

Financial Statements and  
Independent Auditor's Report

**Foothills Gateway, Inc.**

June 30, 2021

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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, 2021, 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, 2021, 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 2020 financial statements, and our report dated September 14, 2020, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Logan, Thomas + Johnson, LLC*

Broomfield, Colorado

September 20, 2021

## *Financial Statements*

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Foothills Gateway, Inc.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2021  
(With summarized financial information as of June 30, 2020)

ASSETS	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 2,196,073	\$ 4,697,299
Investments	2,921,774	2,591,168
Accounts receivable		
Fees and grants from governmental agencies	3,018,854	2,804,966
Vocational contracts	18,312	18,446
Other	100,519	73,881
Prepaid expenses and other	95,461	69,653
Total current assets	<u>8,350,993</u>	<u>10,255,413</u>
Investments	3,485,758	2,959,500
Land, building and equipment, net	1,338,989	1,610,708
Total assets	<u>\$ 13,175,740</u>	<u>\$ 14,825,621</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,659,281	\$ 2,016,579
Current portion of notes payable	-	964,988
Deferred revenue	-	889
Total current liabilities	<u>1,659,281</u>	<u>2,982,456</u>
Long-term liabilities		
Notes payable, net of current portion	-	964,988
Total liabilities	<u>1,659,281</u>	<u>3,947,444</u>
Net assets		
Without donor restrictions		
Designated memorial funds	136,989	150,159
Designated for capital repair and non billable services	167,291	152,130
Designated for conflict free case management project	2,000,000	2,000,000
Designated for operating expenses	4,725,272	5,017,079
Net investment in land, building and equipment	1,338,989	1,610,708
Undesignated	3,112,188	1,922,788
Total without donor restrictions	<u>11,480,729</u>	<u>10,852,864</u>
With donor restrictions - purpose restrictions	35,730	25,313
Total net assets	<u>11,516,459</u>	<u>10,878,177</u>
Total liabilities and net assets	<u>\$ 13,175,740</u>	<u>\$ 14,825,621</u>

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2021

(With summarized financial information for the year ended June 30, 2020)

	Without donor restrictions	With donor restrictions	Total	
			2021	2020
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ 3,919,289	\$ -	\$ 3,919,289	\$ 3,712,647
Medicaid	6,756,954	-	6,756,954	9,288,489
Larimer County	4,725,333	-	4,725,333	4,724,262
Grants and other				
Part C	-	-	-	307,572
U.S. Department of Housing and Urban Development	41,173	-	41,173	43,372
Other	35,572	-	35,572	28,634
Total fees and grants from governmental agencies	15,478,321	-	15,478,321	18,104,976
Public support				
Contributions	157,652	36,308	193,960	207,860
United Way	3,380	-	3,380	2,818
Residential room and board	14,352	-	14,352	22,356
In-kind contributions	50,306	-	50,306	6,337
Vocational revenue	211,694	-	211,694	253,211
Other revenue	956,080	-	956,080	674,415
Net assets released from restrictions				
Satisfaction of program restrictions	25,891	(25,891)	-	-
Total revenues and support	16,897,676	10,417	16,908,093	19,271,973

(Continued)

The accompanying notes are an integral part of this statement.



Foothills Gateway, Inc.  
STATEMENT OF ACTIVITIES (CONTINUED)  
Year ended June 30, 2021  
(With summarized financial information for the year ended June 30, 2020)

	Without donor restrictions	With donor restrictions	Total	
			2021	2020
Expenses				
Program services				
Residential	\$ 3,036,754	\$ -	\$ 3,036,754	\$ 2,935,656
Adult day	4,133,108	-	4,133,108	4,792,877
Supported employment	338,526	-	338,526	492,722
Respite house	344,358	-	344,358	375,097
Transportation	690,479	-	690,479	684,457
Children & family services	1,956,881	-	1,956,881	2,072,662
Case management	4,748,247	-	4,748,247	4,989,171
Behavioral health	268,022	-	268,022	334,494
Housing choice voucher	82,579	-	82,579	85,637
Organized health care delivery system	435,261	-	435,261	670,559
Total program services	16,034,215	-	16,034,215	17,433,332
Supporting services				
Management and general	2,175,253	-	2,175,253	2,076,576
Fundraising	9,029	-	9,029	5,427
Total expenses	18,218,497	-	18,218,497	19,515,335
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(1,320,821)	10,417	(1,310,404)	(243,362)
Forgiveness of PPP loan and accrued interest	1,948,686	-	1,948,686	-
CHANGE IN NET ASSETS	627,865	10,417	638,282	(243,362)
Net assets, beginning of year	10,852,864	25,313	10,878,177	11,121,539
Net assets, end of year	<u>\$ 11,480,729</u>	<u>\$ 35,730</u>	<u>\$ 11,516,459</u>	<u>\$ 10,878,177</u>

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 Year ended June 30, 2021  
 (With summarized financial information for the year ended June 30, 2020)

Expenses	<b>Program Services</b>				
	Residential	Adult day	Supported employment	Respite house	Transport- ation
Salaries, benefits and taxes	\$ 1,325,060	\$ 3,106,890	\$ 298,623	\$ 290,546	\$ 463,128
Professional services	2,922	7,074	689	663	1,169
Staff development and travel	3,604	10,188	2,403	1,253	1,082
Vehicles	2,635	39,515	4,231	347	66,661
Occupancy and equipment	34,118	190,836	12,289	29,412	8,942
Individuals in service - assistance and activities	1,609,807	395,027	242	11,360	27,212
Insurance	22,644	62,440	4,063	1,738	33,009
Other	12,449	73,008	4,716	5,427	3,367
In-kind contributions	120	47,008	-	150	-
Interest	-	-	-	-	-
Depreciation	23,395	201,122	11,270	3,462	85,909
Total expenses	\$ 3,036,754	\$ 4,133,108	\$ 338,526	\$ 344,358	\$ 690,479

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	
							2021	2020
\$ 96,456	\$ 4,415,991	\$ 152,153	\$ 76,851	\$ -	\$ 1,744,800	\$ 5,561	\$ 11,976,059	\$ 12,691,318
183	8,793	5,697	3	-	69,747	-	96,940	119,238
346	5,506	82	78	-	21,548	40	46,130	133,962
40	128	2,072	2	-	138	-	115,769	133,199
486	124,782	5,395	1,467	-	50,227	591	458,545	486,031
1,857,286	63,024	96,706	888	435,261	4,759	-	4,501,572	5,017,768
316	17,359	1,851	307	-	15,277	33	159,037	149,307
1,505	66,466	800	2,277	-	223,368	2,717	396,100	403,227
-	-	-	-	-	3,028	-	50,306	6,337
-	-	-	-	-	14,580	-	14,580	4,130
263	46,198	3,266	706	-	27,781	87	403,459	370,818
<u>\$ 1,956,881</u>	<u>\$ 4,748,247</u>	<u>\$ 268,022</u>	<u>\$ 82,579</u>	<u>\$ 435,261</u>	<u>\$ 2,175,253</u>	<u>\$ 9,029</u>	<u>\$ 18,218,497</u>	<u>\$ 19,515,335</u>

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.  
STATEMENT OF CASH FLOWS  
Year ended June 30, 2021

(With summarized financial information for the year ended June 30, 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 638,282	\$ (243,362)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	403,459	370,818
Realized/unrealized gain on investments	(519,285)	(80,784)
Gain on sale of fixed assets	(22,166)	(25,017)
Gain on forgiveness of debt	(1,929,976)	-
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(240,392)	118,317
Increase in prepaid expenses and other	(25,808)	(12,788)
Increase (decrease) in accounts payable and accrued expenses	(270,841)	234,105
Decrease in deferred revenue	(889)	(575)
Net cash provided by (used in) operating activities	(1,967,616)	360,714
Cash flows from investing activities		
Purchase of land, building and equipment	(139,364)	(263,979)
Payments from accounts payable related to fixed asset additions	(86,457)	-
Proceeds from sale of fixed assets	29,790	27,567
Purchases of investments	(1,543,742)	(1,286,074)
Proceeds from sale of investments	1,206,163	1,498,496
Net cash used in investing activities	(533,610)	(23,990)
Cash flows provided from financing activities		
Advances on notes payable	-	1,929,976
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,501,226)	2,266,700
Cash and cash equivalents, beginning of year	4,697,299	2,430,599
Cash and cash equivalents, end of year	\$ 2,196,073	\$ 4,697,299
Noncash investing and financing activities		
Fixed asset additions included in accounts payable	\$ -	\$ 86,457
Forgiveness of PPP loan and accrued interest	1,948,686	-

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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 types 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 services that are 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, 2021

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, 2021

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 20, 2021, 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*

For purpose of the statement of cash flows, 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 cash balances in 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, 2021

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. *Revenue Recognition*

Revenue is reported at the amount that reflects the consideration to which FGI expects to be entitled in exchange for providing services. Program revenue consists primarily of funds received from the State of Colorado for Medicaid and other services, proceeds from mill levies in Larimer County, miscellaneous smaller grants and awards from federal, state, county and municipal sources. Billings for services are billed after the services are performed. As performance obligations are satisfied, revenue is recognized.



Foothills Gateway, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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

10. *Revenue Recognition (Continued)*

Performance obligations are determined based on the nature of the services provided. As performance obligations are satisfied over time, revenue is recognized based on when related services are performed. This method provides for the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligations. Transaction price is based on standard charges for services provided, which is set by the State of Colorado. Rent income is recognized in the month in which it is earned rather than received.

11. *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.

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.

12. *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.

13. *Change in Accounting Policy*

As of July 1, 2020, FGI adopted the provisions of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, which supersedes or replaces nearly all GAAP revenue recognition guidance. The updated standard establishes a new contract and control-based revenue recognition model,

Foothills Gateway, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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

13. *Change in Accounting Policy (Continued)*

changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. FGI implemented ASU 2014-09 and adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

As of July 1, 2020, FGI adopted the provisions of Accounting Standards Update (ASU) 2018-08, *Not-for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The updated standard clarifies and improves the scope and the accounting guidance for contributions received and contributions made. FGI implemented ASU 2018-08 and there was no effect on the financial statements. Prior to July 1, 2020, FGI had implemented ASU 2018-08 where it was a resource recipient.

14. *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, 2021. 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, 2018.

15. *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, 2021

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

16. *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, 2021

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

17. *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, 2020, from which the summarized information was derived. Certain financial information as of and for the year ended June 30, 2020 has been reclassified to conform with the presentation for the current year.

18. *Recent Accounting Pronouncements*

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. FGI is in the process of evaluating the impact of this new guidance.

Foothills Gateway, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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	\$ 2,196,073
Investments	2,921,774
Accounts receivable	<u>3,137,685</u>
	\$ <u>8,255,532</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, 2021:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Equity income securities:				
Domestic	\$ 1,888,515	\$ 1,888,515	\$ -	\$ -
International	119,426	119,426	-	-
Mutual funds international	306,306	306,306	-	-
U.S. Government agency securities	2,100,289	-	2,100,289	-
Corporate bonds	<u>1,992,996</u>	-	<u>1,992,996</u>	-
	\$ <u>6,407,532</u>	\$ <u>2,314,247</u>	\$ <u>4,093,285</u>	\$ -

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

Current investments	\$ 2,921,774
Noncurrent investments	<u>3,485,758</u>
Total investments	\$ <u>6,407,532</u>

Investment return for the year ended June 30, 2021, consists of the following:

Investment income	\$ 116,509
Unrealized gain on investments	518,651
Realized gain on investments	<u>634</u>
	\$ <u>635,794</u>

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NOTE D – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following at June 30, 2021:

Buildings and improvements	\$ 6,321,192
Program and administrative equipment	<u>2,147,739</u>
	8,468,931
Less accumulated depreciation	<u>7,266,242</u>
	1,202,689
Land	<u>136,300</u>
	<u>\$ 1,338,989</u>

Depreciation expense was \$403,459 for the year ended June 30, 2021.

NOTE E – NOTES PAYABLE

On April 15, 2020, FGI 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%. Under the CARES Act, the Organization must submit a Loan Forgiveness Application and meet various criteria as defined in the Paycheck Protection Flexibility Act, the loan could potentially be forgiven. On March 30, 2021 the \$1,929,976 loan and accrued interest of \$18,710 were forgiven.

NOTE F – 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, 2021:

Adult needs	\$ 2,357
Children and family	4,761
FSS council	26,887
Supported employment	<u>1,725</u>
	<u>\$ 35,730</u>

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NOTE G – 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 \$404,316 for the year ended June 30, 2021.

NOTE H – 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, 2021 was \$29,068.

Future minimum rental payments for these leases at June 30, 2021 are as follows:

Year ending June 30,	
2022	\$ 11,118
2023	4,504
2024	3,533
2025	<u>317</u>
	\$ <u>19,472</u>

NOTE I – 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 J – 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 \$1,856,053, at June 30, 2021. 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.

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NOTE K – 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.