

Working Draft Subject to Change

Consolidated Financial Statements and
Independent Auditor's Report

Horizons Specialized Services and Affiliate

June 30, 2022

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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), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated 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 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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 2021 consolidated financial statements, and our report dated April 8, 2022, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the 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 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 audits 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 information on pages 24 through 27 and pages 30 through 31 is fairly stated in all material respects in relation to the 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.

Broomfield, Colorado

April 8, 2022

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Consolidated Financial Statements

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Horizons Specialized Services and Affiliate
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2022
(With summarized financial information as of June 30, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,790,553	\$ 2,718,973
Certificates of deposit	813,168	811,742
Accounts receivable		
Fees and grants from governmental agencies	625,210	533,246
Prepaid expenses and other	53,429	68,383
Total current assets	<u>4,282,360</u>	<u>4,132,344</u>
Charitable gift annuity investment	134,404	153,767
Beneficial interest in assets held by others	31,137	37,936
Land, buildings and equipment, net	3,285,299	3,349,629
Total assets	<u>\$ 7,733,200</u>	<u>\$ 7,673,676</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 117,398	\$ 85,844
Accrued payroll and employee benefits	301,531	308,292
Deferred revenue	229,083	241,463
Total current liabilities	<u>648,012</u>	<u>635,599</u>
Total liabilities	648,012	635,599
Net assets		
Without donor restrictions		
Board designated		
Operating reserve	1,154,746	1,154,746
Mill levy funds	2,417,130	1,852,193
Net investment in land, buildings and equipment	3,285,299	3,349,629
Undesignated	207,013	647,902
Total without donor restrictions	<u>7,064,188</u>	<u>7,004,470</u>
With donor restrictions	21,000	33,607
Total net assets	<u>7,085,188</u>	<u>7,038,077</u>
Total liabilities and net assets	<u>\$ 7,733,200</u>	<u>\$ 7,673,676</u>

The accompanying notes are an integral part of this statement.

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Horizons Specialized Services and Affiliate CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2022

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

	Without donor restrictions	With donor restrictions	Total	
			2022	2021
Revenues and support				
Fees and grants from governmental agencies				
Fees for services				
State of Colorado				
State General Fund	\$ 598,996	\$ -	\$ 598,996	\$ 772,009
Medicaid	3,512,001	-	3,512,001	3,162,379
Counties and cities	1,364,754	-	1,364,754	1,275,778
Grants and other				
Part C	76,638	-	76,638	83,897
Department of Housing and Urban Development	85,607	-	85,607	92,044
Other	81,132	-	81,132	16,666
Total fees and grants from governmental agencies	5,719,128	-	5,719,128	5,402,773
Public support - contributions				
Individuals and foundations	95,587	58,645	154,232	170,711
Community organizations	20,760	-	20,760	31,125
Total public support - contributions	116,347	58,645	174,992	201,836
Residential room and board	355,659	-	355,659	360,657
In-kind contributions	1,608	-	1,608	222,646
Other revenue	61,367	-	61,367	136,395
Net assets released from restrictions				
Satisfaction of program restrictions	71,252	(71,252)	-	-
Total revenues and support	6,325,361	(12,607)	6,312,754	6,324,307
Expenses				
Program services				
Medicaid comprehensive	4,194,636	-	4,194,636	4,293,906
State adult supported living	84,322	-	84,322	73,483
Medicaid adult supported living	263,927	-	263,927	233,783
Children's extensive supports	8,118	-	8,118	5,553
Early intervention	270,244	-	270,244	295,835
Family support	155,965	-	155,965	170,857
Case management	425,641	-	425,641	370,347
Total program services	5,402,853	-	5,402,853	5,443,764
Supporting services				
Management and general	862,790	-	862,790	846,875
Total expenses	6,265,643	-	6,265,643	6,290,639
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	59,718	(12,607)	47,111	33,668
Forgiveness of PPP loan and accrued interest	-	-	-	988,663
CHANGE IN NET ASSETS	59,718	(12,607)	47,111	1,022,331
Net assets, beginning of year	7,004,470	33,607	7,038,077	6,015,746
Net assets, end of year	\$ 7,064,188	\$ 21,000	\$ 7,085,188	\$ 7,038,077

The accompanying notes are an integral part of this statement.

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Horizons Specialized Services and Affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

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

Program Services

	<u>Medicaid</u>	<u>State adult</u>	<u>Medicaid</u>	<u>Children's</u>
	<u>comprehen-</u>	<u>supported</u>	<u>adult</u>	<u>extensive</u>
	<u>sive</u>	<u>living</u>	<u>supported</u>	<u>supports</u>
	<u>living</u>	<u>living</u>	<u>living</u>	<u>living</u>
Salaries, benefits & taxes	\$ 3,291,671	\$ 74,232	\$ 221,238	\$ 5,014
Professional services	102,988	2,253	3,412	3
Staff development & travel	38,238	63	1,481	2
Occupancy	221,412	6,839	12,411	834
Repairs and maintenance	140,320	419	6,442	40
Vehicles fuel and oil	11,710	-	5,575	-
Supplies	107,960	466	5,652	2,219
Dues and subscriptions	4,884	50	131	6
Insurance	55,147	-	7,585	-
Client assistance	30,553	-	-	-
Other	1,859	-	-	-
In-kind contributions	143	-	-	-
Depreciation and amortization	187,751	-	-	-
Total expenses	<u>\$ 4,194,636</u>	<u>\$ 84,322</u>	<u>\$ 263,927</u>	<u>\$ 8,118</u>

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Program Services

Early interven- tion	Family support	Case manage- ment	Management and general	Total	
				2022	2021
\$ 224,406	\$ 20,896	\$ 380,842	\$ 660,954	\$ 4,879,253	\$ 4,735,781
11,722	92,580	229	52,761	265,948	221,631
3,311	34	978	12,426	56,533	32,498
15,972	2,632	23,659	13,731	297,490	295,008
1,230	476	4,441	30,408	183,776	137,684
329	48	489	1,737	19,888	9,322
2,913	6,909	1,744	8,711	136,574	179,187
2,942	20	1,739	16,495	26,267	20,874
3,871	1,597	6,075	20,751	95,026	85,472
-	30,282	-	-	60,835	89,215
101	40	479	14,827	17,306	21,908
-	-	-	1,465	1,608	222,646
3,447	451	4,966	28,524	225,139	239,413
<u>\$ 270,244</u>	<u>\$ 155,965</u>	<u>\$ 425,641</u>	<u>\$ 862,790</u>	<u>\$ 6,265,643</u>	<u>\$ 6,290,639</u>

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Horizons Specialized Services and Affiliate

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2022

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

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 47,111	\$ 1,022,331
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	225,139	239,413
Loss on disposal of land, building and equipment	-	3,076
Realized/unrealized (gain) loss on investments	19,363	(30,674)
Interest income reinvested in certificates of deposit	(1,426)	(6,541)
Noncash change in beneficial interest in assets held by others	6,799	(8,481)
Gain on forgiveness of debt	-	(986,500)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(91,964)	109,128
Decrease in prepaid expenses and other	14,954	2,229
Increase in accounts payable	31,554	21,347
Increase (decrease) in accrued payroll and employee benefits	(6,761)	12,059
Decrease in deferred revenue	(12,380)	(86,974)
Net cash provided by operating activities	<u>232,389</u>	<u>290,413</u>
Cash flows from investing activities		
Purchase of land, buildings and equipment	(160,809)	(60,158)
Net cash used in investing activities	<u>(160,809)</u>	<u>(60,158)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	71,580	230,255
Cash and cash equivalents, beginning of year	<u>2,718,973</u>	<u>2,488,718</u>
Cash and cash equivalents, end of year	<u>\$ 2,790,553</u>	<u>\$ 2,718,973</u>
Noncash investing activities		
Forgiveness of debt and accrued interest	\$ -	\$ 988,663

The accompanying notes are an integral part of this statement.

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Horizons Specialized Services and Affiliate NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

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.

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Horizons Specialized Services and Affiliate NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

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.

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Horizons Specialized Services and Affiliate NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

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 **April 8, 2022**, the date on which the consolidated financial statements were issued.

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 .75%. 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

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Horizons Specialized Services and Affiliate NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

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

9. *Accounts Receivable (Continued)*

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.

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. *Net Assets*

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

12. *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.

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Horizons Specialized Services and Affiliate NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

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

13. *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 and 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.

14. *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.

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.

16. *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, 2022. 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, 2019.

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Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

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

17. *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.

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Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

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

18. *Prior Year Summarized Information and Reclassification*

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

19. *Recent Accounting Pronouncements*

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

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Horizons Specialized Services and Affiliate NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

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	\$ 2,790,553
Certificates of deposit	813,168
Accounts receivable	<u>625,210</u>
Total financial assets	4,228,931
Less financial assets held to meet donor Imposed restrictions:	
Purpose restricted net assets (Note G)	<u>(21,000)</u>
	<u>\$ 4,207,931</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

During fiscal year 2007, the Center became 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 2.8%. The assets for the annuity are invested in growth mutual funds totaling \$134,404 at June 30, 2022. These investments are recorded at fair value in the consolidated statement of financial position.

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

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Horizons Specialized Services and Affiliate NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

NOTE D – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (CONTINUED)

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, 2022, the permanent fund has a value of \$31,137, 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, 2022:

Buildings and improvements	\$ 5,087,973
Administrative and other equipment	221,328
Program equipment	93,862
Transportation equipment	<u>809,371</u>
	6,212,534
Less accumulated depreciation	<u>3,840,724</u>
	2,371,810
Land	<u>913,489</u>
	\$ <u>3,285,299</u>

Depreciation expense was \$225,139 for the year ended June 30, 2022.

NOTE F – DEFERRED REVENUE

Deferred revenue of \$229,083 at June 30, 2022 consists of unspent mill levy funds from Routt County.

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$21,000 as of June 30, 2022 consist of contributions to be used for various client programs.

NOTE H – LEASES

The Center rents several residences used primarily for the residential program under operating lease agreements. Some of these leases are on a month-by-month basis and, therefore, are not subject to future minimum rental commitments. Rent expense for the year ended June 30, 2022 was \$178,482. The Center renewed two lease agreements after year end that both expire in 2026. The future minimum lease payments on the renewed agreements are included in the amounts below.

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Horizons Specialized Services and Affiliate NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

NOTE H – LEASES (CONTINUED)

Future minimum lease payments under noncancelable operating leases at June 30, 2022 are as follows:

Year ending June 30,	
2023	\$ 130,534
2024	80,704
2025	10,728
2026	<u>1,050</u>
	\$ <u>223,016</u>

NOTE I – FUNCTIONALIZED EXPENSES

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

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 \$568,818. 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, 2022:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Mutual funds	\$ 134,404	\$ 134,404	\$ -	\$ -
Beneficial interest in				
assets held by others	<u>31,137</u>	<u>-</u>	<u>31,137</u>	<u>-</u>
	\$ <u>165,541</u>	\$ <u>134,404</u>	\$ <u>31,137</u>	\$ <u>-</u>

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Horizons Specialized Services and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

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.

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.

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Supplementary and Other Information

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Horizons Specialized Services and Affiliate

CONSOLIDATED SUMMARY OF REVENUES, SUPPORT AND EXPENSES BY PROGRAM

Year ended June 30, 2022

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

	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	\$ -	\$ -	\$ 27,316	\$ -
Medicaid	-	3,198,918	-	92,493
Counties and cities	-	276,873	-	5,981
Grants and other				
Part C	-	-	-	-
Department of Housing and Urban Development	-	85,607	-	-
Other	-	76,764	-	-
Total fees and grants from governmental agencies	-	3,638,162	27,316	98,474
Public support - contributions				
Individuals and foundations	150,074	1,658	-	-
Community organizations	20,760	-	-	-
Residential room and board	-	355,659	-	-
In-kind contributions	-	143	-	-
Other revenue	21,320	21,483	-	-
Total revenues and support	<u>\$ 192,154</u>	<u>\$ 4,017,105</u>	<u>\$ 27,316</u>	<u>\$ 98,474</u>
Expenses				
Salaries				
Direct care	\$ -	\$ 2,691,293	\$ 58,271	\$ 183,538
Other	-	11,175	-	-
Payroll taxes	-	209,126	4,520	14,336
Employee benefits	-	380,077	11,441	23,364
Total personal services	-	3,291,671	74,232	221,238
Medical professional services				
Physicians	-	295	325	1,472
Other	-	1,602	1,080	-
Other professional services	-	101,091	848	1,940
Staff development	-	37,121	58	1,192
Staff travel	-	1,117	5	289
Vehicles				
Fuel and oil	-	11,710	-	5,575
Maintenance	-	22,664	5	5,135

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Program Services						
Children's extensive supports	Early interven- tion	Family support	Case manage- ment	Management and general	Total	
					2022	2021
\$ -	\$ 183,412	\$ 105,210	\$ 241,526	\$ 41,532	\$ 598,996	\$ 772,009
112	-	-	185,463	35,015	3,512,001	3,162,379
-	-	6,769	750	1,074,381	1,364,754	1,275,778
-	9,632	-	16,742	50,264	76,638	83,897
-	-	-	-	-	85,607	92,044
-	-	4,368	-	-	81,132	16,666
112	193,044	116,347	444,481	1,201,192	5,719,128	5,402,773
-	-	2,500	-	-	154,232	170,711
-	-	-	-	-	20,760	31,125
-	-	-	-	-	355,659	360,657
-	-	-	-	1,465	1,608	222,646
-	18,564	-	-	-	61,367	136,395
<u>\$ 112</u>	<u>\$ 211,608</u>	<u>\$ 118,847</u>	<u>\$ 444,481</u>	<u>\$ 1,202,657</u>	<u>\$ 6,312,754</u>	<u>\$ 6,324,307</u>
\$ 3,950	\$ 192,293	\$ 16,028	\$ -	\$ -	\$ 3,145,373	\$ 2,972,891
-	-	-	317,741	554,570	883,486	822,049
323	13,783	1,073	22,333	44,318	309,812	282,470
741	18,330	3,795	40,768	62,066	540,582	658,371
5,014	224,406	20,896	380,842	660,954	4,879,253	4,735,781
-	-	32,828	-	-	34,920	24,888
-	3,088	12,907	-	-	18,677	30,677
3	8,634	46,845	229	52,761	212,351	166,066
2	362	40	1,089	12,426	52,290	31,135
-	2,949	(6)	(111)	-	4,243	1,363
-	329	48	489	1,737	19,888	9,322
-	239	100	989	1,114	30,246	31,845

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Horizons Specialized Services and Affiliate

CONSOLIDATED SUMMARY OF REVENUES, SUPPORT AND EXPENSES BY PROGRAM (CONTINUED)

Year ended June 30, 2022

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

	Program Services			
	Non specified	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living
Occupancy				
Rent	\$ -	\$ 128,139	\$ 5,747	\$ 10,041
Maintenance	-	114,971	321	997
Utilities	-	71,812	-	-
Equipment				
Maintenance	-	2,685	93	310
Supplies				
Medical and client care supplies	-	31,790	310	2,889
Other	-	76,170	156	2,763
Telephone	-	21,461	1,092	2,370
Dues and subscriptions	-	4,884	50	131
Food	-	30,353	-	-
Insurance	-	55,147	-	7,585
Client assistance	-	200	-	-
Other	-	1,859	-	-
In-kind contributions	-	143	-	-
Expenses before depreciation and amortization	-	4,006,885	84,322	263,927
Depreciation and amortization	-	187,751	-	-
Total expenses	\$ -	\$ 4,194,636	\$ 84,322	\$ 263,927

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Program Services						
Children's extensive supports	Early interven- tion	Family support	Case manage- ment	Management and general	Total	
					2022	2021
\$ 711	\$ 13,303	\$ 2,016	\$ 17,697	\$ 828	\$ 178,482	\$ 182,242
31	447	208	2,244	28,531	147,750	99,586
-	243	118	1,304	8,866	82,343	80,049
9	544	168	1,208	763	5,780	6,253
2,209	-	6,703	-	-	43,901	63,743
10	2,913	206	1,744	8,711	92,673	115,444
123	2,426	498	4,658	4,037	36,665	32,717
6	2,942	20	1,739	16,495	26,267	20,874
-	-	-	-	-	30,353	38,604
-	3,871	1,597	6,075	20,751	95,026	85,472
-	-	30,282	-	-	30,482	50,611
-	101	40	479	14,827	17,306	21,908
-	-	-	-	1,465	1,608	222,646
8,118	266,797	155,514	420,675	834,266	6,040,504	6,051,226
-	3,447	451	4,966	28,524	225,139	239,413
<u>\$ 8,118</u>	<u>\$ 270,244</u>	<u>\$ 155,965</u>	<u>\$ 425,641</u>	<u>\$ 862,790</u>	<u>\$ 6,265,643</u>	<u>\$ 6,290,639</u>

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Horizons Specialized Services and Affiliate

STATISTICAL DATA (UNAUDITED)

Year ended June 30, 2022

	Program Services		
	Medicaid comprehen- sive	State adult supported living	Medicaid adult supported living
Total expenses	<u>\$ 4,194,636</u>	<u>\$ 84,322</u>	<u>\$ 263,927</u>
Statistical Data (Unaudited)			
1. Total days in residential used - State, Medicaid, Mill Levy, etc.	17,115		
2. Total days in residential used - State and Medicaid only	17,115		
3. Unduplicated number of individuals (includes Mill Levy)	53	8	19
4. Unduplicated number of individuals	53		19
Cost per unit of service			
Adjusted total expense/item 1	\$ 245		
Adjusted total expense/item 2	\$ 245		
Adjusted total expense/item 3		\$ 10,540	\$ 13,891
Adjusted total expense/item 4			\$ 13,891

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Program Services

Children's extensive supports	Early interven- tion	Family support	Case manage- ment	Management and general	Total
\$ 8,118	\$ 270,244	\$ 155,965	\$ 425,641	\$ 862,790	\$ 6,265,643

5	87	123	346
5			346

\$ 1,624	\$ 3,106	\$ 1,268	\$ 1,230
\$ 1,624			\$ 1,230

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Horizons Specialized Services and Affiliate
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2022

	Horizons Specialized Services	Soda Creek Apartments, Inc.	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,714,030	\$ 76,523	\$ -	\$ 2,790,553
Certificates of deposit	813,168	-	-	813,168
Accounts receivable				
Fees and grants from governmental agencies	625,187	23	-	625,210
Other	16,284	-	(16,284)	0
Prepaid expenses and other	53,429	-	-	53,429
Total current assets	4,222,098	76,546	(16,284)	4,282,360
Charitable gift annuity investment	134,404	-	-	134,404
Beneficial interest in assets held by others	31,137	-	-	31,137
Land, building and equipment, net	1,887,449	1,622,668	(224,818)	3,285,299
Total assets	<u>\$ 6,275,088</u>	<u>\$ 1,699,214</u>	<u>\$ (241,102)</u>	<u>\$ 7,733,200</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 99,202	\$ 34,480	\$ (16,284)	\$ 117,398
Accrued payroll and employee benefits	301,531	-	-	301,531
Deferred revenue	229,083	-	-	229,083
Total current liabilities	629,816	34,480	(16,284)	648,012
Total liabilities	629,816	34,480	(16,284)	648,012
Net assets				
Without donor restrictions				
Board designated				
Operating reserve	1,154,746	-	-	1,154,746
Mill levy funds	2,417,130	-	-	2,417,130
Net investment in land, building and equipment	1,887,449	1,622,668	(224,818)	3,285,299
Undesignated	164,947	42,066	-	207,013
Total without donor restrictions	5,624,272	1,664,734	(224,818)	7,064,188
With donor restrictions	21,000	-	-	21,000
Total net assets	5,645,272	1,664,734	(224,818)	7,085,188
Total liabilities and net assets	<u>\$ 6,275,088</u>	<u>\$ 1,699,214</u>	<u>\$ (241,102)</u>	<u>\$ 7,733,200</u>

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Horizons Specialized Services and Affiliate CONSOLIDATING STATEMENT OF ACTIVITIES Year ended June 30, 2022

	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	\$ 598,996	\$ -	\$ -	\$ 598,996
Medicaid	3,512,001	-	-	3,512,001
Counties and cities	1,364,754	-	-	1,364,754
Grants and other				
Part C	76,638	-	-	76,638
Department of Housing and Urban Development	63,878	21,729	-	85,607
Other	81,132	-	-	81,132
Total fees and grants from governmental agencies	5,697,399	21,729	-	5,719,128
Public support - contributions				
Individuals and foundations	154,232	-	-	154,232
Community organizations	20,760	-	-	20,760
Total public support - contributions	174,992	-	-	174,992
Residential room and board	325,728	29,931	-	355,659
In-kind contributions	1,608	-	-	1,608
Other revenue	61,341	26	-	61,367
Total revenues and support	6,261,068	51,686	-	6,312,754
Expenses				
Program services				
Medicaid comprehensive	4,109,741	84,895	-	4,194,636
State adult supported living	84,322	-	-	84,322
Medicaid adult supported living	263,927	-	-	263,927
Children's extensive supports	8,118	-	-	8,118
Early intervention	270,244	-	-	270,244
Family support	155,965	-	-	155,965
Case management	425,641	-	-	425,641
Total program services	5,317,958	84,895	-	5,402,853
Supporting services				
Management and general	826,801	35,989	-	862,790
Total expenses	6,144,759	120,884	-	6,265,643
CHANGE IN NET ASSETS	116,309	(69,198)	-	47,111
Net assets, beginning of year	5,528,963	1,733,932	(224,818)	7,038,077
Net assets, end of year	<u>\$ 5,645,272</u>	<u>\$ 1,664,734</u>	<u>\$ (224,818)</u>	<u>\$ 7,085,188</u>