

Financial Statements and
Independent Auditor's Report

Foothills Gateway, Inc.

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Foothills Gateway, Inc.

We have audited the accompanying financial statements of Foothills Gateway, Inc. (FGI), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

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

Report on Summarized Comparative Information

We have previously audited FGI's 2019 financial statements, and our report dated October 14, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Logan, Thomas + Johnson, LLC

Broomfield, Colorado

September 14, 2020

Financial Statements

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Foothills Gateway, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With summarized financial information as of June 30, 2019)

ASSETS	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 4,697,299	\$ 2,430,599
Investments	2,591,168	2,790,504
Accounts receivable		
Fees and grants from governmental agencies	2,804,966	2,879,779
Vocational contracts	18,446	35,731
Other	73,881	100,100
Prepaid expenses and other	69,653	56,865
Total current assets	<u>10,255,413</u>	<u>8,293,578</u>
Investments	2,959,500	2,891,802
Land, building and equipment, net	1,610,708	1,633,640
Total assets	<u>\$ 14,825,621</u>	<u>\$ 12,819,020</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,016,579	\$ 1,696,017
Current portion of notes payable	964,988	-
Deferred revenue	889	1,464
Total current liabilities	<u>2,982,456</u>	<u>1,697,481</u>
Long-term liabilities		
Notes payable, net of current portion	964,988	-
Total liabilities	<u>3,947,444</u>	<u>1,697,481</u>
Net assets		
Without donor restrictions		
Designated memorial funds	150,159	148,012
Designated for capital repair and non billable services	152,130	136,867
Designated for conflict free case management project	2,000,000	2,000,000
Net investment in land, building and equipment	1,610,708	1,633,640
Undesignated	6,939,867	7,169,326
Total without donor restrictions	<u>10,852,864</u>	<u>11,087,845</u>
With donor restrictions - purpose restrictions	25,313	33,694
Total net assets	<u>10,878,177</u>	<u>11,121,539</u>
Total liabilities and net assets	<u>\$ 14,825,621</u>	<u>\$ 12,819,020</u>

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.
STATEMENT OF ACTIVITIES
Year ended June 30, 2020

(With summarized financial information for the year ended June 30, 2019)

	Without donor restrictions	With donor restrictions	Total	
			2020	2019
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ 3,712,647	\$ -	\$ 3,712,647	\$ 3,684,731
Medicaid	9,288,489	-	9,288,489	9,305,660
Larimer County	4,724,262	-	4,724,262	4,116,244
Grants and other				
Part C	307,572	-	307,572	115,547
U.S. Department of Housing and Urban Development	43,372	-	43,372	58,319
Other	28,634	-	28,634	100,108
Total fees and grants from governmental agencies	18,104,976	-	18,104,976	17,380,609
Public support				
Contributions	170,166	37,694	207,860	224,231
United Way	2,818	-	2,818	3,419
Residential room and board	22,356	-	22,356	24,696
In-kind contributions	6,337	-	6,337	15,874
Vocational revenue	253,211	-	253,211	306,097
Other revenue	674,415	-	674,415	675,889
Net assets released from restrictions				
Satisfaction of program restrictions	46,075	(46,075)	-	-
Total revenues and support	19,280,354	(8,381)	19,271,973	18,630,815

(Continued)

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.
STATEMENT OF ACTIVITIES (CONTINUED)
Year ended June 30, 2020
(With summarized financial information for the year ended June 30, 2019)

	Without donor restrictions	With donor restrictions	Total	
			2020	2019
Expenses				
Program services				
Residential	\$ 2,935,656	\$ -	\$ 2,935,656	\$ 2,697,775
Adult day	4,792,877	-	4,792,877	4,507,247
Supported employment	492,722	-	492,722	502,549
Respite house	375,097	-	375,097	352,271
Transportation	684,457	-	684,457	772,710
Children & family services	2,072,662	-	2,072,662	1,967,617
Case management	4,989,171	-	4,989,171	4,726,396
Behavioral health	334,494	-	334,494	390,891
Housing choice voucher	85,637	-	85,637	112,954
Organized health care delivery system	670,559	-	670,559	870,744
Total program services	17,433,332	-	17,433,332	16,901,154
Supporting services				
Management and general	2,076,694	-	2,076,694	1,990,932
Fundraising	5,309	-	5,309	9,439
Total expenses	19,515,335	-	19,515,335	18,901,525
CHANGE IN NET ASSETS	(234,981)	(8,381)	(243,362)	(270,710)
Net assets, beginning of year	11,087,845	33,694	11,121,539	11,392,249
Net assets, end of year	<u>\$ 10,852,864</u>	<u>\$ 25,313</u>	<u>\$ 10,878,177</u>	<u>\$ 11,121,539</u>

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.
 STATEMENT OF FUNCTIONAL EXPENSES
 Year ended June 30, 2020
 (With summarized financial information for the year ended June 30, 2019)

Expenses	Program Services				
	Residential	Adult day	Supported employment	Respite house	Transport- ation
Salaries, benefits and taxes	\$ 1,215,925	\$ 3,715,060	\$ 428,426	\$ 323,675	\$ 406,243
Professional services	3,041	7,257	1,072	1,086	990
Staff development and travel	3,903	22,876	4,163	2,487	555
Vehicles	3,696	35,222	6,284	1,397	84,141
Occupancy and equipment	25,033	187,215	16,539	24,916	11,633
Individuals in service - assistance and activities	1,626,570	520,955	259	10,545	48,427
Insurance	21,222	56,653	5,239	2,010	30,424
Other	14,794	76,123	15,227	6,355	4,290
In-kind contributions	21	667	46	9	486
Interest	-	-	-	-	-
Depreciation	21,451	170,849	15,467	2,617	97,268
Total expenses	\$ 2,935,656	\$ 4,792,877	\$ 492,722	\$ 375,097	\$ 684,457

The accompanying notes are an integral part of this statement.

Program Services

Children & family services	Case manage- ment	Behavioral health	Housing choice voucher	Organized health care delivery system	Management and general	Fund- raising	Total	
							2020	2019
\$ 132,400	\$ 4,548,611	\$ 183,194	\$ 79,400	\$ -	\$ 1,654,544	\$ 3,840	\$ 12,691,318	\$ 12,037,813
248	16,505	18,500	3	-	70,536	-	119,238	152,070
5,458	50,225	929	512	-	42,749	105	133,962	182,741
615	1,019	696	3	-	126	-	133,199	136,335
565	138,229	29,640	1,622	-	50,436	203	486,031	515,669
1,929,083	114,926	95,097	991	670,559	356	-	5,017,768	4,905,620
618	16,792	1,849	340	-	14,138	22	149,307	147,566
2,785	64,315	1,366	2,110	-	214,865	997	403,227	407,957
5	4	1	-	-	5,016	82	6,337	15,874
-	-	-	-	-	4,130	0	4,130	-
885	38,545	3,222	656	-	19,798	60	370,818	399,880
<u>\$ 2,072,662</u>	<u>\$ 4,989,171</u>	<u>\$ 334,494</u>	<u>\$ 85,637</u>	<u>\$ 670,559</u>	<u>\$ 2,076,694</u>	<u>\$ 5,309</u>	<u>\$ 19,515,335</u>	<u>\$ 18,901,525</u>

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.
STATEMENT OF CASH FLOWS
Year ended June 30, 2020

(With summarized financial information for the year ended June 30, 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (243,362)	\$ (270,710)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	370,818	399,880
Realized/unrealized gain on investments	(80,784)	(212,933)
(Gain) loss on sale of fixed assets	(25,017)	(20,822)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	118,317	(271,725)
(Increase) decrease in prepaid expenses and other	(12,788)	52,618
Increase in accounts payable and accrued expenses	234,105	129,145
Decrease in deferred revenue	(575)	(30,444)
Net cash provided by (used in) operating activities	360,714	(224,991)
Cash flows from investing activities		
Purchase of land, building and equipment	(263,979)	(119,075)
Proceeds from sale of fixed assets	27,567	20,822
Purchases of investments	(1,286,074)	(1,639,119)
Proceeds from sale of investments	1,498,496	1,165,809
Net cash used in investing activities	(23,990)	(571,563)
Cash flows provided from financing activities		
Advances on notes payable	1,929,976	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,266,700	(796,554)
Cash and cash equivalents, beginning of year	2,430,599	3,227,153
Cash and cash equivalents, end of year	\$ 4,697,299	\$ 2,430,599
Noncash investing and financing activities		
Fixed asset additions included in accounts payable	\$ 86,457	\$ -

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This description of Foothills Gateway, Inc.'s (FGI) nature of activities and summary of significant accounting policies is presented to assist in understanding FGI's financial statements.

1. *Summary of Business Activities*

Foothills Gateway, Inc., a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado in 1968 for the purpose of providing a Community Centered Board to coordinate programs through interagency cooperation and local agencies to provide services to persons with developmental disabilities in Larimer County. FGI's revenue comes primarily from the State of Colorado and Larimer County for services provided.

2. *Description of Services Provided*

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

Program Services or Supports

Residential refers to residential services as specified in the eligible person's Individualized Plan (IP). 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.

Adult Day includes a number of different type of services and supports which provide opportunities for individuals to experience and actively participate in valued roles in the community as specified in the IP. These services and supports enable individuals to access and participate in typical community activities such as work, recreation, and senior citizen activities. Included in this program are services for persons who are responsible for their own living arrangements in the community.

Supported Employment is individualized (one on one) community employment and small group or enclave employment services provided to adults with Intellectual and Developmental Disabilities (IDD).

Respite House provides respite and supervision services for adults.

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

Transportation is “Home to Day Program transportation” services relevant to an individual’s work schedule as specified in the IP. For these purposes “work schedule” is defined broadly to include adult and retirement activities such as education, training, community integration and employment

Children and Family Services are 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. In addition, this program 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. Services and supports to eligible children under the age of 18 years in order for the children to remain in or return to the family home (only the child’s income is considered in determining eligibility) 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.

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 IP, and the evaluation of results identified in the IP.

Behavioral Health includes access to an onsite agency which provides behavioral health services; provides crisis services for individuals ages six and older using the START program model; and behavioral services.

Housing Choice Voucher Program enables participants to better afford housing in Larimer County by subsidizing their rent with federal funds through Section 8 (HUD) housing subsidies.

Organized Health Care Delivery System is for services provided by third-party vendors that are funded through Medicaid Waivers. The third-party vendors are not approved purchase of service agencies.

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. *Description of Services Provided (Continued)*

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 FGI's corporate existence.

Fundraising represents FGI's costs to develop and maintain a fundraising effort that generates awareness and increases support for persons with disabilities.

3. *Basis of Accounting*

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

4. *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, support and expenses during the reporting period. Actual results could differ from those estimates.

5. *Subsequent Events*

FGI has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through September 14, 2020, the date on which the financial statements were issued. FGI did not identify any events or transactions that would have a material impact on the financial statements.

6. *Cash and Cash Equivalents*

FGI considers cash to be cash on hand and cash on deposit, subject to immediate withdrawal, and cash equivalents to be certificates of deposit with an original maturity of three months or less. FGI maintains some of its cash balances at financial institutions located in Fort Collins, Colorado, which at times, may exceed federally insured limits. FGI has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. *Accounts Receivable*

The majority of FGI's accounts receivable are due from the State of Colorado. Accounts receivable are due according to contractual terms and are stated at the amount management expects to collect from outstanding balances. FGI believes all receivables are collectible and that no allowance for doubtful accounts is necessary. FGI writes off accounts receivable to bad debt expense after reasonable collection efforts have been made. Payments subsequently received on such receivables, if any, are recorded as other revenue.

8. *Investments*

FGI records investments in equity and debt securities at fair value in the statement of financial position as determined by quoted market prices. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

9. *Land, Building and Equipment*

Land, building and equipment are reported at cost for purchased assets with a cost of \$3,000 or more, and at estimated fair 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	10–50
Program and administrative equipment	3–10

10. *Accounting for Contributions*

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as net assets with donor restrictions.

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. *Accounting for Contributions (Continued)*

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as increases in net assets without donor restrictions.

11. *In-Kind Contributions*

Contributions of property, materials and personal services are known as in-kind contributions and are recorded at estimated fair value at the date of receipt. The amount recorded for these contributions (other than contributions of land, building and equipment) is also included as program costs to properly reflect the total cost of the particular program.

12. *Income Taxes*

FGI is operated as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. FGI recognizes tax liabilities when, despite FGI's belief that its tax return positions are supportable, FGI believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. FGI has concluded there is no tax liability or benefit required to be recorded as of June 30, 2020. FGI is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. FGI believes it is no longer subject to income tax examinations for the years prior to the year ended June 30, 2017.

13. *Functional Allocation of Expenses*

The costs of supporting various programs and other 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. Certain costs have been allocated to program and management and general based on estimates of time and effort, square footage of the office and other methods.

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. *Fair Value Measurements*

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. A fair value hierarchy has been established under generally accepted accounting principles, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring 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.

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. This category generally includes certain U.S. Government agency debt securities and corporate debt securities. FGI's Level 2 securities are primarily valued using quoted market prices for similar instruments and nonbinding market prices that are corroborated by observable market data.

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. 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.

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. *Prior Year Summarized Information and Reclassifications*

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 FGI's financial statements for the year ended June 30, 2019, from which the summarized information was derived. Certain financial information as of and for the year ended June 30, 2019 has been reclassified to conform with the presentation for the current year.

16. *Recent Accounting Pronouncements*

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this update clarify the guidance regarding the classification of operating, investing and financing activities for certain types of cash receipts and payments. The amendments in this update are effective for the annual periods, and the interim periods within those years, beginning after December 15, 2018, and should be applied using a retrospective transition method to each period presented. Early adoption is permitted. The Center adopted this ASU during the year ended June 30, 2020 and there was no effect.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU will be effective for fiscal years beginning after December 15, 2018. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Center adopted this ASU during the year ended June 30, 2020 and there was no effect.

In June 2018, the FASB issued ASU No. 2018-08 *Not-for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve the scope and the accounting guidance for contributions received and contributions made. The ASU will be effective for all entities that have not issued or is a conduit bond obligor for securities that are traded, listed or quoted on an exchange or an over-the-counter market services as a resource recipient, for fiscal years beginning after December 15, 2018. The ASU will be

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. *Recent Accounting Pronouncements (Continued)*

effective for all entities that have not issued or is a conduit bond obligor for securities that are traded, listed or quoted on an exchange or an over-the-counter market services as a resource provider, for fiscal years beginning after December 15, 2019. The Center implemented ASU 2018-08 where it is a resource recipient. The Center is in the process of evaluating the impact of this new guidance related to the Center serving as a resource provider.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (US GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. In June 2020, the FASB issued ASU 2020-05, which allows certain entities the option to delay the adoption by one year, making it effective for annual reporting periods beginning after December 15, 2019. The Center has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The most significant change for lessee is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Changes to the lessor accounting model include: (a) synchronizing key aspects of the model with the new revenue recognition guidance, such as basing whether a lease is similar to a sale or whether control of the underlying asset has transferred to the lessee and (b) prospectively eliminating the specialized accounting for leveraged leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU will be effective for fiscal years beginning after December 15, 2019, with early adoption permitted. In November 2019, the FASB issued ASU 2019-10, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05, which allows certain entities the option to delay the adoption by one year, making it effective for annual reporting periods beginning after December 15, 2021. The Center is in the process of evaluating the impact of this new guidance.

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE B – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 4,697,299
Investments	2,591,168
Accounts receivable	<u>2,897,293</u>
	\$ <u>10,185,760</u>

As a part of FGI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, FGI invests cash in excess of daily requirements in short-term investments.

NOTE C – INVESTMENTS

The following table presents FGI's investments and the fair value hierarchy for those assets measured at fair value as of June 30, 2020:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Equity income securities:				
Domestic	\$ 1,440,859	\$ 1,440,859	\$ -	\$ -
International	344,032	344,032	-	-
U.S. Government agency securities	1,865,188	-	1,865,188	-
Corporate bonds	<u>1,900,589</u>	<u>-</u>	<u>1,900,589</u>	<u>-</u>
	\$ <u>5,550,668</u>	\$ <u>1,784,891</u>	\$ <u>3,765,777</u>	\$ <u>-</u>

Investments are classified between current and noncurrent based on their maturity dates.

Current investments	\$ 2,591,168
Noncurrent investments	<u>2,959,500</u>
Total investments	\$ <u>5,550,668</u>

Investment return for the year ended June 30, 2020, consists of the following:

Investment income	\$ 165,241
Unrealized gain on investments	126,782
Realized loss on investments	<u>(45,998)</u>
	\$ <u>246,025</u>

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
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NOTE D – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following at June 30, 2020:

Buildings and improvements	\$ 6,290,722
Program and administrative equipment	<u>2,204,490</u>
	8,495,212
Less accumulated depreciation	<u>7,020,804</u>
	1,474,408
Land	<u>136,300</u>
	<u>\$ 1,610,708</u>

Depreciation expense was \$370,818 for the year ended June 30, 2020.

NOTE E – DEFERRED REVENUE

Deferred revenue of \$889 at June 30, 2020 consists of unearned revenue from the U.S. Department of Housing and Urban Development.

NOTE F – NOTES PAYABLE

On April 15, 2020, the Center obtained an unsecured loan of \$1,929,976 through the Paycheck Protection Program (PPP) from a financial institution with a fixed rate of 1.00%. Monthly payments of \$107,221 are due beginning October 15, 2020 with final scheduled payment due March 15, 2022. The loan is intended to cover qualifying expenses which include qualifying payroll and occupancy costs. Under the CARES Act, the Organization must submit a Loan Forgiveness Application and meet various criteria as defined in the Paycheck Protection Flexibility Act, which was not available through the date of financial statement issuance, in order for the loan to potentially be forgiven. The outstanding balance of this note at June 30, 2020 was \$1,929,976.

Future maturities of notes payable at June 30, 2020, are as follows:

Year ending June 30,	
2021	\$ 964,988
2022	<u>964,988</u>
	1,929,976
Less current portion	<u>964,988</u>
	<u>\$ 964,988</u>

Interest expense was \$4,130 for the year ended June 30, 2020.

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
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NOTE G – NET ASSETS

From time to time, FGI's Board of Directors approves designating net assets for future use for a specific purpose. Net investment in land, building and equipment is comprised of net land, building and equipment. Net assets with donor restrictions are restricted for the following purposes as of June 30, 2020:

Adult needs	\$ 4,326
Children and family	5,414
FSS council	13,385
Supported employment	1,725
Other	<u>463</u>
	\$ <u>25,313</u>

NOTE H – RETIREMENT PLAN

FGI has established a defined contribution retirement plan for all employees age 21 and over who have completed one year of service. FGI contributes an amount equal to 5% of the salary of each participant totaling \$350,563 for the year ended June 30, 2020.

NOTE I – LEASES

FGI leases office space, transportation and workshop equipment as well as residential facilities under operating lease arrangements in the operation of its programs. The total rent expense for operating leases for the year ended June 30, 2020 was \$47,987.

Future minimum rental payments for these leases at June 30, 2020 are as follows:

Year ending June 30,	
2021	\$ 11,118
2022	11,118
2023	4,504
2024	3,533
2025	<u>317</u>
	\$ <u>30,590</u>

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
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NOTE J – FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated included salaries and benefits, telephone, depreciation and amortization, insurance, utilities, postage, storage and equipment lease, and miscellaneous, which are allocated on the basis of usage studies, square footage and other methods.

NOTE K – RELATED PARTY TRANSACTIONS

FGI receives a substantial amount of revenue from the State of Colorado. The amount of receivables FGI has from the State of Colorado is \$1,587,346, at June 30, 2020. 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.

NOTE L – RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. This contagious disease outbreak has adversely affected workforces, customers, economies, and financial markets globally. This outbreak could adversely affect FGI's ability to provide services, and reduce funding sources available. It is not possible for FGI to predict the duration or magnitude of the adverse results of the outbreak and its effects on the organization's activities or results of operations, financial condition, or liquidity, at this time.