)
-	318,722
-	<u>21,294,246</u>
-	14,361,419
-	321,773
-	2,727,319
-	348,735
-	599,238
-	235,781
-	1,142,088
-	<u>19,736,353</u>
-	1,391,499
-	<u>21,127,852</u>
-	166,394
-	5,591,291
<u>\$ -</u>	<u>\$ 5,757,685</u>