

Consolidated Financial Statements and
Independent Auditor's Report

Horizons Specialized Services and Affiliate

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Horizons Specialized Services

Opinion

We have audited the accompanying consolidated financial statements of Horizons Specialized Services and Affiliate (jointly, the Center) (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Horizons Specialized Services and Affiliate 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 consolidated 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 the Center'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center'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 the Center's 2022 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated September 22, 2023. 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 consolidated financial statements from which it has been derived.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated summary of revenues, support and expenses by program on pages 24 through 27 and the consolidating statement of financial position and consolidating statement of activities on pages 30 through 31 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 24 through 27 and pages 30 through 31 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other information

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information on pages 28 through 29 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Logan, Thomas + Johnson, LLC

Castle Rock, Colorado
March 12, 2024

Consolidated Financial Statements

Horizons Specialized Services and Affiliate
CONSOLIDATED 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	\$ 3,021,184	\$ 2,790,553
Certificates of deposit	818,145	813,168
Accounts receivable		
Fees and grants from governmental agencies	696,247	638,991
Prepaid expenses and other	104,703	53,429
Total current assets	4,640,279	4,296,141
Charitable gift annuity investment	145,335	134,404
Beneficial interest in assets held by others	34,613	31,137
Right of use assets - operating leases	107,676	-
Land, buildings and equipment, net	3,208,446	3,285,299
Total assets	\$ 8,136,349	\$ 7,746,981
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 252,411	\$ 112,465
Accrued payroll and employee benefits	301,660	301,531
Current portion of lease obligation - operating	75,093	-
Deferred revenue	383,524	229,083
Total current liabilities	1,012,688	643,079
Noncurrent liabilities		
Long-term lease obligation - operating	32,583	-
Total liabilities	1,045,271	643,079
Net assets		
Without donor restrictions		
Board designated		
Operating reserve	1,154,746	1,154,746
Mill levy funds	2,949,618	2,417,130
Net investment in land, buildings and equipment	3,208,446	3,285,299
Undesignated	(235,732)	225,727
Total without donor restrictions	7,077,078	7,082,902
With donor restrictions	14,000	21,000
Total net assets	7,091,078	7,103,902
Total liabilities and net assets	\$ 8,136,349	\$ 7,746,981

The accompanying notes are an integral part of this statement.

Horizons Specialized Services and Affiliate
CONSOLIDATED 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	\$ 689,954	\$ -	\$ 689,954	\$ 667,136
Medicaid	3,667,769	-	3,667,769	3,512,001
Counties and cities	1,459,895	-	1,459,895	1,364,754
Grants and other				
Department of Housing and Urban Development	41,344	-	41,344	85,607
Other	-	-	-	90,764
Total fees and grants from governmental agencies	5,858,962	-	5,858,962	5,720,262
Public support - contributions				
Individuals and foundations	198,856	14,000	212,856	154,232
Community organizations	17,167	-	17,167	20,760
Total public support - contributions	216,023	14,000	230,023	174,992
Residential room and board	342,485	-	342,485	355,659
In-kind contributions	94,685	-	94,685	1,608
Other revenue	135,377	-	135,377	64,567
Net assets released from restrictions				
Satisfaction of program restrictions	21,000	(21,000)	-	-
Total revenues and support	6,668,532	(7,000)	6,661,532	6,317,088
Expenses				
Program services				
Medicaid comprehensive	4,464,326	-	4,464,326	4,191,387
State adult supported living	78,734	-	78,734	84,322
Medicaid adult supported living	327,037	-	327,037	263,721
Children's extensive supports	7,043	-	7,043	8,118
Early intervention	299,531	-	299,531	270,244
Family support	138,528	-	138,528	155,965
Case management	455,852	-	455,852	425,641
Total program services	5,771,051	-	5,771,051	5,399,398
Supporting services				
Management and general	903,305	-	903,305	851,865
Total expenses	6,674,356	-	6,674,356	6,251,263
CHANGE IN NET ASSETS	(5,824)	(7,000)	(12,824)	65,825
Net assets, beginning of year	7,082,902	21,000	7,103,902	7,038,077
Net assets, end of year	\$ 7,077,078	\$ 14,000	\$ 7,091,078	\$ 7,103,902

The accompanying notes are an integral part of this statement.

Horizons Specialized Services and Affiliate
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2023
(With summarized financial information for the year ended June 30, 2022)

	Program Services			
	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living	Children's extensive supports
Salaries, benefits & taxes	\$ 3,430,395	\$ 67,758	\$ 281,754	\$ 5,213
Professional services	251,771	1,218	3,390	87
Staff development & travel	29,416	1,468	1,190	33
Occupancy	206,106	7,362	13,307	897
Repairs and maintenance	155,832	430	9,510	33
Vehicles fuel and oil	11,850	-	6,382	-
Supplies	108,298	356	2,983	638
Dues and subscriptions	5,315	142	276	18
Insurance	57,035	-	8,245	-
Client assistance	27,666	-	-	124
Other	1,800	-	-	-
In-kind contributions	180	-	-	-
Depreciation and amortization	178,662	-	-	-
Total expenses	\$ 4,464,326	\$ 78,734	\$ 327,037	\$ 7,043

Program Services

Early interven- tion	Family support	Case manage- ment	Management and general	Total	
				2023	2022
\$ 227,840	\$ 25,406	\$ 400,549	\$ 714,928	\$ 5,153,843	\$ 4,879,253
33,720	64,234	897	42,202	397,519	255,023
7,788	781	3,752	5,349	49,777	56,533
16,242	2,887	25,246	15,468	287,515	297,490
2,229	573	5,327	26,216	200,150	183,333
535	119	651	998	20,535	19,888
1,291	1,675	3,416	11,970	130,627	136,574
3,834	164	2,937	18,457	31,143	26,267
4,137	1,657	6,386	18,799	96,259	92,014
-	40,428	-	-	68,218	60,835
221	50	601	20,908	23,580	17,306
-	-	-	388	568	1,608
1,694	554	6,090	27,622	214,622	225,139
<u>\$ 299,531</u>	<u>\$ 138,528</u>	<u>\$ 455,852</u>	<u>\$ 903,305</u>	<u>\$ 6,674,356</u>	<u>\$ 6,251,263</u>

Horizons Specialized Services and Affiliate
CONSOLIDATED 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	\$ (12,824)	\$ 65,825
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	214,622	225,139
Loss on disposal of land, building and equipment	11,618	-
In-kind donations of land, buildings and equipment	(94,117)	-
Realized/unrealized (gain) loss on investments	(10,931)	19,363
Interest income reinvested in certificates of deposit	(4,977)	(1,426)
Noncash change in beneficial interest in assets held by others	(3,476)	6,799
Change in assets and liabilities		
Increase in accounts receivable	(57,256)	(105,745)
(Increase) decrease in prepaid expenses and other	(51,274)	14,954
Increase in accounts payable	139,946	26,621
Increase (decrease) in accrued payroll and employee benefits	129	(6,761)
Increase (decrease) in deferred revenue	154,441	(12,380)
Net cash provided by operating activities	285,901	232,389
Cash flows from investing activities		
Purchase of land, buildings and equipment	(55,270)	(160,809)
Net cash used in investing activities	(55,270)	(160,809)
NET INCREASE IN CASH AND CASH EQUIVALENTS	230,631	71,580
Cash and cash equivalents, beginning of year	2,790,553	2,718,973
Cash and cash equivalents, end of year	\$ 3,021,184	\$ 2,790,553
Noncash investing and financing activities		
Fixed asset additions from donations	\$ 94,117	\$ -

The accompanying notes are an integral part of this statement.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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

This description of Horizons Specialized Services and Affiliate’s (the Center) nature of activities and summary of significant accounting policies is presented to assist in understanding the Center’s consolidated financial statements.

1. *Summary of Business Activities*

Horizons Specialized Services, a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado in 1975 for the purpose of providing a community center board to coordinate programs through interagency cooperation and local agencies to provide services to persons with developmental disabilities in Grand, Jackson, Moffat, Rio Blanco and Routt Counties. The Center’s revenue comes primarily from the State of Colorado for services provided and mill levy revenue from Routt County.

2. *Principles of Consolidation*

The consolidated financial statements of the Center include its affiliate, Soda Creek Apartments, Inc. (SCA), a Colorado nonprofit corporation. SCA is an affiliate of the Center due to the fact that the Center exercises control over its Board of Directors. Significant intercompany accounts and transactions have been eliminated.

3. *Description of Services Provided*

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

Program Services or Supports

Comprehensive (Medicaid) refers to residential services, adult day services or supports and transportation activities as specified in the 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. Additionally, adult day services provide opportunities for individuals to experience and actively participate in valued roles in the community. These services and supports enable individuals to access and participate in typical community activities such as work, recreation, and senior citizen activities. Finally, transportation activities refer to “Home to Day Program transportation” services relevant to an individual’s work schedule as specified in the IP. For these purposes, “work schedule” is defined broadly to include adult and retirement activities such as education, training, community integration and employment.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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

3. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

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

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

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

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

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

Supporting Services

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

4. *Basis of Accounting*

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

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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

5. *Use of Estimates*

In preparing consolidated 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 consolidated financial statements, and the reported amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

6. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through March 12, 2024, the date on which the consolidated financial statements were issued. The Center did not identify any events or transactions that would have a material impact on the consolidated financial statements, except for those disclosed in Note L.

7. *Cash and Cash Equivalents*

For purposes of the consolidated statement of cash flows, the Center considers cash to be cash on hand and cash on deposit, subject to immediate withdrawal, and considers cash equivalents to be certificates of deposit with an original maturity of three months or less.

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

8. *Certificates of Deposit and Charitable Gift Annuity Investments*

The Center records certificates of deposit at each certificate's principal and accrued interest amounts. Certificates of deposit consist of a number of individual certificates with interest rates between 0.07% and 4.40%. The charitable gift annuity investment is recorded at fair value in the consolidated statement of financial position and consists of a mutual fund.

9. *Accounts Receivable*

The majority of the Center'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. The Center believes all receivables are collectible and that no allowance for uncollectible receivables is necessary. The Center 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.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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

10. *Land, Buildings and Equipment*

Land, buildings and equipment are reported at cost for purchased assets greater than \$2,500 and at estimated fair value, at date of receipt, for donated property greater than \$2,500.

Depreciation is provided on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	2–35
Administrative and other equipment	2–5
Program equipment	2–5
Transportation equipment	3–5

11. *Leases*

As of July 1, 2022, the Center 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 the Center to record operating lease assets and corresponding lease liabilities on the balance sheet and disclose key quantitative and qualitative information about lease contracts.

Under ASC 842, the Center 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 payments 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. The Center used their incremental borrowing rate. The Center recognized operating lease expense for operating leases on a straight-line basis over the lease term.

The Center leases residential and office space 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 consolidated statement of financial position 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 residential and office space leases.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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

12. *Net Assets*

From time to time, the Center's Board of Directors approves designating net assets for future use for a specific purpose.

13. *Revenue Recognition*

Revenue is reported at the amount that reflects the consideration to which the Center 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 Routt 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.

14. *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 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 are reported in the consolidated statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are reported as net assets without donor restrictions.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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

15. *In-kind Contributions*

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

16. *Change in Accounting Policy*

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. The Center adopted ASU 2016-02 on July 1, 2022, using the modified retrospective approach for operating leases, with a term, greater than 12 months. As permitted by the guidance, prior comparative periods will not be adjusted under this method.

The adoption of ASU 2016-02, *Leases*, resulted in recognition of operating lease assets in the amount of \$125,814 and lease liabilities in the amount of \$125,814 for operating leases on the consolidated statement of financial position as of July 1, 2022.

17. *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.

18. *Income Taxes*

The Center is operated as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Center recognizes tax liabilities when, despite the Center's belief that its tax return positions are supportable, the Center 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. The Center has concluded there is no tax liability or benefit required to be recorded as of June 30, 2023. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. The Center believes it is no longer subject to income tax examinations for the years prior to the year ended June 30, 2020.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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

19. *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. The Center'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.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

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

20. *Prior Year Summarized Information*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center’s financial statements for the year ended June 30, 2022, from which the summarized information was derived.

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	\$ 3,021,184
Certificates of deposit	818,145
Accounts receivable	<u>696,247</u>
Total financial assets	4,535,576
Less financial assets held to meet donor Imposed restrictions:	
Purpose restricted net assets (Note H)	<u>(14,000)</u>
	<u>\$ 4,521,576</u>

As a part of the Center’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.

NOTE C – CHARITABLE GIFT ANNUITY

The Center is the trustee for a charitable gift annuity which provides for monthly annuity payments of \$493 to the annuitant during his life with the remainder to be paid to the Center. Trust assets are recorded at fair market value at the time of donation and the related liability is calculated as the present value of future annuity payments based on the life expectancy of the donor and the current applicable Internal Revenue Service actuarial tables. Contribution revenue was recorded for the balance of assets donated less the annuity liability at the time of donation. The discount rate used to determine the present value of the future obligations to the annuitant was 4.2%. The assets for the annuity are invested in growth mutual funds totaling \$145,335 at June 30, 2023. These investments are recorded at fair value in the consolidated statement of financial position.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE D – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Center transferred assets to the Yampa Valley Community Foundation (YVCF) to establish permanent funds that benefit the Center. Under the terms of the agreement, the Center receives income generated by the transferred assets and reinvests the income in the fund. The Center can withdraw all or a portion of the original amount transferred, any appreciation on those transferred assets, or both, at its discretion. At the time of the transfer, the Center granted variance power to YVCF. That power gives YVCF the right to distribute the investment income and principal to another nonprofit organization of its choice if the Center ceases to exist. If YVCF ceases to exist, the net assets of the permanent funds shall be distributed to such charitable organizations as the governing board of YVCF may select, with primary consideration being given to the Center. At June 30, 2023, the permanent fund has a value of \$34,613, which is reported in the statement of financial position as beneficial interest in assets held by others.

NOTE E – LAND, BUILDINGS AND EQUIPMENT

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

Buildings and improvements	\$ 5,112,716
Administrative and other equipment	221,328
Program equipment	93,862
Transportation equipment	<u>903,488</u>
	6,331,394
Less accumulated depreciation	<u>4,036,437</u>
	2,294,957
Land	<u>913,489</u>
	\$ <u>3,208,446</u>

Depreciation expense was \$214,622 for the year ended June 30, 2023.

NOTE F – LEASES

The Center has operating leases for real estate and equipment. The Center determines if an arrangement is a lease at the inception of a contract and recognizes operating lease expense on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are not recorded on the consolidated statement of financial position and are expensed on a straight-line basis.

Total rent expense was \$159,451 for the year ended June 30, 2023 and is included in occupancy on the consolidated statement of functional expenses.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE F – LEASES (CONTINUED)

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating lease liabilities reported on the consolidated statement of financial position:

2024	\$	80,474
2025		26,450
2026		<u>7,550</u>
Total lease payments		114,474
Less interest		<u>(6,798)</u>
Present value of lease liability	\$	<u>107,676</u>

Average operating lease terms and discount rate at June 30, 2023 were as follows:

Weighted average remaining lease term (years)	1.63
Weighted average discount rate	8.50%

The following summarizes cash paid for operating lease liabilities and other non-cash information:

Operating cash flows from operating leases	\$ 99,898
Right of use assets obtained in exchange for operating lease obligations	\$ 164,722

NOTE G – DEFERRED REVENUE

Deferred revenue of \$383,524 at June 30, 2023 consists of unspent mill levy funds from Routt County.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$14,000 as of June 30, 2023 consist of contributions to be used for various client programs.

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, miscellaneous and interest, which are allocated on the basis of usage studies, square footage and other methods.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE J – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue from the State of Colorado. The amount of receivables the Center has from the State of Colorado is \$691,507. The Center has a payable to the State of Colorado in the amount of \$69,765 which is recorded in accounts payable. These transactions are considered to be transactions with a related party by virtue of the significant management influence exercised by the State of Colorado through contract provisions.

NOTE K – FAIR VALUE MEASUREMENTS

The following table presents the Center’s 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:				
Mutual funds	\$ 145,335	\$ 145,335	\$ -	\$ -
Beneficial interest in				
assets held by others	<u>34,613</u>	<u>-</u>	<u>34,613</u>	<u>-</u>
	<u>\$ 179,948</u>	<u>\$ 145,335</u>	<u>\$ 34,613</u>	<u>\$ -</u>

NOTE L – COMMITMENTS AND CONTINGENCIES

During fiscal year 2013, the Center received a Community Development Block Grant (CDBG) from the City of Steamboat Springs, Colorado in the amount of \$233,842 for the purchase of land on which the Center constructed an apartment building to be occupied by very low-income people with disabilities. The grant contract provides that as long as the facility is used to provide affordable housing for a period of 40 years from the construction close out date, which was during fiscal year 2014, the Center will not be required to repay any portion of the grant. If any default occurs, the grant becomes immediately payable in full, but bears no interest.

During fiscal year 2014, the Center received a capital advance from HUD in the amount of \$1,272,700 to construct an apartment complex for very low income people with disabilities. Provided the facility remains available for occupancy by very low income people with disabilities through February 1, 2054, the capital advance will not become payable back to HUD. If any default occurs, the capital advance bears interest at 3.0% accruing from the closeout date and becomes immediately payable.

Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE L – COMMITMENTS AND CONTINGENCIES (CONTINUED)

During fiscal year 2014, the Center received a grant from the Affordable Housing Program through First National Bank of the Rockies in the amount of \$105,000. If the constructed property is not used for affordable housing, as defined by the Federal Housing Finance Board, then the Center must repay the funds back to the First National Bank of the Rockies. This contingency expires 15 years from the contract date, which was June 17, 2013.

NOTE M – SUBSEQUENT EVENTS

In July 2023, the Center was notified by the Colorado Department of Health Care Policy and Financing (HCPF) that the Center would be subject to Phase 3 of Case Management Redesign, beginning March 1, 2024 and ending June 30, 2024. During this time, the majority of case management functions will be transferred to Rocky Mountain Health Maintenance Organization, Inc (RMHP). The Center will retain some Early Intervention case management functions.

This transition is occurring due to the requirements set forth in the HCBS Settings Final Rule. This rule was issued in 2014 by the Centers for Medicare & Medicaid Services (CMS), HCPF's federal partner, and requires home and community-based services be delivered separately from case management. Colorado had previously received an extension through an approved corrective action plan until the current period.

There are risks associated with the transition of case management services to RMHP. Accurate documentation of client information and prior authorizations for services are a requirement for timely payment of services rendered. Inaccurate documentation or timely corrections on the part of RMHP may increase days receivable. Furthermore, additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also arise.

Supplementary and Other Information

Horizons Specialized Services and Affiliate
CONSOLIDATED SUMMARY OF REVENUES, SUPPORT AND EXPENSES BY PROGRAM
Year ended June 30, 2023
(With summarized financial information for the year ended June 30, 2022)

	Program Services			
	Non specified	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ -	\$ -	\$ 13,902	\$ -
Medicaid	-	3,288,369	-	139,644
Counties and cities	-	525,380	-	27,023
Grants and other				
Department of Housing and Urban Development	-	41,344	-	-
Other	-	-	-	-
Total fees and grants from governmental agencies	-	3,855,093	13,902	166,667
Public support - contributions				
Individuals and foundations	211,043	1,813	-	-
Community organizations	17,167	-	-	-
Residential room and board	-	342,485	-	-
In-kind contributions	-	180	-	-
Other revenue	107,768	(1,195)	-	-
Total revenues and support	<u>\$ 335,978</u>	<u>\$ 4,198,376</u>	<u>\$ 13,902</u>	<u>\$ 166,667</u>
Expenses				
Salaries				
Direct care	\$ -	\$ 2,881,142	\$ 49,466	\$ 237,086
Other	-	6,178	-	-
Payroll taxes	-	209,263	4,129	18,557
Employee benefits	-	333,812	14,163	26,111
Total personal services	-	3,430,395	67,758	281,754
Medical professional services				
Physicians	-	-	864	2,470
Other	-	1,920	-	-
Other professional services	-	249,851	354	920
Staff development	-	27,479	1,201	1,008
Staff travel	-	1,937	267	182
Vehicles				
Fuel and oil	-	11,850	-	6,382
Maintenance	-	18,681	-	8,267

Program Services

Children's extensive supports	Early interven- tion	Family support	Case manage- ment	Management and general	Total	
					2023	2022
\$ -	\$ 263,131	\$ 104,323	\$ 257,085	\$ 51,513	\$ 689,954	\$ 667,136
56	-	-	193,300	46,400	3,667,769	3,512,001
-	8,816	1,983	28,195	868,498	1,459,895	1,364,754
-	-	-	-	-	41,344	85,607
-	-	-	-	-	-	90,764
56	271,947	106,306	478,580	966,411	5,858,962	5,720,262
-	-	-	-	-	212,856	154,232
-	-	-	-	-	17,167	20,760
-	-	-	-	-	342,485	355,659
-	-	-	-	94,505	94,685	1,608
-	26,304	-	2,500	-	135,377	64,567
<u>\$ 56</u>	<u>\$ 298,251</u>	<u>\$ 106,306</u>	<u>\$ 481,080</u>	<u>\$ 1,060,916</u>	<u>\$ 6,661,532</u>	<u>\$ 6,317,088</u>
\$ 3,924	\$ 196,433	\$ 20,100	\$ -	\$ -	\$ 3,388,151	\$ 3,145,373
-	-	-	335,884	601,429	943,491	883,486
304	15,711	971	24,783	45,451	319,169	309,812
985	15,696	4,335	39,882	68,048	503,032	540,582
5,213	227,840	25,406	400,549	714,928	5,153,843	4,879,253
-	-	19,195	-	-	22,529	34,920
-	17,998	9,760	-	-	29,678	18,677
87	15,722	35,279	897	42,202	345,312	201,426
32	2,219	42	483	5,349	37,813	52,290
1	5,569	739	3,269	-	11,964	4,243
-	535	119	651	998	20,535	19,888
-	228	46	469	2,007	29,698	30,040

(Continued)

Horizons Specialized Services and Affiliate
CONSOLIDATED SUMMARY OF REVENUES, SUPPORT AND EXPENSES BY PROGRAM (CONTINUED)
Year ended June 30, 2023
(With summarized financial information for the year ended June 30, 2022)

	Program Services			
	Non specified	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living
Occupancy				
Rent	\$ -	\$ 107,170	\$ 6,343	\$ 10,972
Maintenance	-	134,540	341	884
Utilities	-	74,346	-	-
Equipment				
Maintenance	-	2,611	89	359
Supplies				
Medical and client care supplies	-	33,288	165	2,209
Other	-	75,010	191	774
Telephone	-	24,590	1,019	2,335
Dues and subscriptions	-	5,315	142	276
Food	-	27,666	-	-
Insurance	-	57,035	-	8,245
Client assistance	-	-	-	-
Other	-	1,800	-	-
In-kind contributions	-	180	-	-
Expenses before depreciation and amortization	-	4,285,664	78,734	327,037
Depreciation and amortization	-	178,662	-	-
Total expenses	\$ -	\$ 4,464,326	\$ 78,734	\$ 327,037

Program Services

Children's extensive supports	Early interven- tion	Family support	Case manage- ment	Management and general	Total	
					2023	2022
\$ 784	\$ 13,225	\$ 2,110	\$ 18,019	\$ 828	\$ 159,451	\$ 178,482
25	980	365	3,780	23,543	164,458	147,513
-	299	146	1,606	10,318	86,715	82,343
8	1,021	162	1,078	666	5,994	5,780
628	-	1,177	-	-	37,467	43,901
10	1,291	498	3,416	11,970	93,160	92,673
113	2,718	631	5,621	4,322	41,349	36,665
18	3,834	164	2,937	18,457	31,143	26,267
-	-	-	-	-	27,666	30,353
-	4,137	1,657	6,386	18,799	96,259	92,014
124	-	40,428	-	-	40,552	30,482
-	221	50	601	20,908	23,580	17,306
-	-	-	-	388	568	1,608
7,043	297,837	137,974	449,762	875,683	6,459,734	6,026,124
-	1,694	554	6,090	27,622	214,622	225,139
<u>\$ 7,043</u>	<u>\$ 299,531</u>	<u>\$ 138,528</u>	<u>\$ 455,852</u>	<u>\$ 903,305</u>	<u>\$ 6,674,356</u>	<u>\$ 6,251,263</u>

Horizons Specialized Services and Affiliate
 STATISTICAL DATA (UNAUDITED)
 Year ended June 30, 2023

	Program Services		
	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living
Total expenses	\$ 4,464,326	\$ 78,734	\$ 327,037
Statistical Data (Unaudited)			
1. Total days in residential used	16,979		
2. Unduplicated number of individuals	49	7	23
Cost per unit of service			
Adjusted total expense/item 1	\$ 263		
Adjusted total expense/item 2		\$ 11,248	\$ 14,219

Program Services

<u>Children's extensive supports</u>	<u>Early interven- tion</u>	<u>Family support</u>	<u>Case manage- ment</u>	<u>Management and general</u>	<u>Total</u>
<u>\$ 7,043</u>	<u>\$ 299,531</u>	<u>\$ 138,528</u>	<u>\$ 455,852</u>	<u>\$ 903,305</u>	<u>\$ 6,674,356</u>

2 92 118 341

\$ 3,522 \$ 3,256 \$ 1,174 \$ 1,337

Horizons Specialized Services and Affiliate
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2023

	Horizons Specialized Services	Soda Creek Apartments, Inc.	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,944,505	\$ 76,679	\$ -	\$ 3,021,184
Certificates of deposit	818,145	-	-	818,145
Accounts receivable				
Fees and grants from governmental agencies	696,247	-	-	696,247
Other	6,311	-	(6,311)	-
Prepaid expenses and other	104,446	257	-	104,703
Total current assets	<u>4,569,654</u>	<u>76,936</u>	<u>(6,311)</u>	<u>4,640,279</u>
Charitable gift annuity investment	145,335	-	-	145,335
Beneficial interest in assets held by others	34,613	-	-	34,613
Right of use assets - operating leases	107,676	-	-	107,676
Land, building and equipment, net	1,866,171	1,567,093	(224,818)	3,208,446
Total assets	<u>\$ 6,723,449</u>	<u>\$ 1,644,029</u>	<u>\$ (231,129)</u>	<u>\$ 8,136,349</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 238,009	\$ 20,713	\$ (6,311)	\$ 252,411
Accrued payroll and employee benefits	301,660	-	-	301,660
Current portion of lease obligation - operating	75,093	-	-	75,093
Deferred revenue	383,524	-	-	383,524
Total current liabilities	<u>998,286</u>	<u>20,713</u>	<u>(6,311)</u>	<u>1,012,688</u>
Noncurrent liabilities				
Long-term lease obligation - operating	32,583	-	-	32,583
Total liabilities	<u>1,030,869</u>	<u>20,713</u>	<u>(6,311)</u>	<u>1,045,271</u>
Net assets				
Without donor restrictions				
Board designated				
Operating reserve	1,154,746	-	-	1,154,746
Mill levy funds	2,949,618	-	-	2,949,618
Net investment in land, building and equipment	1,866,171	1,567,093	(224,818)	3,208,446
Undesignated	(291,955)	56,223	-	(235,732)
Total without donor restrictions	<u>5,678,580</u>	<u>1,623,316</u>	<u>(224,818)</u>	<u>7,077,078</u>
With donor restrictions	14,000	-	-	14,000
Total net assets	<u>5,692,580</u>	<u>1,623,316</u>	<u>(224,818)</u>	<u>7,091,078</u>
Total liabilities and net assets	<u>\$ 6,723,449</u>	<u>\$ 1,644,029</u>	<u>\$ (231,129)</u>	<u>\$ 8,136,349</u>

Horizons Specialized Services and Affiliate
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended June 30, 2023

	Horizons Specialized Services	Soda Creek Apartments, Inc.	Eliminations	Total
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ 689,954	\$ -	\$ -	\$ 689,954
Medicaid	3,667,769	-	-	3,667,769
Counties and cities	1,459,895	-	-	1,459,895
Grants and other				
Department of Housing and Urban Development	21,911	19,433	-	41,344
Total fees and grants from governmental agencies	5,839,529	19,433	-	5,858,962
Public support - contributions				
Individuals and foundations	212,856	-	-	212,856
Community organizations	17,167	-	-	17,167
Total public support - contributions	230,023	-	-	230,023
Residential room and board	310,239	32,246	-	342,485
In-kind contributions	94,685	-	-	94,685
Other revenue	148,250	103	(12,976)	135,377
Total revenues and support	6,622,726	51,782	(12,976)	6,661,532
Expenses				
Program services				
Medicaid comprehensive	4,382,061	82,265	-	4,464,326
State adult supported living	78,734	-	-	78,734
Medicaid adult supported living	327,037	-	-	327,037
Children's extensive supports	7,043	-	-	7,043
Early intervention	299,531	-	-	299,531
Family support	138,528	-	-	138,528
Case management	455,852	-	-	455,852
Total program services	5,688,786	82,265	-	5,771,051
Supporting services				
Management and general	891,172	25,109	(12,976)	903,305
Total expenses	6,579,958	107,374	(12,976)	6,674,356
CHANGE IN NET ASSETS	42,768	(55,592)	-	(12,824)
Net assets, beginning of year	5,649,812	1,678,908	(224,818)	7,103,902
Net assets, end of year	\$ 5,692,580	\$ 1,623,316	\$ (224,818)	\$ 7,091,078