

**CUMBERLAND HEIGHTS FOUNDATION, INC.
AND AFFILIATE**

Consolidated Financial Statements and Schedules

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)



CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Cumberland Heights Foundation, Inc.:

We have audited the accompanying consolidated financial statements of Cumberland Heights Foundation, Inc. and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cumberland Heights Foundation, Inc. and Affiliate as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and statements of activities and changes in net assets of the individual entities and is 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 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 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

LBMC, PC

Brentwood, Tennessee
May 19, 2021

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Consolidated Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 11,265,884	\$ 8,397,518
Patient accounts receivable	4,597,291	4,566,941
Contributions receivable	410,397	477,770
Other current assets	<u>713,766</u>	<u>647,662</u>
Total current assets	16,987,338	14,089,891
Property and equipment, net	29,440,583	29,440,102
Contributions receivable, excluding current portion	402,052	825,261
Investments	<u>5,485,007</u>	<u>4,827,604</u>
	\$ <u>52,314,980</u>	\$ <u>49,182,858</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Current installments of long-term debt	\$ 1,138,896	\$ 1,566,750
Accounts payable	504,163	235,698
Accrued expenses	<u>1,451,545</u>	<u>1,819,721</u>
Total current liabilities	3,094,604	3,622,169
Long-term debt, excluding current installments	<u>1,250,000</u>	<u>2,388,896</u>
Total liabilities	<u>4,344,604</u>	<u>6,011,065</u>
Net assets:		
Without donor restrictions	43,527,509	39,171,578
With donor restrictions	<u>4,442,867</u>	<u>4,000,215</u>
Total net assets	<u>47,970,376</u>	<u>43,171,793</u>
	\$ <u>52,314,980</u>	\$ <u>49,182,858</u>

See accompanying notes to the consolidated financial statements.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Consolidated Statements of Activities and Changes in Net Assets

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Changes in net assets without donor restrictions:		
Revenue:		
Patient service revenue, net	\$ 29,978,035	\$ 32,043,655
Contributions	209,819	213,885
Investment return	157,314	155,865
Other	251,177	830,476
CARES Act grant income	<u>4,791,545</u>	<u>-</u>
Total revenue	35,387,890	33,243,881
Satisfaction of restrictions	<u>1,461,088</u>	<u>2,809,589</u>
Total revenue without donor restrictions	<u>36,848,978</u>	<u>36,053,470</u>
Expenses:		
Program services:		
Clinical services	18,579,439	17,727,081
Ancillary services	<u>5,687,103</u>	<u>5,848,139</u>
Total program services	24,266,542	23,575,220
Supporting services:		
Administrative and fiscal	5,490,075	6,176,216
Marketing and public relations	<u>2,736,430</u>	<u>3,094,902</u>
Total supporting services	<u>8,226,505</u>	<u>9,271,118</u>
Total expenses	<u>32,493,047</u>	<u>32,846,338</u>
Increase in net assets without donor restrictions	<u>4,355,931</u>	<u>3,207,132</u>
Changes in net assets with donor restrictions:		
Contributions	1,416,002	2,049,556
Investment return	487,738	533,761
Net assets released from restrictions	<u>(1,461,088)</u>	<u>(2,809,589)</u>
Increase (decrease) in net assets with donor restrictions	<u>442,652</u>	<u>(226,272)</u>
Increase in net assets	4,798,583	2,980,860
Net assets at beginning of year	<u>43,171,793</u>	<u>40,190,933</u>
Net assets at end of year	<u><u>\$ 47,970,376</u></u>	<u><u>\$ 43,171,793</u></u>

See accompanying notes to the consolidated financial statements.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Consolidated Statements of Cash Flows

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase in net assets	\$ 4,798,583	\$ 2,980,860
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,800,207	1,510,061
Provision for uncollectible contributions receivable	(41,578)	3,765
(Gain) loss on sale of property and equipment	193,866	(7,666)
Net gain on investments	(586,279)	(619,200)
(Increase) decrease in operating assets:		
Accounts receivable	(30,350)	260,893
Contributions receivable	532,160	(198,941)
Other current assets	(66,104)	(47,524)
Increase (decrease) in operating liabilities:		
Accounts payable	268,465	(598,570)
Accrued expenses	<u>(368,176)</u>	<u>256,638</u>
Total adjustments	<u>1,702,211</u>	<u>559,456</u>
Net cash provided by operating activities	<u>6,500,794</u>	<u>3,540,316</u>
Cash flows from investing activities:		
Proceeds from disposal of property and equipment	37,000	10,000
Purchases of property and equipment	(2,031,554)	(8,159,159)
Proceeds from sale of investments	191,051	2,482,646
Purchases of investments	<u>(262,175)</u>	<u>(282,129)</u>
Net cash used by investing activities	<u>(2,065,678)</u>	<u>(5,948,642)</u>
Cash flows from financing activities:		
Repayments on long-term debt	<u>(1,566,750)</u>	<u>(2,566,750)</u>
Net cash used by financing activities	<u>(1,566,750)</u>	<u>(2,566,750)</u>
Increase (decrease) in cash and cash equivalents	2,868,366	(4,975,076)
Cash and cash equivalents at beginning of year	<u>8,397,518</u>	<u>13,372,594</u>
Cash and cash equivalents at end of year	\$ <u>11,265,884</u>	\$ <u>8,397,518</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ <u>93,126</u>	\$ <u>148,783</u>

See accompanying notes to the consolidated financial statements.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(1) Nature of operations

Cumberland Heights Foundation, Inc. (the "Foundation") is a charitable organization that maintains and operates treatment centers for the rehabilitation of persons addicted to the use of alcohol and/or drugs. Cumberland Heights Professional Associates, Inc. (the "Affiliate") is a separate organization that was formed to provide medical and outpatient services to the patients of the Foundation. Due to the Foundation's economic interest in Cumberland Heights Professional Associates, Inc. and since the Foundation and the Affiliate share a common Board of Directors, the Affiliate has been included in the consolidated financial statements of the Foundation.

(2) Summary of significant accounting policies

The consolidated financial statements of the Foundation and Affiliate are presented on the accrual basis. The significant accounting policies followed are described below.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Foundation and its Affiliate (collectively, the "Organizations"). All significant intercompany accounts and transactions have been eliminated.

(b) Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and Affiliate and changes therein are classified and reported as follows:

Without donor restrictions - Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with donor's stipulations results in the release of such restrictions.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

With donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and Affiliate and/or the passage of time. Net assets with donor restrictions are designated by donors for specific purposes, and include unconditional contributions receivable, interests in trusts held by others, and accumulated appreciation on donor-restricted endowments. Some net assets with donor restrictions are required by donors to be held in perpetuity. The donors of substantially all net assets to be held in perpetuity permit the Foundation to use distributions from the related investments as needed in the year of receipt.

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support.

(c) **Cash and cash equivalents**

Cash and cash equivalents include cash and all highly liquid investments with a maturity of three months or less when purchased.

(d) **Receivables and credit policies**

The Foundation and Affiliate report accounts receivable for services rendered at net realizable amounts. The Foundation and Affiliate manage receivables by regularly reviewing its accounts and contracts and by providing appropriate implicit price concessions. These implicit price concessions are determined using patient trends and historical collections data.

(e) **Investments**

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are shown at their fair values in the consolidated statements of financial position. Investment return shown in the consolidated statements of activities and changes in net assets includes interest, dividends, and realized and unrealized gains and losses, net of investment expenses. Investment return is reported in the period earned as an increase in net assets without donor restrictions unless the use of the assets received is limited by donor-imposed restrictions. Investment return that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions are met or expire in the year in which the income is recognized. Other donor-restricted investment return is reported as an increase in donor restricted net assets, depending on the nature of the restrictions. Unrealized gains and losses on net assets with donor restrictions held in perpetuity are reported as increases or decreases in donor restricted net assets, based on the donor's explicit instructions.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(f) Property and equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at their estimated market value at the date of the gift. Depreciation and amortization are provided over the assets' estimated useful lives using the straight-line method as follows:

	<u>Years</u>
Transportation equipment	5
Furniture and fixtures	3 - 5
Machinery and equipment	3 - 5
Buildings and improvements	3 - 30

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation or amortization are removed from the accounts, and the resulting gain or loss is recorded as a change in net assets.

(g) Income taxes

The Foundation and Affiliate are exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the consolidated financial statements.

Under generally accepted accounting principles ("GAAP"), a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Foundation and Affiliate had no material uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

As of December 31, 2020 and 2019, the Organizations have no accrued interest or penalties related to uncertain tax positions. It is their policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Foundation and Affiliate file separate U.S. Federal information tax returns.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

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(h) Revenue recognition

A contract with a customer (or patient) is an agreement which both parties have approved (whether explicitly or implicitly), that creates enforceable rights and obligations, has commercial substance, where payment terms are identified and collectibility is probable. Once the Organization has entered into a contract, it is evaluated to identify performance obligations. The Organization recognizes revenue in the period in which it satisfies the performance obligations under the contract by transferring the promised services to patients in an amount that reflects the consideration the Organization expects to receive in exchange for providing patient care.

Net patient service revenue is recognized at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are made on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

The Foundation has a Patient Assistance Fund that provides treatment scholarships for persons who have not had a previous treatment experience, who demonstrate a high level of motivation, and who have no financial resources. The Foundation also provides for indigent patients under certain circumstances. Revenue is not recognized in the consolidated financial statements for charity care. Direct and indirect costs of charity care which are based on the ratio of total costs to total gross charges were approximately \$433,000 and \$503,000 in 2020 and 2019, respectively.

(i) Contributions and contributions receivable

Contributions receivable represent unconditional promises to give and are recognized as revenue when an unconditional promise to give is received from a donor. Contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed and recorded, if material, using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution receivable.

Conditional promises to give are not included as support until such time as the conditions are substantially met. Conditional donations received from donors are shown as contribution advances in the accompanying statement of financial position until the donor condition is met.

An allowance for uncollectible contributions is recorded when the Foundation determines, based on historical experience and collection efforts, that a contribution receivable is uncollectible. As of December 31, 2020 and 2019 there was an allowance for uncollectible receivables totaling \$70,785 and \$112,363, respectively.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

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December 31, 2020 and 2019

(j) Advertising and promotion costs

Advertising and promotion costs are expensed as incurred and amounted to \$623,409 and \$600,697 during 2020 and 2019, respectively.

(k) Long-lived assets

The carrying values of long-lived assets are reviewed whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If this review indicates that the asset will not be recoverable, as determined based on the undiscounted cash flows of the operating entity or asset over the remaining amortization period, the carrying value of the asset will be reduced to its fair value.

(l) Fundraising costs

For the years ended December 31, 2020 and 2019, expenses totaling \$392,141 and \$401,348, respectively, were associated with fundraising and are classified in the consolidated statements of activities and changes in net assets under marketing and public relations.

(m) COVID-19 pandemic

In January 2020, the Secretary of the U.S. Department of Health and Human Services declared a national public health emergency due to a novel strain of coronavirus ("COVID-19"). In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, and the global pandemic began to affect the Organizations' facilities, employees, patients, communities, business operations and financial performance, as well as the broader U.S. economy and financial markets. The Organizations are committed to protecting the health of its communities and has been responding to the evolving COVID-19 situation while taking steps to provide quality care and protect the health and safety of patients and employees. The Organizations are closely following infectious disease protocols, as well as recommendations by the Centers for Disease Control and Prevention and local health officials.

COVID-19 is impacting the Organizations' operations and may have an impact on its financial results that the Organizations are not currently able to quantify. Continuing disruptions to the Organizations' business as a result of the COVID-19 pandemic could continue to have an effect on its results of operations, financial condition and cash flows.

As part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), the U.S. government announced it would offer relief funding to eligible healthcare providers. During the year ended December 31, 2020, the Organizations participated in certain relief programs through the CARES Act including the Paycheck Protection Program ("PPP") and the Public Health and Social Services Emergency Fund ("PHSSE Fund").

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

The Organizations qualified for and received loans totaling approximately \$4,109,000 pursuant to the PPP, a program implemented by the U.S. Small Business Administration under the CARES Act. The loans and accrued interest are forgivable as long as the Foundation uses the loans proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels (collectively, "covered expenses").

Management believes that the Organizations have used the proceeds for purposes consistent with the PPP. Management also believes that its loan applications and use of the loans proceeds comply with program requirements and that forgiveness of the full loans amount is reasonably assured. Accordingly, the Organizations have accounted for the PPP loans proceeds similar to a government grant and thus recorded them as deferred income upon receipt, and then recognized amounts in income on a systematic and rational basis over the periods in which the Organizations incurred the costs the PPP loans were intended to defray. The Organizations have presented the \$4,109,000 of PPP loans proceeds as CARES ACT grant income in the accompanying consolidated statement of operations for the year ended December 31, 2020. As of December 31, 2020, approximately \$140,000 of the PPP loan balance was forgiven by the Small Business Administration. Subsequent to year end, the remaining balance was forgiven (See Note 20 for further discussion).

PHSSE Fund proceeds are provided to reimburse the recipient only for healthcare related expenses or lost revenues that are attributable to COVID-19. For the year ended December 31, 2020, the Organizations received total funding from the PHSSE Fund of approximately \$683,000. The Organizations recognized all of this amount for lost revenues and covered expenses, which is included in CARES ACT grant income in the accompanying statement of operations for the year ended December 31, 2020.

(n) Events occurring after reporting date

The Organizations have evaluated events and transactions that occurred between December 31, 2020 and May 19, 2021 which is the date that the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

(3) Credit risk and other concentrations

The Foundation generally maintains cash and cash equivalents on deposit at banks in excess of federally insured amounts. All cash and cash equivalents balances in excess of FDIC insurance are secured under repurchase agreements or other deposit arrangements. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk related to cash and cash equivalents.

The Foundation utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

The Foundation provides rehabilitation treatment for individuals with alcohol and other chemical dependencies under various payor programs. Accordingly, the concentration of accounts receivable and revenue as of and for the years ended December 31, 2020 and 2019, is summarized as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Accounts Receivable</u>	<u>Revenue</u>	<u>Accounts Receivable</u>	<u>Revenue</u>
Blue Cross/Magellan	32 %	40 %	22 %	40 %
Other private insurance	45	46	43	46
Individuals	<u>23</u>	<u>14</u>	<u>35</u>	<u>14</u>
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

(4) Assets and liabilities measured at fair value

FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation's management has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

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The following is a description of the valuation methodologies used for asset measurement at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

- (i) *Mutual funds*: Valued at the net asset value of shares held by the Foundation at year end based on quoted prices in an active market.
- (ii) *Equity securities*: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2020 and 2019:

2020				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held in interest program	\$ 95,420	\$ -	\$ -	\$ 95,420
Mutual funds	1,850,823	-	-	1,850,823
Equity securities	2,983,207	-	-	2,983,207
Beneficial interest in perpetual trust	<u>555,557</u>	<u>-</u>	<u>-</u>	<u>555,557</u>
Total	<u>\$ 5,485,007</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,485,007</u>
2019				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held in interest program	\$ 125,376	\$ -	\$ -	\$ 125,376
Mutual funds	1,723,650	-	-	1,723,650
Equity securities	2,435,327	-	-	2,435,327
Beneficial interest in perpetual trust	<u>543,251</u>	<u>-</u>	<u>-</u>	<u>543,251</u>
Total	<u>\$ 4,827,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,827,604</u>

The beneficial interest in perpetual trust consists primarily of mutual funds and equity securities.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(5) Contributions receivable

The Foundation solicits contributions of support from board members and others for contributions to be used for specific purposes. The contributions are discounted when recorded to reflect the present value of expected future collections due after one year. Contributions receivable are reported as net assets with donor restrictions in the accompanying consolidated financial statements and are scheduled to be received as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 424,397	\$ 483,820
Receivable in one to three years	<u>458,837</u>	<u>931,574</u>
	883,234	1,415,394
Less allowance for uncollectible pledges	(14,000)	(6,050)
Less discount	<u>(56,785)</u>	<u>(106,313)</u>
	\$ <u>812,449</u>	\$ <u>1,303,031</u>

(6) Beneficial interest in perpetual trust

The Foundation is the beneficiary of a trust created by a donor, the assets of which are not in the possession of the Foundation. The Foundation has legally enforceable rights and claims to such income therefrom and receives annual cash distributions from the trust. Net realized and unrealized gains or losses related to the beneficial interest are reported as changes in net assets with donor restrictions based on the explicit donor stipulation. The fair value of the beneficial interest was \$555,557 and \$543,251 at December 31, 2020 and 2019, respectively, and is included in donor restricted net assets in the accompanying consolidated financial statements.

(7) Investment return

The following schedule summarizes the investment return in the consolidated statements of activities for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 115,242	\$ 124,758
Net gain on investments	586,279	619,200
Fees paid	<u>(56,469)</u>	<u>(54,332)</u>
	\$ <u>645,052</u>	\$ <u>689,626</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

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(8) Property and equipment

A summary of property and equipment as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 924,857	\$ 1,150,857
Buildings and improvements	41,967,574	32,420,059
Machinery and equipment	1,863,462	1,843,789
Transportation equipment	379,135	308,943
Furniture and fixtures	2,049,965	1,279,700
Construction in progress	<u>53,272</u>	<u>9,152,263</u>
	47,238,265	46,155,611
Accumulated depreciation and amortization	<u>(17,797,682)</u>	<u>(16,715,509)</u>
	<u>\$ 29,440,583</u>	<u>\$ 29,440,102</u>

Depreciation and amortization expense amounted to approximately \$1,800,000 and \$1,510,000 for the years ended December 31, 2020 and 2019, respectively.

Construction in progress as of December 31, 2020, primarily consists of amounts incurred relating to cafeteria renovations. At December 31, 2020, the estimated cost to complete all projects was approximately \$134,000. Construction in progress as of December 31, 2019, primarily consists of amounts incurred relating to the the ARCH Academy project. During 2020, the ARCH Academy was completed and the balance was released from construction in progress.

(9) Liquidity and availability

The Foundation regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. As part of the Foundations'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. Additionally, the Foundation maintains a line of credit with a bank (Note 10) which is available for operating purposes.

Financial assets available for general expenditures within one year of the statement of financial position as of December 31, 2020 are as follows:

Cash and cash equivalents	\$ 11,265,884
Patient accounts receivable	<u>4,597,291</u>
	<u>\$ 15,863,175</u>

None of the above assets are subject to donor or other restrictions.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(10) Line of credit

At December 31, 2019, the Foundation had a \$950,000 revolving line of credit. In April 2020, the Foundation increased the line of credit to \$2,500,000. The line of credit is payable on demand and matures on August 12, 2021. There were no borrowings on the line at December 31, 2020 and 2019. Borrowings under the line bears interest, payable monthly, at an annual interest rate equal to the one-month LIBOR plus 1.50 percentage points over the index. The line of credit is secured by patient accounts receivable.

The line of credit agreement is cross-collateralized with the related long-term debt (see Note 12). The security agreements with the bank contain certain financial covenants, including requirements for the maintenance of specified current ratios, minimum levels of debt service coverage and minimum earnings before interest, depreciation and amortization.

(11) Long-term debt

A summary of long-term debt as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Note payable to bank due in monthly installments of \$83,333 plus interest at a fixed rate of 3.17% per annum through March 21, 2023, with a required lump-sum payment of \$1,000,000 in March 2019.	\$ 2,250,000	\$ 3,250,000
Note payable to bank due in monthly installments of \$16,667 plus interest at a fixed rate of 2.75% per annum through February 1, 2021.	24,313	316,063
Note payable to bank due in monthly installments of \$22,917 plus interest at a fixed rate of 2.90% per annum through April 1, 2021.	<u>114,583</u>	<u>389,583</u>
Total	2,388,896	3,955,646
Less current installments	<u>1,138,896</u>	<u>1,566,750</u>
Long-term debt, excluding current installments	\$ <u>1,250,000</u>	\$ <u>2,388,896</u>

A summary of future maturities of long-term debt as of December 31, 2020 is as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 1,138,896
2022	1,000,000
2023	<u>250,000</u>
	\$ <u>2,388,896</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

In March 2018, the Foundation entered into a note payable to a bank in connection with \$6,000,000 Series 2018 Revenue Bonds issued by the Industrial Development Board of Cheatham County for the purpose of constructing a recovery treatment and rehabilitation center in Pegram, Tennessee. The notes payable to the banks are secured by a first mortgage of the Foundation's property, a negative pledge and the Foundation's equipment, respectively. Certain loan agreements also require maintenance of certain covenants (see Note 10).

(12) Net assets

As of December 31, 2020 and 2019, the Board of Directors had designated \$1,280,054 and \$1,095,610, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of the Organizations. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Net assets with donor restrictions as of December 31, 2020 and 2019 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Patient assistance (including endowment net assets of \$3,649,396 and \$3,188,742 at December 31, 2020 and 2019, respectively)	\$ <u>3,887,310</u>	\$ <u>3,456,964</u>

Some net assets with donor restrictions are held in perpetuity with the unrealized gain (loss) reflected as net assets with donor restrictions and the income from assets expendable to support certain programs. A summary of the net assets with donor restrictions for which the related income is expendable as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Olcott Foundation	\$ <u>555,557</u>	\$ <u>543,251</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(13) Natural classification of expenses

A summary of the natural classification of expenses for the years ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>				
	<u>Clinical Services</u>	<u>Ancillary Services</u>	<u>Administrative and fiscal</u>	<u>Marketing and public relations</u>	<u>Total</u>
Salaries and temporary labor	\$ 13,957,943	\$ 3,126,940	\$ 2,807,218	\$ 1,515,189	\$ 21,407,290
Contract services	673,700	666,783	225,557	79,125	1,645,165
Depreciation and amortization	1,044,202	305,326	303,767	146,912	1,800,207
Interest	54,017	15,795	15,714	7,600	93,126
General insurance	14,391	-	573,667	-	588,058
Utilities	258,759	15,390	571,726	18,787	864,662
Food service	-	744,019	-	-	744,019
Supplies	547,063	184,857	9,710	1,238	742,868
Rent	788,304	262	3,079	-	791,645
Other	<u>1,241,060</u>	<u>627,731</u>	<u>979,637</u>	<u>967,579</u>	<u>3,816,007</u>
	\$ <u>18,579,439</u>	\$ <u>5,687,103</u>	\$ <u>5,490,075</u>	\$ <u>2,736,430</u>	\$ <u>32,493,047</u>

	<u>2019</u>				
	<u>Clinical Services</u>	<u>Ancillary Services</u>	<u>Administrative and fiscal</u>	<u>Marketing and public relations</u>	<u>Total</u>
Salaries and temporary labor	\$ 14,015,547	\$ 3,185,335	\$ 2,738,892	\$ 1,502,463	\$ 21,442,237
Contract services	453,407	641,767	242,591	91,367	1,429,132
Depreciation and amortization	826,527	261,483	283,669	138,382	1,510,061
Interest	81,436	25,763	27,949	13,635	148,783
General insurance	15,110	-	623,693	-	638,803
Utilities	221,996	14,775	476,575	19,373	732,719
Food service	-	958,404	-	-	958,404
Supplies	483,448	234,134	20,817	5,283	743,682
Rent	639,483	76	3,337	-	642,896
Other	<u>990,127</u>	<u>526,402</u>	<u>1,758,693</u>	<u>1,324,399</u>	<u>4,599,621</u>
	\$ <u>17,727,081</u>	\$ <u>5,848,139</u>	\$ <u>6,176,216</u>	\$ <u>3,094,902</u>	\$ <u>32,846,338</u>

(14) Profit-sharing plan

Eligible employees of the Foundation may participate in the Cumberland Heights 401(k) Retirement Plan (the "Plan"). Employees are generally eligible after they reach age 20 1/2 and are employed for three months. The Foundation matched salary deferral contributions equal to 100% of salary contributions up to 5% of compensation until June 2020, when the match ended. The Foundation made contributions of \$241,499 and \$456,568 to the Plan in 2020 and 2019, respectively.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(15) Lease commitments

The Foundation leases office space and various office equipment under operating leases. Rent expense under these leases amounted to \$791,645 and \$642,896 in 2020 and 2019, respectively.

A summary of approximate future minimum payments under these leases as of December 31, 2020 is as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 619,000
2022	369,000
2023	297,000
2024	184,000
2025	119,000
2026 and later years	<u>123,000</u>
	<u>\$ 1,711,000</u>

(16) Endowment

Overview: The Foundation's endowment funds consist of funds that hold investments in securities traded on the public market. The endowments include certain net assets with donor restrictions. As required by the GAAP, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The primary objective of the Foundation's endowment funds is the preservation of capital. Secondly, the endowment funds should provide reasonable growth of principal within the unfolding market environment, as well as an adequate level of income to supplement the financial needs of the Foundation. The monies of the endowment funds are to be invested in a portfolio that is comprised of equity securities (38-60%), fixed income securities (33-56%) and cash reserves (0-10%).

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

Composition of and changes in endowment net assets by type of fund as of December 31, 2020 is as follows:

		<u>With Donor Restrictions</u>		
	<u>Without Donor Restrictions</u>	<u>Purpose Restrictions</u>	<u>Perpetual in Nature</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 3,649,396	\$ 555,557	\$ 4,204,953
Board-designated endowment funds	<u>1,280,054</u>	<u>-</u>	<u>-</u>	<u>1,280,054</u>
Total funds	\$ <u>1,280,054</u>	\$ <u>3,649,396</u>	\$ <u>555,557</u>	\$ <u>5,485,007</u>
Endowment net assets, beginning of year	\$ 1,095,611	\$ 3,188,742	\$ 543,251	\$ 4,827,604
Contributions	56,715	127,982	-	184,697
Amounts appropriated for expenditure	(23,137)	(111,845)	(37,364)	(172,346)
Gain on investment, net	<u>150,865</u>	<u>444,517</u>	<u>49,670</u>	<u>645,052</u>
Endowment net assets, end of year	\$ <u>1,280,054</u>	\$ <u>3,649,396</u>	\$ <u>555,557</u>	\$ <u>5,485,007</u>

Composition of and changes in endowment net assets by type of fund as of December 31, 2019 is as follows:

		<u>With Donor Restrictions</u>		
	<u>Without Donor Restrictions</u>	<u>Purpose Restrictions</u>	<u>Perpetual in Nature</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 3,188,742	\$ 543,251	\$ 3,731,993
Board-designated endowment funds	<u>1,095,611</u>	<u>-</u>	<u>-</u>	<u>1,095,611</u>
Total funds	\$ <u>1,095,611</u>	\$ <u>3,188,742</u>	\$ <u>543,251</u>	\$ <u>4,827,604</u>
Endowment net assets, beginning of year	\$ 908,610	\$ 2,675,266	\$ 492,299	\$ 4,076,175
Contributions	56,715	165,981	-	222,696
Amounts appropriated for expenditure	(25,579)	(99,167)	(36,147)	(160,893)
Gain on investment, net	<u>155,865</u>	<u>446,662</u>	<u>87,099</u>	<u>689,626</u>
Endowment net assets, end of year	\$ <u>1,095,611</u>	\$ <u>3,188,742</u>	\$ <u>543,251</u>	\$ <u>4,827,604</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

The endowment funds are primarily invested in equity and fixed income securities. As determined by the restrictions imposed by the donors and the guidelines established by the endowment committee, the donor restricted endowment funds are generally expended at a rate between 3% and 5% of the calendar year end principal balance.

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce a moderate return while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies: From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2020 and 2019 there was no deficiency.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation disburses funds as needed within the guidelines of the endowments. Disbursements to the Foundation are used to assist with its programs and services according to donor restrictions.

(17) Contingencies

Self-insurance

Effective January 1, 2018, the Foundation is self-insured for employee medical insurance. The risk of loss retained by the Foundation is limited to \$55,000 for each employee's medical claims and \$3,180,625 and \$3,105,451 for 2020 and 2019, respectively in the aggregate annually. Claims expenditures and liabilities are reported under the self-insurance plan when it is probable that a loss has occurred and the amount of the loss is reasonably estimated. Reserves related to employee medical benefits amounted to approximately \$602,000 and \$396,000 as of December 31, 2020 and 2019, respectively. The liability is included within accrued expenses on the accompanying consolidated statements of financial position.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

Health care Industry

The delivery of personal and health care services entails an inherent risk of liability. Participants in the health care services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. The Foundation and Affiliate are insured with respect to medical malpractice risk on a claims-made basis. The Foundation and Affiliate also maintain insurance for general liability, director and officer liability and property. Certain policies are subject to deductibles. In addition to the insurance coverage provided, the Foundation and Affiliate indemnify certain officers and directors for actions taken on behalf of the Organizations. Management is not aware of any claims against the Organizations which would have a material financial impact.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as repayments for patient services previously billed. Management continues to implement policies, procedures, and compliance overview organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 and other government statutes and regulations. The Organizations' compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time. Management believes that the Organizations are in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Health care Reform

The health care industry in the United States is subject to fundamental changes due to ongoing health care reform efforts and related political, economic and regulatory influences. Notably, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act") resulted in expanded health care coverage to millions of previously uninsured people beginning in 2014 and has resulted in significant changes to the U.S. health care system. To help fund this expansion, the Affordable Care Act outlines certain reductions in Medicare reimbursements for various health care providers as well as certain other changes to Medicare payment methodologies. This comprehensive health care legislation has resulted and will continue to result in extensive rulemaking by regulatory authorities, and also may be altered, amended, repealed, or replaced.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

It is difficult to predict the full impact of the Affordable Care Act due to the complexity of the law and implementing regulations, as well as the Organizations' inability to foresee how CMS and other participants in the health care industry will respond to the choices available to them under the law. The Organizations also cannot accurately predict whether any new or pending legislative proposals will be adopted or, if adopted, what effect, if any, these proposals would have on the Organizations' business. Similarly, while the Organizations can anticipate that some of the rulemaking that will be promulgated by regulatory authorities will affect the Organizations' business and the manner in which the Organizations are reimbursed by the federal health care programs, the Organizations cannot accurately predict today the impact of those regulations on the Organizations' business. The provisions of the legislation and other regulations implementing the provisions of the Affordable Care Act or any amended or replacement legislation may increase costs, decrease revenues, expose the Organizations to expanded liability or require the Organizations to revise the ways in which it conducts business.

Litigation

The Foundation and Affiliate are involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material adverse effect on the Foundation's consolidated financial position or consolidated results of operations. As these matters develop, it is reasonably possible management's estimate of their effect could change and an accrual for additional liabilities could be required.

(18) Related party transactions

The Foundation sometimes purchases goods or services from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the Board of Directors. Additionally, the Foundation receives pledges from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the Board of Directors. Approximately \$237,000 and \$395,000 of related party pledges were included in contributions receivable in the accompanying consolidated statements of financial position at December 31, 2020 and 2019, respectively.

(19) Subsequent events

In March 2021, the remaining PPP balance of approximately \$3,969,000 was forgiven by the Small Business Administration.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Consolidating Statement of Financial Position Information

December 31, 2020

<u>Assets</u>	<u>Cumberland Heights Foundation, Inc.</u>	<u>Cumberland Heights Professional Associates, Inc.</u>	<u>Eliminating Entries</u>		<u>Consolidated</u>
			<u>Debit</u>	<u>Credit</u>	
Current assets:					
Cash and cash equivalents	\$ 11,198,121	\$ 67,763	\$ -	\$ -	\$ 11,265,884
Accounts receivable	4,418,953	178,338	-	-	4,597,291
Receivable from related party	358,265	-	(a)	358,265	-
Contributions receivable	410,397	-	-	-	410,397
Other current assets	708,688	5,078	-	-	713,766
Total current assets	17,094,424	251,179	-	358,265	16,987,338
Property and equipment, net	29,440,583	-	-	-	29,440,583
Contributions receivable, excluding current portion	402,052	-	-	-	402,052
Investments	5,485,007	-	-	-	5,485,007
	<u>\$ 52,422,066</u>	<u>\$ 251,179</u>	<u>\$ -</u>	<u>\$ 358,265</u>	<u>\$ 52,314,980</u>
<u>Liabilities and Net Assets</u>					
Current liabilities:					
Current installments of long-term debt	\$ 1,138,896	\$ -	\$ -	\$ -	\$ 1,138,896
Accounts payable	459,274	403,154	(a) 358,265	-	504,163
Accrued expenses	1,414,871	36,674	-	-	1,451,545
Total current liabilities	3,013,041	439,828	358,265	-	3,094,604
Long-term debt, excluding current installments	1,250,000	-	-	-	1,250,000
Total liabilities	4,263,041	439,828	358,265	-	4,344,604
Net assets:					
Without donor restrictions	43,716,158	(188,649)	-	-	43,527,509
With donor restrictions	4,442,867	-	-	-	4,442,867
Total net assets	48,159,025	(188,649)	-	-	47,970,376
	<u>\$ 52,422,066</u>	<u>\$ 251,179</u>	<u>\$ 358,265</u>	<u>\$ -</u>	<u>\$ 52,314,980</u>

(a) To eliminate intercompany receivables and payables.

See independent auditors' report

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Consolidating Statement of Activities and Changes in Net Assets Information

Year ended December 31, 2020

	Cumberland Heights Foundation, Inc.	Cumberland Heights Professional Associates, Inc.	Eliminating Entries		Consolidated
			Debit	Credit	
Changes in net assets without donor restrictions:					
Revenue:					
Patient service revenue, net	\$ 29,044,667	\$ 933,368	\$ -	\$ -	\$ 29,978,035
Contributions	209,819	-	-	-	209,819
Investment return	157,314	-	-	-	157,314
Other	234,964	184,213 (a)	168,000	-	251,177
CARES Act grant income	4,610,361	181,184	-	-	4,791,545
Total revenue	34,257,125	1,298,765	168,000	-	35,387,890
Satisfaction of restrictions	1,461,088	-	-	-	1,461,088
Total revenue without donor restrictions	35,718,213	1,298,765	168,000	-	36,848,978
Expenses:					
Program services:					
Clinical services	17,144,623	1,434,816	-	-	18,579,439
Ancillary services	5,684,126	2,977	-	-	5,687,103
Total program services	22,828,749	1,437,793	-	-	24,266,542
Supporting services:					
Administrative and fiscal	5,647,331	10,744	- (a)	168,000	5,490,075
Marketing and public relations	2,736,430	-	-	-	2,736,430
Total supporting services	8,383,761	10,744	-	168,000	8,226,505
Total expenses	31,212,510	1,448,537	-	168,000	32,493,047
Increase (decrease) in net assets without donor restrictions	4,505,703	(149,772)	168,000	168,000	4,355,931
Changes in net assets with donor restrictions:					
Contributions	1,416,002	-	-	-	1,416,002
Investment return	487,738	-	-	-	487,738
Net assets released from restrictions	(1,461,088)	-	-	-	(1,461,088)
Increase in net assets with donor restrictions	442,652	-	-	-	442,652
Increase in net assets	4,948,355	(149,772)	168,000	168,000	4,798,583
Net assets at beginning of year	43,210,670	(38,877)	-	-	43,171,793
Net assets at end of year	\$ 48,159,025	\$ (188,649)	\$ 168,000	\$ 168,000	\$ 47,970,376

(a) To eliminate intercompany administrative fee income/expense.

See independent auditors' report