

Volunteers of America Mid-States, Inc. and Affiliates
Consolidated Financial Statements
Years Ended June 30, 2020 and 2019

Volunteers of America Mid-States, Inc. and Affiliates
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Years Ended June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
Volunteers of America Mid-States, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Volunteers of America Mid-States, Inc. and Affiliates (the "Organization"), which are comprised of the consolidated statements of financial position as of June 30, 2020 and 2019, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to 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.

Auditor's 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditors consider internal control relevant to the Organization'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 Organization'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 presentation of the consolidated financial statements.

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

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Volunteers of America Mid-States, Inc. and Affiliates as of June 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information as of and for the years ended June 30, 2020 and 2019 is presented for purposes of additional analysis 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 consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "MCM CPA & Advisors LLP". The signature is stylized, with the "MCM" being particularly prominent and the "CPA & Advisors LLP" written in a more standard but still cursive script.

Louisville, Kentucky
October 29, 2020

Volunteers of America Mid-States, Inc. and Affiliates
Consolidated Statements of Financial Position
June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 890,792 | \$ 330,428 |
| Accounts receivable, net | 2,559,936 | 2,932,383 |
| Pledges receivable, net | 2,041,469 | 1,801,303 |
| Prepaid expenses and other current assets | <u>224,629</u> | <u>190,447</u> |
| Total current assets | 5,716,826 | 5,254,561 |
| Property and equipment, net of accumulated depreciation | 9,049,960 | 7,886,582 |
| Other assets | | |
| Investments, restricted | 56,964 | 59,943 |
| Investments | 1,482,075 | 1,516,217 |
| Restricted deposits and funded reserves | 242,247 | 153,757 |
| Pledges receivable, net | <u>996,448</u> | <u>1,244,894</u> |
| Total other assets | <u>2,777,734</u> | <u>2,974,811</u> |
| Total assets | <u><u>\$ 17,544,520</u></u> | <u><u>\$ 16,115,954</u></u> |
| Liabilities and net assets | | |
| Current liabilities | | |
| Accounts payable | \$ 459,474 | \$ 231,518 |
| Accrued expenses | 1,873,933 | 1,459,675 |
| Other current liabilities | 13,821 | 173,408 |
| Refundable Payroll Protection Program advance | 3,461,600 | - |
| Line of credit | - | 2,600,000 |
| Current maturities of long-term debt | <u>312,499</u> | <u>411,694</u> |
| Total current liabilities | 6,121,327 | 4,876,295 |
| Long-term debt, less current maturities | 1,004,679 | 1,318,602 |
| Net assets | | |
| Without donor restrictions | 6,570,557 | 5,631,640 |
| With donor restrictions | <u>3,847,957</u> | <u>4,289,417</u> |
| Total net assets | <u>10,418,514</u> | <u>9,921,057</u> |
| Total liabilities and net assets | <u><u>\$ 17,544,520</u></u> | <u><u>\$ 16,115,954</u></u> |

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020 and 2019

| | 2020 | | | 2019 | | |
|--|----------------------------------|----------------------------|--------------|----------------------------------|----------------------------|--------------|
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| Revenues | | | | | | |
| Support and revenues from operations | | | | | | |
| Public support received directly | | | | | | |
| Contributions | \$ 2,423,009 | \$ 105,000 | \$ 2,528,009 | \$ 1,652,799 | \$ 276,399 | \$ 1,929,198 |
| Contributions, in-kind | 171,865 | - | 171,865 | 269,494 | - | 269,494 |
| Public support: capital and bequests | 109,158 | - | 109,158 | 56,880 | 583,700 | 640,580 |
| Special events | 130,840 | - | 130,840 | 150,521 | - | 150,521 |
| Public support received indirectly | | | | | | |
| United Way allocation | 75,400 | - | 75,400 | 84,066 | - | 84,066 |
| Volunteers of America awards and grants | 63,499 | - | 63,499 | 115,073 | - | 115,073 |
| Total public support | 2,973,771 | 105,000 | 3,078,771 | 2,328,833 | 860,099 | 3,188,932 |
| Revenue and grants | | | | | | |
| Fee-for-service revenue | 13,123,524 | - | 13,123,524 | 13,104,899 | - | 13,104,899 |
| Federal and state grants | 10,006,498 | - | 10,006,498 | 9,508,911 | 516,513 | 10,025,424 |
| Program service fees | 3,384,794 | - | 3,384,794 | 2,691,482 | - | 2,691,482 |
| Rental income | 415,837 | - | 415,837 | 296,424 | - | 296,424 |
| Miscellaneous revenue | 53,344 | - | 53,344 | 32,599 | - | 32,599 |
| Total revenue and grants | 26,983,997 | - | 26,983,997 | 25,634,315 | 516,513 | 26,150,828 |
| Net assets released from restrictions | | | | | | |
| Satisfaction of program activities | 696,923 | (696,923) | - | 412,137 | (412,137) | - |
| Satisfaction of capital improvements | 774,858 | (774,858) | - | 177,610 | (177,610) | - |
| Total support and revenues from operations | 31,429,549 | (1,366,781) | 30,062,768 | 28,552,895 | 786,865 | 29,339,760 |

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates

Consolidated Statement of Activities and Changes in Net Assets (Continued)

Year Ended June 30, 2020 and 2019

| | 2020 | | | 2019 | | |
|---|----------------------------------|----------------------------|---------------|----------------------------------|----------------------------|---------------|
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| Expenses | | | | | | |
| Operating expenses | | | | | | |
| Program services | | | | | | |
| Fostering independence | \$ 13,472,139 | \$ - | \$ 13,472,139 | \$ 13,359,071 | \$ - | \$ 13,359,071 |
| Promoting self-sufficiency | 11,911,290 | - | 11,911,290 | 11,112,168 | - | 11,112,168 |
| Total program services | 25,383,429 | - | 25,383,429 | 24,471,239 | - | 24,471,239 |
| Support services and fundraising | | | | | | |
| Management and general | 4,681,282 | - | 4,681,282 | 4,513,930 | - | 4,513,930 |
| Fundraising | 718,940 | - | 718,940 | 865,600 | - | 865,600 |
| Total support services and fundraising | 5,400,222 | - | 5,400,222 | 5,379,530 | - | 5,379,530 |
| Total operating expenses | 30,783,651 | - | 30,783,651 | 29,850,769 | - | 29,850,769 |
| Change in net assets from operations | 645,898 | (1,366,781) | (720,883) | (1,297,874) | 786,865 | (511,009) |
| Nonoperating gains (losses) and other income | | | | | | |
| Gain on sale of property and equipment | 125,272 | - | 125,272 | - | - | - |
| Miscellaneous income | 254,198 | - | 254,198 | 65,017 | - | 65,017 |
| Interest and dividend income | 66,544 | - | 66,544 | 69,779 | - | 69,779 |
| Net realized and unrealized (losses) gains on investments | (91,932) | (2,979) | (94,911) | 15,849 | 279 | 16,128 |
| Nonoperating gains (losses) and other income, net | 354,082 | (2,979) | 351,103 | 150,645 | 279 | 150,924 |
| Change in net assets | 999,980 | (1,369,760) | (369,780) | (1,147,229) | 787,144 | (360,085) |
| Net assets, beginning of year | 5,631,640 | 4,289,417 | 9,921,057 | 6,778,869 | 3,502,273 | 10,281,142 |
| Transfer from VOA national | (61,063) | 928,300 | 867,237 | - | - | - |
| Net assets, end of year | \$ 6,570,557 | \$ 3,847,957 | \$ 10,418,514 | \$ 5,631,640 | \$ 4,289,417 | \$ 9,921,057 |

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

| | Program services | | | Support services | | | Total operating expenses |
|----------------------------------|------------------------|----------------------------|----------------------|------------------------|-------------------|---------------------|--------------------------|
| | Fostering independence | Promoting self-sufficiency | Total | Management and general | Fundraising | Total | |
| Salaries and wages | \$ 8,713,752 | \$ 5,024,060 | \$ 13,737,812 | \$ 2,137,148 | \$ 271,442 | \$ 2,408,590 | \$ 16,146,402 |
| Employee benefits | 1,527,200 | 947,236 | 2,474,436 | 180,534 | 57,090 | 237,624 | 2,712,060 |
| Professional services | 1,119,073 | 697,994 | 1,817,067 | 1,540,529 | 47,999 | 1,588,528 | 3,405,595 |
| Program supplies and equipment | 197,070 | 564,735 | 761,805 | 56,646 | 26,558 | 83,204 | 845,009 |
| Office supplies and expenses | 119,825 | 143,791 | 263,616 | 213,108 | 69,865 | 282,973 | 546,589 |
| Occupancy | 660,922 | 867,081 | 1,528,003 | 14,863 | 19,592 | 34,455 | 1,562,458 |
| Interest | 12,492 | 10,608 | 23,100 | 147,110 | - | 147,110 | 170,210 |
| Travel, conferences and meetings | 211,164 | 202,173 | 413,337 | 139,040 | 49,778 | 188,818 | 602,155 |
| Specific assistance | 235,545 | 3,105,903 | 3,341,448 | 10,140 | 1,443 | 11,583 | 3,353,031 |
| Other | 22,652 | 330,901 | 353,553 | 184,463 | 175,173 | 359,636 | 713,189 |
| Depreciation and amortization | 652,444 | 16,808 | 669,252 | 57,701 | - | 57,701 | 726,953 |
| Total functional expenses | <u>\$ 13,472,139</u> | <u>\$ 11,911,290</u> | <u>\$ 25,383,429</u> | <u>\$ 4,681,282</u> | <u>\$ 718,940</u> | <u>\$ 5,400,222</u> | <u>\$ 30,783,651</u> |

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

| | Program services | | | Support services | | | Total operating expenses |
|----------------------------------|------------------------|----------------------------|----------------------|------------------------|-------------------|---------------------|--------------------------|
| | Fostering independence | Promoting self-sufficiency | Total | Management and general | Fundraising | Total | |
| Salaries and wages | \$ 8,772,335 | \$ 4,718,008 | \$ 13,490,343 | \$ 2,080,330 | \$ 309,980 | \$ 2,390,310 | \$ 15,880,653 |
| Employee benefits | 1,457,960 | 820,300 | 2,278,260 | 83,151 | 59,175 | 142,326 | 2,420,586 |
| Professional services | 944,380 | 833,084 | 1,777,464 | 1,409,910 | 54,801 | 1,464,711 | 3,242,175 |
| Program supplies and equipment | 194,536 | 477,524 | 672,060 | 65,776 | 71,328 | 137,104 | 809,164 |
| Office supplies and expenses | 139,639 | 149,290 | 288,929 | 349,487 | 32,510 | 381,997 | 670,926 |
| Occupancy | 615,878 | 799,086 | 1,414,964 | 43,424 | 42,052 | 85,476 | 1,500,440 |
| Interest | 13,839 | - | 13,839 | 166,133 | - | 166,133 | 179,972 |
| Travel, conferences and meetings | 362,424 | 265,647 | 628,071 | 206,403 | 44,939 | 251,342 | 879,413 |
| Specific assistance | 214,763 | 2,712,453 | 2,927,216 | 19,605 | 30,183 | 49,788 | 2,977,004 |
| Other | 8,258 | 314,095 | 322,353 | 35,936 | 220,632 | 256,568 | 578,921 |
| Depreciation and amortization | 635,059 | 22,681 | 657,740 | 53,775 | - | 53,775 | 711,515 |
| Total functional expenses | <u>\$ 13,359,071</u> | <u>\$ 11,112,168</u> | <u>\$ 24,471,239</u> | <u>\$ 4,513,930</u> | <u>\$ 865,600</u> | <u>\$ 5,379,530</u> | <u>\$ 29,850,769</u> |

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (369,780) | \$ (360,085) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 726,953 | 711,515 |
| Contributions restricted for long-term purposes | (85,300) | (1,113,033) |
| Provision for uncollectible pledges and accounts receivable | 457,744 | 441,207 |
| Realized and unrealized loss (gain) on investments | 94,911 | (16,128) |
| Gain on sale of property and equipment | (125,272) | - |
| Changes in operating assets and liabilities | | |
| Accounts receivable, net | 373,267 | 232,264 |
| Pledges receivable, net | (775,414) | (653,412) |
| Prepaid expenses and other current assets | (25,183) | 15,935 |
| Accounts payable | 181,795 | 24,683 |
| Checks issued in excess of cash | - | (147,996) |
| Accrued expenses | 414,258 | 10,423 |
| Other current liabilities | (159,587) | 83,201 |
| Refundable Payroll Protection Program advance | 3,461,600 | - |
| Net cash provided by (used in) operating activities | 4,169,992 | (771,426) |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (1,111,186) | (690,250) |
| Proceeds from sale of property and equipment | 192,500 | - |
| Purchase of investments | (545,367) | (486,852) |
| Proceeds from sale of investments | 487,577 | 425,375 |
| Cash received in transfer from VOA national | 57,166 | - |
| Net cash used in investing activities | (919,310) | (751,727) |
| Cash flows from financing activities | | |
| Proceeds from contributions restricted for long-term purposes | 411,290 | 668,747 |
| Net activity on line of credit | (2,600,000) | 1,542,268 |
| Payments on long-term debt | (413,118) | (461,319) |
| Net cash (used in) provided by financing activities | (2,601,828) | 1,749,696 |
| Increase in cash and cash equivalents | 648,854 | 226,543 |
| Cash and cash equivalents, beginning of year | 484,185 | 257,642 |
| Cash and cash equivalents, end of year | <u>\$ 1,133,039</u> | <u>\$ 484,185</u> |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | \$ 169,500 | \$ 97,174 |
| Assets, net of cash, and liabilities received from transfer from VOA national | 810,071 | - |
| Reconciliation of cash, cash equivalents and restricted cash to the consolidated statements of financial position | | |
| Cash and cash equivalents | \$ 890,792 | \$ 330,428 |
| Restricted deposits and funded reserves | 242,247 | 153,757 |
| Total cash, cash equivalents and restricted cash | <u>\$ 1,133,039</u> | <u>\$ 484,185</u> |

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements
Years Ended June 30, 2020 and 2019

Note A - Description of Organization

Volunteers of America Mid-States, Inc. and Affiliates f/k/a Volunteers of America of Kentucky, Inc. and Affiliates (the "Organization") is a nonprofit spiritually based human services organization, incorporated in Kentucky that provides social services within Kentucky, Indiana, Tennessee, West Virginia and Ohio under a charter from Volunteers of America, Inc. (the "National Organization"), a national nonprofit spiritually based organization providing local human service programs, and opportunities for individual and community involvement.

The Affiliates consist of VOA Property Corporation of Louisville, Inc., VOA of Northern Kentucky, Inc. and seven HUD-financed properties (see below).

The Organization has the following significant impact areas:

1. Fostering Independence: The Organization fosters the health and independence of the elderly and persons with disabilities, mental illness, and HIV/AIDS through quality affordable housing, health care services and a wide range of community services. Program categories and services are as follows:
 - Disabilities services - residential care
 - Elderly services - service coordination in affordable housing
 - Healthcare services - HIV/AIDS services
 - Housing - disabled and elderly housing
2. Promoting Self-sufficiency: The Organization promotes self-sufficiency for individuals and families who have experienced homelessness or other personal crisis, including chemical dependency, involvement with the corrections system and unemployment. The Organization focuses on solution-oriented approaches using a continuum of services from prevention to intervention to long-term support. Program categories and services are as follows:
 - Correctional services - community sanctions center
 - Homeless services - emergency shelter, eviction prevention, housing placement, supportive services, transitional housing
 - Substance abuse - residential treatment

The Organization operates seven residential properties funded by the U.S. Department of Housing and Urban Development ("HUD"), through a common board of directors and management team.

The seven HUD-financed properties ("Various HUD Properties") include:

- VOAKY Autumn Ridge, Inc.
- VOAKY Bunker Hill Court, Inc.
- VOAKY Hopeful Road, Inc.
- VOAKY Madison Pike, Inc.
- VOAKY Morningside Drive, Inc.
- VOAKY River Road, Inc.
- Nashville Volunteers of America Living Centers, Inc.

These HUD properties were formed to provide housing under programs as defined by the National Housing Act. Their operations are regulated by HUD as to rent charges and operating methods. Each HUD property receives monthly rent subsidies from HUD.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note B - Summary of Significant Accounting Policies

The Organization follows generally accepted accounting principles as outlined in the Financial Accounting Standards Board's Accounting Standards Codification ("ASC"). Significant accounting policies are as follows:

1. Basis of Accounting: The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and as applicable to voluntary health and welfare organizations. The ASC as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP.
2. Principles of Consolidation: The Organization's consolidated financial statements include the accounts of Volunteers of America ("VOA") Mid-States, Inc., VOA Property Corporation of Louisville, Inc., VOA of Northern Kentucky, Inc., and the Various HUD Properties. All material inter-entity transactions and balances have been eliminated.
3. Use of Estimates: The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.
4. Subsequent Events: Subsequent events for the Organization have been considered through the date of the Independent Auditor's Report, which represents the date the consolidated financial statements were available to be issued.
5. Net Assets: The Organization classifies net assets into two categories: with or without donor/grantor-imposed restrictions. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions are subject to stipulations by donors and grantors. Some donor restrictions are temporary in nature; those will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature requiring the resources to be maintained in perpetuity but permitting use of all or part of the investment income earned on the contributions. The Organization follows the policy of reporting donor-imposed restricted contributions whose restrictions are met in the same period as received as unrestricted revenue.

6. Operations: The Organization defines operations as all program and supporting service activities undertaken. Support and revenues that result from these activities, and their related expenses, are reported as operations. Gains, losses and other revenue that results from ancillary activities, such as investing liquid assets and disposing of other assets, are reported as non-operating.
7. Cash Equivalents: Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise designated or restricted. The carrying amount approximates fair value because of the short maturity of those instruments. The Organization typically maintains balances with its bank in excess of federally insured limits.
8. Investments: Investments consist primarily of money market, exchanged-traded and mutual funds. Investments are carried at fair value, generally determined by quoted market prices. Receipt of donated investments is recorded at the quoted market value of the investment at the time of donation.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

9. Accounts Receivable: The Organization reports accounts receivable for services rendered at net realizable amounts from third-party payers, clients and others. An allowance for doubtful accounts is provided based upon review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. The allowance is \$784,122 and \$458,510 at June 30, 2020 and 2019 respectively.

10. Pledges Receivable: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received.

The Organization provides an allowance for uncollectible pledges based upon the collectability of each specific pledge. The allowance is \$132,252 and \$137,345 at June 30, 2020 and 2019 respectively.

11. Property and Equipment: Land, buildings and equipment purchased by the Organization are recorded at cost. The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment in excess of \$1,000 and with a useful life of at least one year. Repairs and maintenance are expensed as incurred. Donated assets are similarly capitalized using the fair value of the asset as of the date donated. Depreciation expense is computed on the straight-line method based upon the following estimated useful lives of the assets:

| | |
|----------------------------|--------------|
| Buildings and improvements | 7 - 40 years |
| Furniture and equipment | 3 - 10 years |
| Vehicles | 5 years |

12. Impairment of Long-lived Assets: The Organization reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount.

There were no charges for impairment of long-lived assets during 2020 or 2019.

13. Government Grants: Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, could be adjusted.
14. Contributions: Contributions are recorded upon receipt. Contributions in the form of a pledge are recorded upon receipt of pledge documentation. Conditional promises to give are not included as support until such time as the conditions are substantially met.
15. In-kind Contributions: The Organization recognizes revenue and expense for contributed goods and services at the fair value of those goods and services, provided those goods and services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The value of contributed goods and services recognized was \$171,865 and \$269,494 for the years ended June 30, 2020 and 2019, respectively.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

16. Fee-for-service Revenues: Revenues from services billed under Medicaid are recognized on a fee-for-service basis using rates established by the various states' agencies. Although rates are determined prospectively, the regulatory agencies retain the authority to adjust amounts due the Organization under certain circumstances. Other client service revenues are recorded at rates established by the Organization.
17. Income Taxes: Under provision of Section 501(c)(3) of the Internal Revenue Code as a subordinate unit of the National Organization and the applicable income tax regulations of the state of Kentucky, the Organization is exempt from income taxes, except for net income from unrelated business income. The National Organization is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as a religious organization described in Section 501(c)(3). There were no unrelated business activities during the fiscal years ended June 30, 2020 and 2019 and accordingly, no tax expense was incurred during these years.

The Organization recognizes uncertain income tax provisions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain income tax positions has been recorded in the accompanying financial statements.

18. Advertising Costs: Advertising costs are expensed as incurred. Advertising expense was \$127,658 and \$221,998 for the years ended June 30, 2020 and 2019 respectively, and is included in printing and publications in the consolidated statements of functional expenses.
19. Allocation of Functional Expenses: The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the community programs, management and general and fundraising expenses and require allocation on a reasonable basis that is consistently applied. The expenses allocated include occupancy, depreciation and amortization, which are allocated based on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, interest, insurance and other, which are allocated on the basis of estimates of time and effort.
20. Recent Accounting Pronouncements: Effective July 1, 2019, the Organization adopted Accounting Standards Codification 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in 1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. This standard was adopted as it relates to contributions received for the year ending June 30, 2020 with no material impact.

Effective July 1, 2019, the Organization adopted Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows (Topic 820)*. This standard requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Consequently, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. This standard has been applied retrospectively to the June 30, 2019 year presented. The beginning of year balance in the accompanying consolidated statements of cash flows has thus been restated to include restricted cash with cash when reconciling the beginning and end of the year amounts reflected on the consolidated statements of cash flows.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

20. Recent Accounting Pronouncements (Continued): In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the fiscal year ending June 30, 2021. The Organization evaluated the impact of the adoption of ASU 2014-09 on the financial statements and does not expect to have a material impact from the adoption of ASU 2014-09 as of July 1, 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to improve financial reporting with respect to leasing transactions. ASU No. 2016-02 will require lessees to recognize a lease liability and a right-of-use asset with respect to all leases with terms of greater than twelve months. The lease liability recognized in the statement of financial position will represent the lessee's obligation to make lease payments measured on a discounted basis, while the right-of-use asset will represent the lessee's right to use, or control use of, the underlying asset for the lease term. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease asset and lease liabilities. This standard will be effective for the fiscal year ending June 30, 2023.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. The standard will be effective for the fiscal year ending June 30, 2024.

The Organization is currently evaluating ASU 2016-02 and ASU 2016-13 and their related impact on the Organization's consolidated financial statements.

21. Reclassifications: Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation. The reclassifications had no effect on net assets or the change in net assets.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note C - Liquidity and Availability of Resources

The Organization's assets available within one year of the statement of financial position date for general expenditures as of June 30, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 890,792 | \$ 330,428 |
| Accounts receivable | 2,559,936 | 2,932,383 |
| Pledges receivable | 3,037,917 | 3,046,197 |
| Investments | 1,539,039 | 1,576,160 |
| Restricted deposits and funded reserves | 242,247 | 153,757 |
| | 8,269,931 | 8,038,925 |
| Less amounts not available to be used within one year | | |
| Restricted by donors due to time or purpose | 1,551,096 | 2,917,877 |
| HUD capital advances | 2,239,897 | 1,311,597 |
| Restricted deposits and funded reserves | 242,247 | 153,757 |
| Funds held in trust by others restricted in perpetuity | 56,964 | 59,943 |
| Total financial assets available to meet cash needs for general expenditures within one year | <u>\$ 4,179,727</u> | <u>\$ 3,595,751</u> |

As part of the Organization'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. The Organization invests excess cash in short-term investments such as money market accounts. Additionally, the Organization has a \$2,800,000 line of credit available to meet cash flow needs (see Note H).

Note D - Pledges Receivable

Pledges receivable at June 30, 2020 and 2019 consists of the following:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Pledges receivable | \$ 3,267,068 | \$ 3,314,131 |
| Less unamortized discount | 96,899 | 130,589 |
| Less allowance for uncollectible pledges | 132,252 | 137,345 |
| | <u>\$ 3,037,917</u> | <u>\$ 3,046,197</u> |
| Amounts due in | | |
| Less than one year | \$ 2,041,469 | \$ 1,801,303 |
| One to five years | 1,225,599 | 1,512,828 |
| | <u>\$ 3,267,068</u> | <u>\$ 3,314,131</u> |

Pledges receivable due after one year have been discounted to present value reflecting the time value of money using a discount rate of 3.25% at both June 30, 2020 and 2019.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note E - Property and Equipment

Property and equipment at June 30, 2020 and 2019 consists of the following:

| | 2020 | 2019 |
|-------------------------------|---------------------|---------------------|
| Land | \$ 1,037,311 | \$ 591,311 |
| Buildings and improvements | 11,769,384 | 10,704,662 |
| Vehicles | 2,336,502 | 2,336,502 |
| Furniture and equipment | 2,896,565 | 2,504,099 |
| Construction in progress | 108,607 | - |
| | 18,148,369 | 16,136,574 |
| Less accumulated depreciation | 9,098,409 | 8,249,992 |
| | <u>\$ 9,049,960</u> | <u>\$ 7,886,582</u> |

Note F - Investments and Fair Value Measurements

FASB 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 under FASB ASC 820 are described as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data, such as quoted prices for similar assets or liabilities or model-derived valuations.
- Level 3: Unobservable inputs that are not corroborated by market data. These inputs reflect an organization's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following is a description of the valuation methodologies for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Money Market Funds, Exchange-traded Funds and Mutual Funds: Valued at the net asset value ("NAV") of shares held by the Organization at year end. The NAV is based on the value of the underlying investment assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

Funds Held in Trust by Others: The underlying assets of the funds are valued at the closing price reported on the active market on which the individual securities are traded. The funds are valued at the net asset value of the underlying assets.

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 Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note F - Investments and Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2020:

| | Investments at fair value as of June 30, 2020 | | | |
|-------------------------------|---|-------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | \$ 54,613 | \$ - | \$ - | \$ 54,613 |
| Exchange traded funds | 152,965 | - | - | 152,965 |
| Mutual funds | 1,166,280 | - | - | 1,166,280 |
| Funds held in trust by others | - | 165,181 | - | 165,181 |
| | <u>\$ 1,373,858</u> | <u>\$ 165,181</u> | <u>\$ -</u> | <u>\$ 1,539,039</u> |

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2019:

| | Investments at fair value as of June 30, 2019 | | | |
|-------------------------------|---|-------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | \$ 23,110 | \$ - | \$ - | \$ 23,110 |
| Exchange traded funds | 161,526 | - | - | 161,526 |
| Mutual funds | 1,230,254 | - | - | 1,230,254 |
| Funds held in trust by others | - | 161,270 | - | 161,270 |
| | <u>\$ 1,414,890</u> | <u>\$ 161,270</u> | <u>\$ -</u> | <u>\$ 1,576,160</u> |

Included in investments is \$165,181 and \$161,270 at June 30, 2020 and 2019 respectively, which is invested in a fund at The Community Foundation of Louisville. Terms of the fund allow the Organization to have access to \$108,217 and \$101,328 of these investments at June 30, 2020 and 2019, respectively, with the balance restricted for investment in perpetuity.

Note G - Refundable Payroll Protection Program Advance

The Organization received a refundable advance of \$3,461,600 in April 2020 from the SBA Payroll Protection Program. Under the CARES Act, subject to limitations, as defined, the advance may be partially or fully forgiven, depending on specified actual payroll and other qualified costs for the covered period following receipt of the advance. Any amount not forgiven will be payable in 24 monthly installments of principal and interest at 1% and will be unsecured. The Organization is accounting for the loan proceeds as a conditional contribution in accordance with ASC 958-605. As such, the Organization maintains the conditions will be substantially met when forgiveness is received from its bank.

Note H - Line of Credit

The Organization has a line of credit with PNC Bank which provides for borrowings up to \$2,800,000. Outstanding balances bear interest at the daily LIBOR rate plus 2.50% (2.683% at June 30, 2020). The line is secured by real estate and expires December 31, 2020. The outstanding balance on this line of credit is \$0 and \$2,600,000 as of June 30, 2020 and 2019, respectively.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note I - Long-term Debt

Long-term debt at June 30, 2020 and 2019 consists of the following:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Note payable to PNC Bank, bearing interest at LIBOR plus 2.50% (2.683% at June 30, 2020) payable in monthly principal and interest installments of \$10,397 through November 2026. | \$ 682,167 | \$ 769,715 |
| Term note bearing interest at 5.05% and requires 60 monthly payments of principal and interest of \$13,226 beginning July 2018 with balance due in June 2023. Guaranteed by two affiliates of the Organization. | 440,847 | 573,743 |
| Note payable to the Community Foundation of Louisville, interest rate of 3.50%; payable in monthly principal and interest installments of \$5,458 through October 2022. | 146,532 | 205,765 |
| Mortgage payable to U.S. Department of Housing and Urban Development, interest rate of 9.25%, payable in monthly principal and interest installments of \$2,030 through May 2022. | 47,632 | 68,054 |
| Note payable to PNC Bank, interest rate of 3.75%, payable in monthly principal and interest installments of \$7,332 through May 2020. | - | 78,509 |
| Mortgage payable to First Tennessee Bank, interest rate of 4.17%, payable in monthly principal and interest installments of \$3,902 through October 2020. | - | 34,510 |
| | 1,317,178 | 1,730,296 |
| Less current maturities | <u>312,499</u> | <u>411,694</u> |
| | <u>\$ 1,004,679</u> | <u>\$ 1,318,602</u> |

The mortgages and notes above are collateralized by the various real estate assets and certain equipment of the Organization.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note I - Long-term Debt (Continued)

At June 30, 2020, the aggregate annual maturities of principal payments on the notes payable are:

| <u>Year ending June 30,</u> | |
|-----------------------------|---------------------|
| 2021 | \$ 312,499 |
| 2022 | 330,296 |
| 2023 | 283,385 |
| 2024 | 107,980 |
| 2025 | 121,511 |
| Thereafter | <u>161,507</u> |
| | <u>\$ 1,317,178</u> |

Note J - Related Party Transactions

The Organization is affiliated with the National Organization which provides support services to the Organization for a fee. Affiliate fees paid during the years ended June 30, 2020 and 2019 totaled \$632,010 and \$671,130, respectively. Service fees due and payable to the National Organization as of June 30, 2020 and 2019 were \$83,922 and \$39,515, respectively .

The Organization contributed \$7,667 and \$10,718 for the years ended June 30, 2020 and 2019 respectively, to fund The Volunteers of America National Pension Plan, the defined benefit pension plan of the National Organization covering all commissioned ministers.

As of June 30, 2020 and 2019, the Organization was due \$79,729 and \$88,444 respectively, from six (2020) and seven (2019) HUD-financed properties which were formerly managed by the Organization. These amounts are included in accounts receivable on the accompanying consolidated statements of financial position.

On July 1, 2019 the Organization assumed the sponsorship of the Nashville Volunteers of America Living Center, Inc. from the Volunteers of America Inc. As a result, the Organization received assets totaling approximately \$913,000 and assumed liabilities totaling approximately \$46,000 which has been reflected as a transfer in the June 30, 2020 consolidated statement of activities and changes in net assets.

Note K - Retirement Plan

The Organization participates in a defined contribution retirement plan in which only full-time employees can participate. The Organization contributes up to one-half of six percent of employee compensation, up to Internal Revenue Service limits. Plan expense for the years ended June 30, 2020 and 2019 was \$60,737 and \$60,416 respectively.

Note L - Risk Management and Litigation

The Organization is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization currently carries property and general liability insurance to offset these risks.

The Organization is subject to other claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition and ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial statements of the Organization.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note M - Lease Commitments

The Organization leases properties in Kentucky, Tennessee and Indiana for various group homes and offices and vehicles with monthly rents ranging from \$42 to \$6,347. These leases expire at various dates through June 30, 2025. The Organization also leases multiple properties on a month-to-month basis. Total lease expense for the years ended June 30, 2020 and 2019 was \$1,190,882 and \$1,018,160, respectively.

The aggregate future minimum lease payments as of June 30, 2020 are as follows:

| <u>Year ending June 30,</u> | |
|-----------------------------|---------------------|
| 2021 | \$ 709,657 |
| 2022 | 571,954 |
| 2023 | 458,493 |
| 2024 | 313,589 |
| 2025 | <u>236,514</u> |
| | <u>\$ 2,290,207</u> |

Note N - Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Subject to time or expenditure for specified purpose | | |
| Outpatient addiction recovery - Kentucky and Clark and Floyd counties in Indiana | \$ 472,225 | \$ 1,483,712 |
| HUD capital advances | 2,239,897 | 1,311,597 |
| Second street - project | 834,413 | 848,763 |
| Recovery community care center | 160,892 | 469,577 |
| Education, supplies, bedding | 53,793 | 64,949 |
| Moral injury training | 21,848 | 25,831 |
| Falcon Crest | - | 17,120 |
| Shelby Mens Veterans program | 5,000 | 5,000 |
| Transitional housing - veterans | <u>2,925</u> | <u>2,925</u> |
| Total subject to time or expenditure for specified purpose | 3,790,993 | 4,229,474 |
| Funds held in trust by others in perpetuity | <u>56,964</u> | <u>59,943</u> |
| Total net assets with donor restrictions | <u>\$ 3,847,957</u> | <u>\$ 4,289,417</u> |

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note N - Net Assets with Donor Restrictions (Continued)

The following entities have capital advances from HUD as of both June 30, 2020 and 2019:

| | 2020 | 2019 |
|---|---------------------|---------------------|
| VOAKY Autumn Ridge, Inc. (Release from restriction in September 2043) | \$ 217,400 | \$ 217,400 |
| VOAKY Bunker Hill Court, Inc. (Release from restriction in January 2048) | 521,697 | 521,697 |
| VOAKY Madison Pike, Inc. (Release from restriction in May 2045) | 296,600 | 296,600 |
| VOAKY Morningside Drive, Inc. (Release from restriction in January 2045) | 275,900 | 275,900 |
| Nashville Volunteers of America Living Center, Inc. (Release from restriction in June 2045) | 928,300 | - |
| | <u>\$ 2,239,897</u> | <u>\$ 1,311,597</u> |

These capital advances bear no interest and repayment is not required so long as regulatory requirements are met. The capital advances are collateralized by a mortgage on the related property and are included in net assets with donor restrictions.

Note O - Contingencies

The Organization receives funding from federal and state government agencies, which funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Organization for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Organization's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Health and Human Services, the U.S. Department of Veterans Affairs, and the U.S. Department of Housing and Urban Development. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by various government bodies. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 ("COVID-19") outbreak a pandemic. Further, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States. Prior to June 30, 2020 and as of the date the financial statements were available to be issued, the Organization's operations have been significantly impacted by the COVID-19 outbreak. It is likely the Organization's operations will continue to be adversely affected as a result of COVID-19, but the impact is not known at this point as the scale and severity of the outbreak, and resulting economic impact, is still largely unknown.

Supplementary Information

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Financial Position
Year Ended June 30, 2020

| | VOA Mid-States, Inc. | VOA Property Corporation of Louisville, Inc. | VOA of Northern Kentucky, Inc. | Various HUD Properties | Elimination | Consolidated totals |
|---|-------------------------|--|-----------------------------------|---------------------------|-----------------------|------------------------|
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 761,632 | \$ 16,237 | \$ 20,301 | \$ 92,622 | \$ - | \$ 890,792 |
| Accounts receivable, net | 2,413,624 | 4,217 | 968,072 | 2,998 | (828,975) | 2,559,936 |
| Pledges receivable, net | 2,041,469 | - | - | - | - | 2,041,469 |
| Prepaid expenses and other current assets | 3,916,069 | 13,162 | 66,725 | - | (3,771,327) | 224,629 |
| Total current assets | 9,132,794 | 33,616 | 1,055,098 | 95,620 | (4,600,302) | 5,716,826 |
| Property and equipment | | | | | | |
| Land and buildings | 595,777 | 9,599,380 | - | 2,720,145 | - | 12,915,302 |
| Furniture and equipment | 1,459,189 | 3,752,634 | 8,032 | 13,212 | - | 5,233,067 |
| Less accumulated depreciation | 1,750,685 | 6,600,752 | 8,032 | 738,940 | - | 9,098,409 |
| Total property and equipment | 304,281 | 6,751,262 | - | 1,994,417 | - | 9,049,960 |
| Other assets | | | | | | |
| Investments, restricted | 56,964 | - | - | - | - | 56,964 |
| Investments | 1,482,075 | - | - | - | - | 1,482,075 |
| Restricted deposits and funded reserves | - | - | - | 242,247 | - | 242,247 |
| Pledges receivable, net | 996,448 | - | - | - | - | 996,448 |
| Total other assets | 2,535,487 | - | - | 242,247 | - | 2,777,734 |
| Total assets | <u>\$ 11,972,562</u> | <u>\$ 6,784,878</u> | <u>\$ 1,055,098</u> | <u>\$ 2,332,284</u> | <u>\$ (4,600,302)</u> | <u>\$ 17,544,520</u> |

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Financial Position (Continued)
Year Ended June 30, 2020

| | VOA Mid-States, Inc. | VOA Property Corporation of Louisville, Inc. | VOA of Northern Kentucky, Inc. | Various HUD Properties | Elimination | Consolidated totals |
|---|-------------------------|--|-----------------------------------|---------------------------|----------------|------------------------|
| Liabilities and net assets | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | \$ 1,146,333 | \$ 3,771,325 | \$ 15,397 | \$ 126,721 | \$ (4,600,302) | \$ 459,474 |
| Accrued expenses | 1,839,418 | - | 16,823 | 17,692 | - | 1,873,933 |
| Other current liabilities | - | 5,637 | 8,184 | - | - | 13,821 |
| Refundable Payroll Protection Program advance | 3,461,600 | - | - | - | - | 3,461,600 |
| Line of credit | - | - | - | - | - | - |
| Current maturities of long-term debt | 293,388 | - | - | 19,111 | - | 312,499 |
| Total current liabilities | 6,740,739 | 3,776,962 | 40,404 | 163,524 | (4,600,302) | 6,121,327 |
| Long-term debt, less current maturities | 976,158 | - | - | 28,521 | - | 1,004,679 |
| Net assets | | | | | | |
| Without donor restrictions | 2,647,605 | 3,007,916 | 1,014,694 | (99,658) | - | 6,570,557 |
| With donor restrictions | 1,608,060 | - | - | 2,239,897 | - | 3,847,957 |
| Total net assets | 4,255,665 | 3,007,916 | 1,014,694 | 2,140,239 | - | 10,418,514 |
| Total liabilities and net assets | \$ 11,972,562 | \$ 6,784,878 | \$ 1,055,098 | \$ 2,332,284 | \$ (4,600,302) | \$ 17,544,520 |

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Financial Position
Year Ended June 30, 2019

| | VOA Mid-States, Inc. | VOA Property Corporation of Louisville, Inc. | VOA of Northern Kentucky, Inc. | Various HUD Properties | Elimination | Consolidated totals |
|---|-------------------------|--|--------------------------------------|---------------------------|-----------------------|------------------------|
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 184,313 | \$ 23,117 | \$ 23,030 | \$ 99,968 | \$ - | \$ 330,428 |
| Accounts receivable, net | 2,784,595 | 10,322 | 952,024 | 848 | (815,406) | 2,932,383 |
| Pledges receivable, net | 1,801,303 | - | - | - | - | 1,801,303 |
| Prepaid expenses and other current assets | 3,345,836 | 11,082 | 66,650 | - | (3,233,121) | 190,447 |
| Total current assets | 8,116,047 | 44,521 | 1,041,704 | 100,816 | (4,048,527) | 5,254,561 |
| Property and equipment | | | | | | |
| Land and buildings | 595,777 | 9,054,410 | - | 1,645,786 | - | 11,295,973 |
| Furniture and equipment | 1,390,519 | 3,430,552 | 8,032 | 11,498 | - | 4,840,601 |
| Less accumulated depreciation | 1,675,789 | 6,127,386 | 8,032 | 438,785 | - | 8,249,992 |
| Total property and equipment | 310,507 | 6,357,576 | - | 1,218,499 | - | 7,886,582 |
| Other assets | | | | | | |
| Investments, restricted | 59,943 | - | - | - | - | 59,943 |
| Investments | 1,516,217 | - | - | - | - | 1,516,217 |
| Restricted deposits and funded reserves | - | - | - | 153,757 | - | 153,757 |
| Pledges receivable, net | 1,244,894 | - | - | - | - | 1,244,894 |
| Total other assets | 2,821,054 | - | - | 153,757 | - | 2,974,811 |
| Total assets | <u>\$ 11,247,608</u> | <u>\$ 6,402,097</u> | <u>\$ 1,041,704</u> | <u>\$ 1,473,072</u> | <u>\$ (4,048,527)</u> | <u>\$ 16,115,954</u> |

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Financial Position (Continued)
Year Ended June 30, 2019

| | VOA Mid-States, Inc. | VOA Property Corporation of Louisville, Inc. | VOA of Northern Kentucky, Inc. | Various HUD Properties | Elimination | Consolidated totals |
|---|-------------------------|--|--------------------------------------|---------------------------|-----------------------|------------------------|
| Liabilities and net assets | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | \$ 1,028,780 | \$ 3,172,387 | \$ 13,354 | \$ 65,524 | \$ (4,048,527) | \$ 231,518 |
| Accrued expenses | 1,377,065 | - | 64,918 | 17,692 | - | 1,459,675 |
| Other current liabilities | 67,268 | 95,028 | 11,112 | - | - | 173,408 |
| Line of credit | 2,600,000 | - | - | - | - | 2,600,000 |
| Current maturities of long-term debt | 358,073 | 34,510 | - | 19,111 | - | 411,694 |
| Total current liabilities | 5,431,186 | 3,301,925 | 89,384 | 102,327 | (4,048,527) | 4,876,295 |
| Long-term debt, less current maturities | 1,269,659 | - | - | 48,943 | - | 1,318,602 |
| Net assets | | | | | | |
| Net assets without donor restrictions | 1,568,943 | 3,100,172 | 952,320 | 10,205 | - | 5,631,640 |
| Net assets with donor restrictions | 2,977,820 | - | - | 1,311,597 | - | 4,289,417 |
| Total net assets | 4,546,763 | 3,100,172 | 952,320 | 1,321,802 | - | 9,921,057 |
| Total liabilities and net assets | <u>\$ 11,247,608</u> | <u>\$ 6,402,097</u> | <u>\$ 1,041,704</u> | <u>\$ 1,473,072</u> | <u>\$ (4,048,527)</u> | <u>\$ 16,115,954</u> |

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020

| | VOA Mid-States, Inc. | VOA Property Corporation of Louisville, Inc. | VOA of Northern Kentucky, Inc. | Various HUD Properties | Elimination | Consolidated totals |
|--|-------------------------|--|-----------------------------------|---------------------------|----------------|------------------------|
| Net assets without donor restrictions | | | | | | |
| Revenues | | | | | | |
| Support and revenues from operations | | | | | | |
| Public support received directly | | | | | | |
| Contributions | \$ 2,396,839 | \$ - | \$ 26,170 | \$ - | \$ - | \$ 2,423,009 |
| Contributions, in-kind | 171,865 | - | - | - | - | 171,865 |
| Public support: capital and bequests | 109,158 | - | - | - | - | 109,158 |
| Special events | 130,840 | - | - | - | - | 130,840 |
| Public support received indirectly | | | | | | |
| United Way allocation | - | - | 75,400 | - | - | 75,400 |
| Volunteers of America awards and grants | 63,499 | - | - | - | - | 63,499 |
| Total public support | 2,872,201 | - | 101,570 | - | - | 2,973,771 |
| Revenue and grants | | | | | | |
| Fee-for-service revenue | 11,111,001 | - | 2,012,523 | - | - | 13,123,524 |
| Federal and state grants | 10,006,498 | - | - | - | - | 10,006,498 |
| Program service fees | 3,017,621 | 500,559 | 145,068 | - | (278,454) | 3,384,794 |
| Rental income | 48,648 | 95,512 | - | 367,189 | (95,512) | 415,837 |
| Miscellaneous revenue | 3,050,983 | - | - | - | (2,997,639) | 53,344 |
| Total revenue and grants | 27,234,751 | 596,071 | 2,157,591 | 367,189 | (3,371,605) | 26,983,997 |
| Net assets released from restrictions | | | | | | |
| Satisfaction of program activities | 696,923 | - | - | - | - | 696,923 |
| Satisfaction of capital improvements | 774,858 | - | - | - | - | 774,858 |
| Total support and revenues from operations | \$ 31,578,733 | \$ 596,071 | \$ 2,259,161 | \$ 367,189 | \$ (3,371,605) | \$ 31,429,549 |

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Activities and Changes in Net Assets (Continued)
Year Ended June 30, 2020

| | VOA Mid-States, Inc. | VOA Property Corporation of Louisville, Inc. | VOA of Northern Kentucky, Inc. | Various HUD Properties | Elimination | Consolidated totals |
|--|-------------------------|--|-----------------------------------|---------------------------|----------------|------------------------|
| Expenses | | | | | | |
| Operating expenses | | | | | | |
| Program services | | | | | | |
| Fostering independence | \$ 11,920,286 | 813,599 | \$ 2,196,787 | \$ 415,989 | \$ (1,874,522) | \$ 13,472,139 |
| Promoting self-sufficiency | 13,408,373 | - | - | - | (1,497,083) | 11,911,290 |
| Total program services | 25,328,659 | 813,599 | 2,196,787 | 415,989 | (3,371,605) | 25,383,429 |
| Support services and fundraising | | | | | | |
| Management and general | 4,681,282 | - | - | - | - | 4,681,282 |
| Fundraising | 718,940 | - | - | - | - | 718,940 |
| Total support services and fundraising | 5,400,222 | - | - | - | - | 5,400,222 |
| Total operating expenses | 30,728,881 | 813,599 | 2,196,787 | 415,989 | (3,371,605) | 30,783,651 |
| Increase (decrease) in net assets from operations | 849,852 | (217,528) | 62,374 | (48,800) | - | 645,898 |
| Nonoperating gains (losses) and other income (expense) | | | | | | |
| Gain on sale of property and equipment | - | 125,272 | - | - | - | 125,272 |
| Miscellaneous income | 254,198 | - | - | - | - | 254,198 |
| Interest and dividend income | 66,544 | - | - | - | - | 66,544 |
| Net realized and unrealized loss on investments | (91,932) | - | - | - | - | (91,932) |
| Nonoperating gains (losses) and other income, net | 228,810 | 125,272 | - | - | - | 354,082 |
| Change in net assets without donor restrictions | 1,078,662 | (92,256) | 62,374 | (48,800) | - | 999,980 |
| Net assets with donor restrictions | | | | | | |
| Contributions | 105,000 | - | - | - | - | 105,000 |
| Public support: capital and bequests | - | - | - | - | - | - |
| Federal and state grants | - | - | - | - | - | - |
| Net realized and unrealized loss on investments | (2,979) | - | - | - | - | (2,979) |
| Net assets released from restriction | | | | | | |
| Satisfaction of program activities | (696,923) | - | - | - | - | (696,923) |
| Satisfaction of capital improvements | (774,858) | - | - | - | - | (774,858) |
| Change in net assets with donor restrictions | (1,369,760) | - | - | - | - | (1,369,760) |
| Change in net assets | (291,098) | (92,256) | 62,374 | (48,800) | - | (369,780) |
| Net assets, beginning of year | 4,546,763 | 3,100,172 | 952,320 | 1,321,802 | - | 9,921,057 |
| Transfer from VOA national | - | - | - | 867,237 | - | 867,237 |
| Net assets, end of year | \$ 4,255,665 | \$ 3,007,916 | \$ 1,014,694 | \$ 2,140,239 | \$ - | \$ 10,418,514 |

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019

| | VOA Mid-States, Inc. | VOA Property Corporation of Louisville, Inc. | VOA of Northern Kentucky, Inc. | Various HUD Properties | Elimination | Consolidated totals |
|--|-------------------------|--|-----------------------------------|---------------------------|-----------------------|------------------------|
| Net assets without donor restrictions | | | | | | |
| Revenues | | | | | | |
| Support and revenues from operations | | | | | | |
| Public Support Received Directly | | | | | | |
| Contributions | \$ 1,647,904 | \$ - | \$ 4,895 | \$ - | \$ - | \$ 1,652,799 |
| Contributions, in-kind | 269,494 | - | - | - | - | 269,494 |
| Public support: capital and bequests | 56,880 | - | - | - | - | 56,880 |
| Special events | 150,521 | - | - | - | - | 150,521 |
| Public support received indirectly | | | | | | |
| United Way allocation | 5,766 | - | 78,300 | - | - | 84,066 |
| Volunteers of America awards and grants | 115,073 | - | - | - | - | 115,073 |
| Total public support | 2,245,638 | - | 83,195 | - | - | 2,328,833 |
| Revenue and grants | | | | | | |
| Fee-for-service revenue | 11,044,902 | - | 2,059,997 | - | - | 13,104,899 |
| Federal and state grants | 9,508,911 | - | - | - | - | 9,508,911 |
| Program service fees | 2,317,366 | 533,794 | 139,381 | - | (299,059) | 2,691,482 |
| Rental income | 48,528 | 95,512 | - | 247,896 | (95,512) | 296,424 |
| Miscellaneous revenue | 2,945,690 | - | - | - | (2,913,091) | 32,599 |
| Total revenue and grants | 25,865,397 | 629,306 | 2,199,378 | 247,896 | (3,307,662) | 25,634,315 |
| Net assets released from restrictions | | | | | | |
| Satisfaction of program activities | 412,137 | - | - | - | - | 412,137 |
| Satisfaction of capital improvements | 177,610 | - | - | - | - | 177,610 |
| Total support and revenues from operations | <u>\$ 28,700,782</u> | <u>\$ 629,306</u> | <u>\$ 2,282,573</u> | <u>\$ 247,896</u> | <u>\$ (3,307,662)</u> | <u>\$ 28,552,895</u> |

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Activities and Changes in Net Assets (Continued)
Year Ended June 30, 2019

| | VOA Mid-States, Inc. | VOA Property Corporation of Louisville, Inc. | VOA of Northern Kentucky, Inc. | Various HUD Properties | Elimination | Consolidated totals |
|---|-------------------------|--|--------------------------------------|---------------------------|----------------|------------------------|
| Expenses | | | | | | |
| Operating expenses | | | | | | |
| Program services | | | | | | |
| Fostering independence | \$ 11,939,881 | \$ 950,448 | \$ 2,145,194 | \$ 230,235 | \$ (1,906,687) | \$ 13,359,071 |
| Promoting self-sufficiency | 12,513,143 | - | - | - | (1,400,975) | 11,112,168 |
| Total program services | 24,453,024 | 950,448 | 2,145,194 | 230,235 | (3,307,662) | 24,471,239 |
| Support services and fundraising | | | | | | |
| Management and general | 4,513,930 | - | - | - | - | 4,513,930 |
| Fundraising | 865,600 | - | - | - | - | 865,600 |
| Total support services and fundraising | 5,379,530 | - | - | - | - | 5,379,530 |
| Total operating expenses | 29,832,554 | 950,448 | 2,145,194 | 230,235 | (3,307,662) | 29,850,769 |
| Increase (decrease) in net assets from operations | (1,131,772) | (321,142) | 137,379 | 17,661 | - | (1,297,874) |
| Nonoperating gains and other income | | | | | | |
| Miscellaneous income | 65,000 | 17 | - | - | - | 65,017 |
| Interest and dividend income | 69,779 | - | - | - | - | 69,779 |
| Net realized and unrealized gain on investments | 15,849 | - | - | - | - | 15,849 |
| Nonoperating gains and other income | 150,628 | 17 | - | - | - | 150,645 |
| Change in net assets without donor restrictions | (981,144) | (321,125) | 137,379 | 17,661 | - | (1,147,229) |
| Net assets with donor restrictions | | | | | | |
| Contributions | 276,399 | - | - | - | - | 276,399 |
| Public support: capital and bequests | 583,700 | - | - | - | - | 583,700 |
| Federal and state grants | 516,513 | - | - | - | - | 516,513 |
| Net realized and unrealized gain on investments | 279 | - | - | - | - | 279 |
| Net assets released from restriction, | | | | | | |
| Satisfaction of program activities | (412,137) | - | - | - | - | (412,137) |
| Satisfaction of capital improvements | (177,610) | - | - | - | - | (177,610) |
| Change in net assets with donor restrictions | 787,144 | - | - | - | - | 787,144 |
| Change in net assets | (194,000) | (321,125) | 137,379 | 17,661 | - | (360,085) |
| Net assets, beginning of year | 4,740,763 | 3,421,297 | 814,941 | 1,304,141 | - | 10,281,142 |
| Net assets, end of year | \$ 4,546,763 | \$ 3,100,172 | \$ 952,320 | \$ 1,321,802 | \$ - | \$ 9,921,057 |

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Cash Flows
Year Ended June 30, 2020

| | VOA Mid-States, Inc. | VOA Property Corporation of Louisville, Inc. | VOA of Northern Kentucky, Inc. | Various HUD Properties | Elimination | Consolidated totals |
|---|-------------------------|--|-----------------------------------|---------------------------|-------------|------------------------|
| Cash flows from operating activities | | | | | | |
| Change in net assets | \$ (291,098) | \$ (92,256) | \$ 62,374 | \$ (48,800) | \$ - | \$ (369,780) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | | | | | |
| Depreciation and amortization | 74,896 | 581,602 | - | 70,455 | - | 726,953 |
| Contributions restricted for long-term purposes | (85,300) | - | - | - | - | (85,300) |
| Provision for uncollectible pledges and accounts receivable | 457,744 | - | - | - | - | 457,744 |
| Realized and unrealized loss on investments | 94,911 | - | - | - | - | 94,911 |
| Gain on sale of real estate | - | (125,272) | - | - | - | (125,272) |
| Change in | | | | | | |
| Accounts receivable, net | 370,931 | 6,105 | (16,048) | (1,290) | 13,569 | 373,267 |
| Pledges receivable, net | (775,414) | - | - | - | - | (775,414) |
| Prepaid expenses and other current assets | (570,233) | (2,080) | (75) | 8,999 | 538,206 | (25,183) |
| Accounts payable | 117,553 | 598,938 | 2,043 | 15,036 | (551,775) | 181,795 |
| Checks issued in excess of cash | - | - | - | - | - | - |
| Accrued expenses | 462,353 | - | (48,095) | - | - | 414,258 |
| Other current liabilities | (67,268) | (89,391) | (2,928) | - | - | (159,587) |
| Refundable Payroll Protection Program advance | 3,461,600 | - | - | - | - | 3,461,600 |
| Net cash provided by (used in) operating activities | 3,250,675 | 877,646 | (2,729) | 44,400 | - | 4,169,992 |
| Cash flows from investing activities | | | | | | |
| Purchases of property and equipment | (68,670) | (1,042,516) | - | - | - | (1,111,186) |
| Proceeds from sale of property and equipment | - | 192,500 | - | - | - | 192,500 |
| Purchase of investments | (545,367) | - | - | - | - | (545,367) |
| Proceeds from sale of investments | 487,577 | - | - | - | - | 487,577 |
| Cash received in transfer from VOA national | - | - | - | 57,166 | - | 57,166 |
| Net cash provided by (used in) investing activities | (126,460) | (850,016) | - | 57,166 | - | (919,310) |
| Cash flows from financing activities | | | | | | |
| Proceeds from contributions restricted for long-term purposes | 411,290 | - | - | - | - | 411,290 |
| Net activity on lines of credit | (2,600,000) | - | - | - | - | (2,600,000) |
| Payments on long-term debt | (358,186) | (34,510) | - | (20,422) | - | (413,118) |
| Net cash provided by (used in) financing activities | (2,546,896) | (34,510) | - | (20,422) | - | (2,601,828) |
| Net increase in cash and cash equivalents | 577,319 | (6,880) | (2,729) | 81,144 | - | 648,854 |
| Cash and cash equivalents, beginning of year | 184,313 | 23,117 | 23,030 | 253,725 | - | 484,185 |
| Cash and cash equivalents, end of year | \$ 761,632 | \$ 16,237 | \$ 20,301 | \$ 334,869 | \$ - | \$ 1,133,039 |

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Cash Flows
Year Ended June 30, 2019

| | VOA Mid-States, Inc. | VOA Property Corporation of Louisville, Inc. | VOA of Northern Kentucky, Inc. | Various HUD Properties | Elimination | Consolidated totals |
|---|-------------------------|--|-----------------------------------|---------------------------|-------------|------------------------|
| Cash flows from operating activities | | | | | | |
| Change in net assets | \$ (194,000) | \$ (321,125) | \$ 137,379 | \$ 17,661 | \$ - | \$ (360,085) |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities | | | | | | |
| Depreciation and amortization | 87,883 | 576,102 | - | 47,530 | - | 711,515 |
| Contributions restricted for long-term purposes | (1,113,033) | - | - | - | - | (1,113,033) |
| Provision for uncollectible pledges receivable | 441,207 | - | - | - | - | 441,207 |
| Realized and unrealized gain on investments | (16,128) | - | - | - | - | (16,128) |
| Gain on sale of real estate | - | - | - | - | - | - |
| Change in | | | | | | |
| Accounts receivable, net | 233,926 | 3,379 | (129,946) | 854 | 124,051 | 232,264 |
| Pledges receivable, net | (653,412) | - | - | - | - | (653,412) |
| Prepaid expenses and other current assets | (394,956) | 4,827 | - | - | 406,064 | 15,935 |
| Accounts payable | 210,475 | 339,398 | 2,908 | 2,017 | (530,115) | 24,683 |
| Checks issued in excess of cash | (147,996) | - | - | - | - | (147,996) |
| Accrued expenses | 1,941 | - | 8,614 | (132) | - | 10,423 |
| Other current liabilities | - | 89,105 | (5,904) | - | - | 83,201 |
| Net cash (used in) provided by operating activities | (1,544,093) | 691,686 | 13,051 | 67,930 | - | (771,426) |
| Cash flows from investing activities | | | | | | |
| Purchases of property and equipment | (49,333) | (640,917) | - | - | - | (690,250) |
| Proceeds from sale of property and equipment | - | - | - | - | - | - |
| Purchase of investments | (486,852) | - | - | - | - | (486,852) |
| Proceeds from sale of investments | 425,375 | - | - | - | - | 425,375 |
| Net cash used in investing activities | (110,810) | (640,917) | - | - | - | (751,727) |
| Cash flows from financing activities | | | | | | |
| Proceeds from contributions restricted for long-term purposes | 668,747 | - | - | - | - | 668,747 |
| Net activity on lines of credit | 1,542,268 | - | - | - | - | 1,542,268 |
| Payments on long-term debt | (399,868) | (44,263) | - | (17,188) | - | (461,319) |
| Net cash provided by (used in) financing activities | 1,811,147 | (44,263) | - | (17,188) | - | 1,749,696 |
| Net (decrease) increase in cash and cash equivalents | 156,244 | 6,506 | 13,051 | 50,742 | - | 226,543 |
| Cash and cash equivalents, beginning of year | 28,069 | 16,611 | 9,979 | 202,983 | - | 257,642 |
| Cash and cash equivalents, end of year | \$ 184,313 | \$ 23,117 | \$ 23,030 | \$ 253,725 | \$ - | \$ 484,185 |

See independent auditor's report.