

Financial Statements and
Independent Auditor's Report

Foothills Gateway, Inc.

June 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	7
STATEMENT OF ACTIVITIES	8
STATEMENT OF FUNCTIONAL EXPENSES	10
STATEMENT OF CASH FLOWS	12
NOTES TO FINANCIAL STATEMENTS	13



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Foothills Gateway, Inc.

Opinion

We have audited the accompanying financial statements of Foothills Gateway, Inc. (FGI), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FGI and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FGI's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 FGI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FGI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited FGI's 2021 financial statements, and our report dated September 20, 2021, 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, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Logan, Thomas + Johnson, LLC

Broomfield, Colorado
September 19, 2022

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Financial Statements

Foothills Gateway, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2022
(With summarized financial information as of June 30, 2021)

ASSETS	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 1,873,973	\$ 2,196,073
Investments	2,717,086	2,921,774
Accounts receivable		
Fees and grants from governmental agencies	3,306,139	3,018,854
Vocational contracts	14,173	18,312
Other	67,776	100,519
Prepaid expenses and other	153,768	95,461
Total current assets	<u>8,132,915</u>	<u>8,350,993</u>
Investments	2,810,427	3,485,758
Land, building and equipment, net	1,014,568	1,338,989
Total assets	<u>\$ 11,957,910</u>	<u>\$ 13,175,740</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,614,443	\$ 1,659,281
Total current liabilities	1,614,443	1,659,281
Net assets		
Without donor restrictions		
Designated memorial funds	138,421	136,989
Designated for capital repair and non billable services	158,049	167,291
Designated for conflict free case management project	2,000,000	2,000,000
Designated for operating expenses	4,701,742	4,725,272
Net investment in land, building and equipment	1,014,568	1,338,989
Undesignated	2,268,042	3,112,188
Total without donor restrictions	<u>10,280,822</u>	<u>11,480,729</u>
With donor restrictions - purpose restrictions	62,645	35,730
Total net assets	<u>10,343,467</u>	<u>11,516,459</u>
Total liabilities and net assets	<u>\$ 11,957,910</u>	<u>\$ 13,175,740</u>

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.
STATEMENT OF ACTIVITIES
Year ended June 30, 2022

(With summarized financial information for the year ended June 30, 2021)

	Without donor restrictions	With donor restrictions	Total	
			2022	2021
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ 4,206,361	\$ -	\$ 4,206,361	\$ 3,936,878
Medicaid	7,035,075	-	7,035,075	6,739,365
Larimer County	5,342,540	-	5,342,540	4,725,333
Grants and other				
Part C	417,692	-	417,692	-
U.S. Department of Housing and Urban Development	44,789	-	44,789	41,173
Other	41,942	-	41,942	35,572
Total fees and grants from governmental agencies	17,088,399	-	17,088,399	15,478,321
Public support				
Contributions	209,033	59,111	268,144	193,960
United Way	-	-	-	3,380
Residential room and board	8,091	-	8,091	14,352
In-kind contributions	10,959	-	10,959	50,306
Vocational revenue	168,962	-	168,962	211,694
Other revenue	(66,974)	-	(66,974)	956,080
Net assets released from restrictions				
Satisfaction of program restrictions	32,196	(32,196)	-	-
Total revenues and support	17,450,666	26,915	17,477,581	16,908,093

(Continued)

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.
STATEMENT OF ACTIVITIES (CONTINUED)
Year ended June 30, 2022
(With summarized financial information for the year ended June 30, 2021)

	Without donor restrictions	With donor restrictions	Total	
			2022	2021
Expenses				
Program services				
Residential	\$ 2,904,861	\$ -	\$ 2,904,861	\$ 3,036,754
Adult day	3,815,173	-	3,815,173	4,127,911
Supported employment	426,705	-	426,705	343,723
Respite house	395,054	-	395,054	344,358
Transportation	762,333	-	762,333	690,479
Children & family services	2,478,747	-	2,478,747	1,956,881
Case management	5,191,385	-	5,191,385	4,748,247
Behavioral health	251,599	-	251,599	268,022
Housing choice voucher	93,162	-	93,162	82,579
Organized health care delivery system	255,722	-	255,722	435,261
Total program services	16,574,741	-	16,574,741	16,034,215
Supporting services				
Management and general	2,069,279	-	2,069,279	2,175,352
Fundraising	6,553	-	6,553	8,930
Total expenses	18,650,573	-	18,650,573	18,218,497
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(1,199,907)	26,915	(1,172,992)	(1,310,404)
Forgiveness of PPP loan and accrued interest	-	-	-	1,948,686
CHANGE IN NET ASSETS	(1,199,907)	26,915	(1,172,992)	638,282
Net assets, beginning of year	11,480,729	35,730	11,516,459	10,878,177
Net assets, end of year	<u>\$ 10,280,822</u>	<u>\$ 62,645</u>	<u>\$ 10,343,467</u>	<u>\$ 11,516,459</u>

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.
 STATEMENT OF FUNCTIONAL EXPENSES
 Year ended June 30, 2022
 (With summarized financial information for the year ended June 30, 2021)

Expenses	Program Services				
	Residential	Adult day	Supported employment	Respite house	Transport- ation
Salaries, benefits and taxes	\$ 1,166,095	\$ 2,856,450	\$ 362,434	\$ 334,732	\$ 471,016
Professional services	2,397	6,219	931	766	1,330
Staff development and travel	5,668	13,270	6,978	2,421	2,375
Vehicles	2,959	29,450	11,548	1,771	103,926
Occupancy and equipment	36,962	206,731	16,206	28,041	11,580
Individuals in service - assistance and activities	1,635,452	393,514	446	14,993	36,095
Insurance	21,668	60,814	6,848	2,520	43,984
Other	10,807	64,919	6,059	4,523	3,632
In-kind contributions	-	1,823	-	-	-
Interest	-	-	-	-	-
Depreciation	22,853	181,983	15,255	5,287	88,395
Total expenses	\$ 2,904,861	\$ 3,815,173	\$ 426,705	\$ 395,054	\$ 762,333

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	
							2022	2021
\$ 99,988	\$ 4,737,134	\$ 134,842	\$ 85,692	\$ -	\$ 1,614,175	\$ 20	\$ 11,862,578	\$ 11,976,059
186	7,253	6,376	3	-	94,964	-	120,425	96,940
1,227	13,159	1,030	457	-	19,492	146	66,223	46,130
1	168	226	7	-	233	-	150,289	115,769
653	208,679	6,156	2,650	-	73,134	325	591,117	458,545
2,374,652	82,709	96,329	119	255,722	-	-	4,890,031	4,501,572
348	22,213	2,078	516	-	17,004	-	177,993	159,037
1,483	75,581	1,000	2,514	-	213,947	5,232	389,697	396,100
-	619	-	-	-	7,687	830	10,959	50,306
-	-	-	-	-	-	-	-	14,580
209	43,870	3,562	1,204	-	28,643	-	391,261	403,459
<u>\$ 2,478,747</u>	<u>\$ 5,191,385</u>	<u>\$ 251,599</u>	<u>\$ 93,162</u>	<u>\$ 255,722</u>	<u>\$ 2,069,279</u>	<u>\$ 6,553</u>	<u>\$ 18,650,573</u>	<u>\$ 18,218,497</u>

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.
STATEMENT OF CASH FLOWS
Year ended June 30, 2022

(With summarized financial information for the year ended June 30, 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (1,172,992)	\$ 638,282
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	391,261	403,459
Realized/unrealized (gain) loss on investments	431,856	(519,285)
Gain on sale of fixed assets	(6,924)	(22,166)
Gain on forgiveness of debt	-	(1,929,976)
Change in assets and liabilities		
Increase in accounts receivable	(250,403)	(240,392)
Increase in prepaid expenses and other	(58,307)	(25,808)
Decrease in accounts payable and accrued expenses	(44,838)	(270,841)
Decrease in deferred revenue	-	(889)
Net cash used in operating activities	(710,347)	(1,967,616)
Cash flows from investing activities		
Purchase of land, building and equipment	(67,917)	(139,364)
Payments from accounts payable related to fixed asset additions	-	(86,457)
Proceeds from sale of fixed assets	8,001	29,790
Purchases of investments	(1,295,885)	(1,543,742)
Proceeds from sale of investments	1,744,048	1,206,163
Net cash provided by (used in) investing activities	388,247	(533,610)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(322,100)	(2,501,226)
Cash and cash equivalents, beginning of year	2,196,073	4,697,299
Cash and cash equivalents, end of year	\$ 1,873,973	\$ 2,196,073
Noncash investing and financing activities		
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, 2022

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, 2022

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, 2022

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 19, 2022, 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, 2022

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, 2022

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. *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

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

13. *Income Taxes (Continued)*

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, 2022. 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, 2019.

14. *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.

15. *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.

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

15. *Fair Value Measurements (Continued)*

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.

16. *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, 2021, from which the summarized information was derived. Certain financial information as of and for the year ended June 30, 2021 has been reclassified to conform with the presentation for the current year.

17. *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

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

17. *Recent Accounting Pronouncements (Continued)*

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.

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	\$ 1,873,973
Investments	2,717,086
Accounts receivable	<u>3,388,088</u>
	\$ <u>7,979,147</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.

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Equity income securities:				
Domestic	\$ 1,311,674	\$ 1,311,674	\$ -	\$ -
International	80,732	80,732	-	-
Mutual funds alternatives	483,757	483,757	-	-
Mutual funds international	190,610	190,610	-	-
U.S. Government agency securities	1,689,616	-	1,689,616	-
Corporate bonds	<u>1,771,124</u>	<u>-</u>	<u>1,771,124</u>	<u>-</u>
	<u>\$ 5,527,513</u>	<u>\$ 2,066,773</u>	<u>\$ 3,460,740</u>	<u>\$ -</u>

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

Current investments	\$ 2,717,086
Noncurrent investments	<u>2,810,427</u>
Total investments	\$ <u>5,527,513</u>

Investment return for the year ended June 30, 2022, consists of the following:

Investment income	\$ 125,707
Unrealized loss on investments	(451,369)
Realized gain on investments	<u>19,513</u>
	<u>\$(306,149)</u>

NOTE D – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following at June 30, 2022:

Buildings and improvements	\$ 6,341,930
Program and administrative equipment	<u>2,122,432</u>
	8,464,362
Less accumulated depreciation	<u>7,586,094</u>
	878,268
Land	<u>136,300</u>
	<u>\$ 1,014,568</u>

Depreciation expense was \$391,261 for the year ended June 30, 2022.

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE E – 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, 2022:

Adult needs	\$ 20,579
Children and family	5,173
FSS council	35,048
Supported employment	1,725
Other	<u>120</u>
	\$ <u>62,645</u>

NOTE F – 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 \$354,640 for the year ended June 30, 2022.

NOTE G – 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, 2022 was \$30,168.

Future minimum rental payments for these leases at June 30, 2022 are as follows:

Year ending June 30,	
2023	\$ 6,966
2024	6,139
2025	2,923
2026	2,606
2027	<u>434</u>
	\$ <u>19,068</u>

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE H – 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 I – 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 \$2,122,912, at June 30, 2022. 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.