

Financial Statements and
Independent Auditor's Report

Foothills Gateway, Inc.

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Foothills Gateway, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Foothills Gateway, Inc. (FGI), which comprise the statement of financial position as of June 30, 2023, 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, 2023, 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 for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 and *Government 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 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 and *Government 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 2022 financial statements, and our report dated September 19, 2022, 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, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023, on our consideration of FGI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FGI's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FGI's internal control over financial reporting and compliance.

Logan, Thomas + Johnson, LLC

Castle Rock, Colorado

November 14, 2023

Financial Statements

Foothills Gateway, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2023
(With summarized financial information as of June 30, 2022)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,802,378	\$ 1,873,973
Investments	2,881,001	2,717,086
Accounts receivable		
Fees and grants from governmental agencies	3,410,319	3,306,139
Vocational contracts	9,080	14,173
Other	73,052	67,776
Prepaid expenses and other	116,082	153,768
Total current assets	9,291,912	8,132,915
Investments	2,060,313	2,810,427
Land, building and equipment, net	803,091	1,014,568
Total assets	\$ 12,155,316	\$ 11,957,910
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,626,950	\$ 1,614,443
Total current liabilities	1,626,950	1,614,443
Net assets		
Without donor restrictions		
Designated memorial funds	141,435	138,421
Designated for capital repair and non billable services	167,668	158,049
Designated for conflict free case management project	1,982,695	2,000,000
Designated for operating expenses	5,047,566	4,701,742
Net investment in land, building and equipment	803,091	1,014,568
Undesignated	2,303,641	2,268,042
Total without donor restrictions	10,446,096	10,280,822
With donor restrictions - purpose restrictions	82,270	62,645
Total net assets	10,528,366	10,343,467
Total liabilities and net assets	\$ 12,155,316	\$ 11,957,910

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.
STATEMENT OF ACTIVITIES
Year ended June 30, 2023

(With summarized financial information for the year ended June 30, 2022)

	Without donor restrictions	With donor restrictions	Total	
			2023	2022
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ 4,321,760	\$ -	\$ 4,321,760	\$ 4,206,361
Medicaid	7,109,674	-	7,109,674	7,035,075
Larimer County	5,275,195	-	5,275,195	5,342,540
Grants and other				
Part C	826,937	-	826,937	417,692
U.S. Department of Housing and Urban Development	46,308	-	46,308	44,789
Other	22,466	-	22,466	41,942
Total fees and grants from governmental agencies	17,602,340	-	17,602,340	17,088,399
Public support				
Contributions	213,636	56,253	269,889	268,144
Residential room and board	-	-	-	8,091
In-kind contributions	6,984	-	6,984	10,959
Vocational revenue	129,188	-	129,188	168,962
Other revenue	1,112,374	-	1,112,374	(66,974)
Net assets released from restrictions				
Satisfaction of program restrictions	36,628	(36,628)	-	-
Total revenues and support	19,101,150	19,625	19,120,775	17,477,581

(Continued)

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.
STATEMENT OF ACTIVITIES (CONTINUED)
Year ended June 30, 2023
(With summarized financial information for the year ended June 30, 2022)

	Without donor restrictions	With donor restrictions	Total	
			2023	2022
Expenses				
Program services				
Residential	\$ 2,412,548	\$ -	\$ 2,412,548	\$ 2,904,861
Adult day	3,762,478	-	3,762,478	3,815,173
Supported employment	466,470	-	466,470	426,705
Respite house	424,468	-	424,468	395,054
Transportation	707,589	-	707,589	762,333
Children & family services	2,806,688	-	2,806,688	2,478,747
Case management	5,599,369	-	5,599,369	5,191,385
Behavioral health	258,850	-	258,850	251,599
Housing choice voucher	97,179	-	97,179	93,162
Organized health care delivery system	285,211	-	285,211	255,722
Total program services	16,820,850	-	16,820,850	16,574,741
Supporting services				
Management and general	2,108,736	-	2,108,736	2,069,279
Fundraising	6,290	-	6,290	6,553
Total expenses	18,935,876	-	18,935,876	18,650,573
CHANGE IN NET ASSETS	165,274	19,625	184,899	(1,172,992)
Net assets, beginning of year	10,280,822	62,645	10,343,467	11,516,459
Net assets, end of year	<u>\$ 10,446,096</u>	<u>\$ 82,270</u>	<u>\$ 10,528,366</u>	<u>\$ 10,343,467</u>

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2023
(With summarized financial information for the year ended June 30, 2022)

Expenses	Program Services				
	Residential	Adult day	Supported employment	Respite house	Transport- ation
Salaries, benefits and taxes	\$ 751,713	\$ 2,775,934	\$ 409,773	\$ 360,034	\$ 455,670
Professional services	2,147	8,932	1,216	1,850	1,697
Staff development and travel	4,181	14,756	4,843	2,097	2,553
Vehicles	960	24,072	9,375	944	79,338
Occupancy and equipment	39,497	152,536	13,514	30,031	11,051
Individuals in service - assistance and activities	1,574,077	493,883	368	16,306	33,289
Insurance	17,961	65,478	8,014	2,495	48,082
Other	8,449	51,436	5,461	6,068	4,884
In-kind contributions	2	446	35	5	353
Depreciation	13,561	175,005	13,871	4,638	70,672
Total expenses	\$ 2,412,548	\$ 3,762,478	\$ 466,470	\$ 424,468	\$ 707,589

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	
							2023	2022
\$ 109,641	\$ 5,229,312	\$ 143,582	\$ 90,816	\$ -	\$ 1,649,138	\$ -	\$ 11,975,613	\$ 11,862,578
348	5,598	6,378	6	-	86,242	-	114,414	120,425
1,956	44,641	2,664	695	-	13,065	19	91,470	66,223
389	227	32	4	-	166	-	115,507	150,289
482	110,447	3,731	1,568	-	50,550	50	413,457	591,117
2,691,126	68,489	95,990	99	285,211	-	-	5,258,838	4,890,031
670	23,788	2,214	534	-	16,820	-	186,056	177,993
1,488	78,007	844	2,361	-	257,165	5,044	421,207	389,697
3	1	-	-	-	4,962	1,177	6,984	10,959
585	38,859	3,415	1,096	-	30,628	-	352,330	391,261
<u>\$ 2,806,688</u>	<u>\$ 5,599,369</u>	<u>\$ 258,850</u>	<u>\$ 97,179</u>	<u>\$ 285,211</u>	<u>\$ 2,108,736</u>	<u>\$ 6,290</u>	<u>\$ 18,935,876</u>	<u>\$ 18,650,573</u>

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.
STATEMENT OF CASH FLOWS
Year ended June 30, 2023
(With summarized financial information for the year ended June 30, 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 184,899	\$ (1,172,992)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	352,330	391,261
Realized/unrealized (gain) loss on investments	(211,981)	431,856
Gain on sale of fixed assets	(486,724)	(6,924)
Change in assets and liabilities		
Increase in accounts receivable	(104,363)	(250,403)
Increase (decrease) in prepaid expenses and other	37,686	(58,307)
Increase (decrease) in accounts payable and accrued expenses	12,507	(44,838)
Net cash used in operating activities	(215,646)	(710,347)
Cash flows from investing activities		
Purchase of land, building and equipment	(272,413)	(67,917)
Proceeds from sale of fixed assets	618,284	8,001
Purchases of investments	(545,524)	(1,295,885)
Proceeds from sale of investments	1,343,704	1,744,048
Net cash provided by investing activities	1,144,051	388,247
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	928,405	(322,100)
Cash and cash equivalents, beginning of year	1,873,973	2,196,073
Cash and cash equivalents, end of year	\$ 2,802,378	\$ 1,873,973

The accompanying notes are an integral part of this statement.

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023

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, 2023

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 November 14, 2023, 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, except for the disclosure in Note I.

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, 2023

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. *Leases*

As of July 1, 2022, FGI adopted Accounting Standards Update (ASU) 2016-02, *Leases*, which was amended in some respects by subsequent ASUs (collectively Accounting Standards Codification 842 (ASC 842)) and supersedes existing lease guidance. The Standard requires FGI to record operating lease assets and corresponding lease liabilities on the balance sheet and disclose key quantitative and qualitative information about lease contracts. Leases for FGI are immaterial and the lease asset is recorded in prepaid expense and the lease liability is recorded in accounts payable and accrued expenses.

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

10. *Leases (Continued)*

Under ASC 842, FGI determines if a contract is a leasing arrangement at inception. Operating lease assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payment arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. FGI used the risk-free rate of return. FGI recognized operating lease expense for operating leases on a straight-line basis over the lease term.

FGI leases day program space, transportation and workshop equipment as well as residential facilities under noncancelable operating leases which may include renewal or termination options that are reasonably certain of exercise. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are expensed on a straight-line basis. Lease and non-lease components are accounted for together as a single lease component for operating leases associated with day program space, transportation and workshop equipment leases as well as residential facilities.

11. *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.

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.

12. *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

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

12. *Accounting for Contributions (Continued)*

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.

13. *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.

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, 2023. 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, 2020.

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, 2023

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, 2023

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, 2022, from which the summarized information was derived. Certain financial information as of and for the year ended June 30, 2022 has been reclassified to conform with the presentation for the current year.

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	\$ 2,802,378
Investments	2,881,001
Accounts receivable	<u>3,492,451</u>
	\$ <u>9,175,830</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, 2023:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Equity income securities:				
Domestic	\$ 1,278,210	\$ 1,278,210	\$ -	\$ -
International	67,195	67,195	-	-
Mutual funds domestic	47,887	47,887	-	-
Mutual funds alternatives	284,968	284,968	-	-
Mutual funds international	241,174	241,174	-	-
U.S. Government agency securities	1,472,920	-	1,472,920	-
Corporate bonds	<u>1,548,960</u>	<u>-</u>	<u>1,548,960</u>	<u>-</u>
	\$ <u>4,941,314</u>	\$ <u>1,919,434</u>	\$ <u>3,021,880</u>	\$ <u>-</u>

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE C – INVESTMENTS (CONTINUED)

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

Current investments	\$ 2,881,001
Noncurrent investments	<u>2,060,313</u>
Total investments	\$ <u>4,941,314</u>

Investment return for the year ended June 30, 2023, consists of the following:

Investment income	\$ 117,994
Unrealized gain on investments	171,221
Realized gain on investments	<u>40,760</u>
	\$ <u>329,976</u>

NOTE D – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following at June 30, 2023:

Buildings and improvements	\$ 6,132,982
Program and administrative equipment	<u>2,092,312</u>
	8,225,294
Less accumulated depreciation	<u>7,478,503</u>
	746,791
Land	<u>56,300</u>
	\$ <u>803,091</u>

Depreciation expense was \$352,330 for the year ended June 30, 2023.

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, 2023:

Adult needs	\$ 21,853
Children and family	10,885
FSS council	47,766
Supported employment	1,725
Other	<u>41</u>
	\$ <u>82,270</u>

Foothills Gateway, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 \$282,930 for the year ended June 30, 2023.

NOTE G – 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 H – 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 \$2,243,766, at June 30, 2023. 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 I – SUBSEQUENT EVENTS

FGI has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through November 14, 2023, the date on which the financial statements were issued. FGI has identified the following event and associated transactions that will have a material impact on the financial statements. In order for the State of Colorado to be in compliance with Federal Conflict Free Case Management requirements, the State opened a Request for Proposal (RFP) process for all Case Management services in each of the 20 Designated Service Areas. FGI responded to the State's Case Management Agency RFP and was notified on September 27th, 2023 that FGI has been given the Intent to Award as of March 1, 2024, for Larimer County, Designated Service Area 10. FGI will also continue to be the Community Centered Board for individuals with intellectual/developmental disabilities in Larimer County. To comply with the Federal requirements to be conflict free, FGI will no longer be providing Residential or Adult Day Program services after February 29, 2024; and as of March 1, 2024 FGI will have increased case management responsibilities.

Supplementary Information



INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Foothills Gateway, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Foothills Gateway, Inc. (FGI), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered FGI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FGI's internal control. Accordingly, we do not express an opinion on the effectiveness of FGI's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether FGI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FGI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FGI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Logan, Thomas + Johnson, LLC

Castle Rock, Colorado

November 14, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Foothills Gateway, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Foothills Gateway, Inc.'s (FGI) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023. FGI's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, FGI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of FGI and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of FGI's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to FGI's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on FGI's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about FGI's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 FGI's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of FGI's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of FGI's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Logan, Thomas + Johnson, LLC

Castle Rock, Colorado

November 14, 2023

Foothills Gateway, Inc
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- through Grantor's Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services				
Passed through State of Colorado Department of Health Care Policy & Financing:				
Medicaid Cluster				
Medicaid Assistance Program – Case Management	93.778	20-134782A5	\$ -	\$ <u>254,675</u>
Total Medicaid Cluster			<u>-</u>	<u>254,675</u>
Total U.S. Department of Health and Human Services			<u>-</u>	<u>254,675</u>
U.S. Department of Housing and Urban Development (HUD)				
Passed through State of Colorado:				
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871	110326	<u>-</u>	<u>46,308</u>
Total Housing Voucher Cluster			<u>-</u>	<u>46,308</u>
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>46,308</u>
U.S. Department of Education				
Passed through from State of Colorado Department of Human Services:				
Special Education – Grants for Infants and Families with Disabilities	84.181	AA QAA 181485	<u>-</u>	<u>826,936</u>
Total U.S. Department of Education			<u>-</u>	<u>826,936</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,127,919</u>

The accompanying notes are an integral part of this schedule.

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Foothills Gateway, Inc. (FGI) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of FGI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of FGI.

(continued)

Foothills Gateway, Inc.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year ended June 30, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

FGI has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance, except for one federal program where the grantor pays 10 percent of the direct costs for administration.

Foothills Gateway, Inc.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

- Unmodified
- Qualified
- Adverse
- Disclaimer

Internal control over financial reporting:
 Material weakness(es) identified?
 Significant deficiency(ies) identified?

- Yes No
- Yes None reported

Noncompliance material to financial statements noted?

- Yes No

Federal Awards

Internal control over major federal programs:
 Material weakness(es) identified?
 Significant deficiency(ies) identified?

- Yes No
- Yes None reported

Type of auditor’s report issued on compliance for major federal programs:

- Unmodified
- Qualified
- Adverse
- Disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

- Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.181	Special Education – Grants for Infants and Families with Disabilities

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

- Yes No

(continued)

Foothills Gateway, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2023

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Foothills Gateway, Inc.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2023

No matters were reported.