



DELTA CENTER

Delta Center for Independent Living Delta Center Personal Attendant Services

Combined Financial Statements with Supplementary Information
and Independent Auditors' Report

YEARS ENDED JUNE 30, 2018 AND 2017



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Independent Auditors' Report

Board of Directors
Delta Center for Independent Living
Delta Center Personal Attendant Services
St. Peters, Missouri

We have audited the accompanying combined financial statements of Delta Center for Independent Living and Delta Center Personal Attendant Services (collectively "Delta Center") (not-for-profit organizations), which comprise the combined statements of financial position as of June 30, 2018 and 2017, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 presentation of the combined financial statements.

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 combined financial statements referred to above present fairly, in all material respects, the financial position of Delta Center as of June 30, 2018 and 2017, and the changes in its net assets and its 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 audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Anders Minkler Heber & Helms LLP

November 14, 2018

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Combined Statements of Financial Position
June 30, 2018 and 2017**

Assets

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 450,099	\$ 522,070
Investments, at fair value	1,410,107	1,119,653
Accounts receivable, net	528,233	555,558
Prepaid expenses and other current assets	<u>30,630</u>	<u>15,487</u>
Total Current Assets	2,419,069	2,212,768
Property and Equipment, net	<u>1,136,407</u>	<u>1,221,114</u>
 Total Assets	 <u>\$ 3,555,476</u>	 <u>\$ 3,433,882</u>

Liabilities and Net Assets

Current Liabilities		
Current maturities of long-term debt	\$ 826,833	\$ 37,298
Accounts payable	21,747	11,571
Accrued expenses and other current liabilities	<u>125,812</u>	<u>125,024</u>
Total Current Liabilities	974,392	173,893
Tenant Deposits	11,590	14,688
Long-term Debt	<u>-</u>	<u>826,809</u>
Total Liabilities	<u>985,982</u>	<u>1,015,390</u>
Net Assets		
Unrestricted		
Unrestricted	1,543,932	1,394,898
Unrestricted - board designated	1,023,594	1,023,594
Temporarily restricted	<u>1,968</u>	<u>-</u>
Total Net Assets	<u>2,569,494</u>	<u>2,418,492</u>
 Total Liabilities and Net Assets	 <u>\$ 3,555,476</u>	 <u>\$ 3,433,882</u>

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Combined Statement of Activities
Year Ended June 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Program fees	\$ 3,702,506	\$ -	\$ 3,702,506
Contributions	9,552	2,100	11,652
Grants	130,250	-	130,250
Investment returns	27,970	-	27,970
Net realized/unrealized gain on investments	113,495	-	113,495
Rental revenue	111,875	-	111,875
Other	12,936	-	12,936
Net assets released from restrictions:			
Satisfaction of time and usage restrictions	132	(132)	-
Total Revenues, Gains and Other Support	<u>4,108,716</u>	<u>1,968</u>	<u>4,110,684</u>
Expenses			
Program Services			
Personal attendant services	3,451,272	-	3,451,272
Independent living and other	214,565	-	214,565
Total Program Services	<u>3,665,837</u>	<u>-</u>	<u>3,665,837</u>
Supporting Activities			
Management and general	157,224	-	157,224
Building rental	136,621	-	136,621
Total Supporting Activities	<u>293,845</u>	<u>-</u>	<u>293,845</u>
Total Expenses	<u>3,959,682</u>	<u>-</u>	<u>3,959,682</u>
Change in Net Assets	149,034	1,968	151,002
Net Assets, Beginning of Year	<u>2,418,492</u>	<u>-</u>	<u>2,418,492</u>
Net Assets, End of Year	<u>\$ 2,567,526</u>	<u>\$ 1,968</u>	<u>\$ 2,569,494</u>

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Combined Statement of Activities
Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Program fees	\$ 3,819,960	\$ -	\$ 3,819,960
Contributions	7,185	-	7,185
Grants	236,969	-	236,969
Investment returns	18,642	-	18,642
Net realized/unrealized gain on investments	81,774	-	81,774
Rental revenue	108,557	-	108,557
Other	6,895	-	6,895
Total Revenues, Gains and Other Support	<u>4,279,982</u>	<u>-</u>	<u>4,279,982</u>
Expenses			
Program Services			
Personal attendant services	3,555,424	-	3,555,424
Independent living and other	283,926	-	283,926
Total Program Services	<u>3,839,350</u>	<u>-</u>	<u>3,839,350</u>
Supporting Activities			
Management and general	204,921	-	204,921
Building rental	86,617	-	86,617
Total Supporting Activities	<u>291,538</u>	<u>-</u>	<u>291,538</u>
Total Expenses	<u>4,130,888</u>	<u>-</u>	<u>4,130,888</u>
Change in Net Assets	149,094	-	149,094
Net Assets, Beginning of Year	<u>2,269,398</u>	<u>-</u>	<u>2,269,398</u>
Net Assets, End of Year	<u>\$ 2,418,492</u>	<u>\$ -</u>	<u>\$ 2,418,492</u>

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Combined Statement of Functional Expenses
Year Ended June 30, 2018**

	Program Services			Supporting Activities			Total Expenses
	Personal Attendant Services	Independent Living and Other	Total	Management and General	Building Rental	Total	
Wages - CDS	\$ 2,435,421	\$ -	\$ 2,435,421	\$ -	\$ -	\$ -	\$2,435,421
Salaries and wages - staff	404,395	140,454	544,849	89,152	11,066	100,218	645,067
Payroll taxes	267,379	11,760	279,139	7,562	939	8,501	287,640
Employee benefits	64,657	20,707	85,364	11,371	961	12,332	97,696
Conferences and meetings	661	1,809	2,470	1,355	-	1,355	3,825
Consumer assistance	17,607	383	17,990	-	-	-	17,990
Contract labor	11,296	5,820	17,116	636	-	636	17,752
Dues	1,667	999	2,666	547	-	547	3,213
Information technology	30,112	3,667	33,779	3,459	40	3,499	37,278
Insurance	8,529	1,570	10,099	5,199	3,207	8,406	18,505
Interest	15,033	-	15,033	3,572	18,605	22,177	37,210
Miscellaneous	3,338	463	3,801	2,125	64	2,189	5,990
Outreach advertising	64,390	92	64,482	128	-	128	64,610
Printing and postage	3,973	1,287	5,260	1,140	7	1,147	6,407
Professional fees	18,447	14,964	33,411	14,566	13,624	28,190	61,601
Property taxes	-	-	-	-	21,167	21,167	21,167
Provision for doubtful accounts	2,208	-	2,208	-	-	-	2,208
Repairs and maintenance	22,708	2,397	25,105	5,356	17,022	22,378	47,483
Supplies	6,064	1,595	7,659	1,426	110	1,536	9,195
Telephone	12,714	2,689	15,403	2,536	-	2,536	17,939
Travel	11,284	2,261	13,545	323	-	323	13,868
Utilities	6,566	1,234	7,800	1,550	2,482	4,032	11,832
Total Expense Before Depreciation	3,408,449	214,151	3,622,600	152,003	89,294	241,297	3,863,897
Depreciation	42,823	414	43,237	5,221	47,327	52,548	95,785
Total Expenses	<u>\$ 3,451,272</u>	<u>\$ 214,565</u>	<u>\$ 3,665,837</u>	<u>\$ 157,224</u>	<u>\$ 136,621</u>	<u>\$ 293,845</u>	<u>\$3,959,682</u>
Percent of Total	<u>87.16 %</u>	<u>5.42 %</u>	<u>92.58 %</u>	<u>3.97 %</u>	<u>3.45 %</u>	<u>7.42 %</u>	<u>100.00 %</u>

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Combined Statement of Functional Expenses
Year Ended June 30, 2017**

	Program Services			Supporting Activities			Total Expenses
	Personal Attendant Services	Independent Living and Other	Total	Management and General	Building Rental	Total	
Wages - CDS	\$ 2,682,493	\$ -	\$ 2,682,493	\$ -	\$ -	\$ -	\$ 2,682,493
Salaries and wages - staff	375,098	148,831	523,929	120,129	6,816	126,945	650,874
Payroll taxes	36,024	13,562	49,586	10,798	584	11,382	60,968
Employee benefits	74,458	26,731	101,189	17,669	979	18,648	119,837
Consumer assistance	9,773	8,906	18,679	-	-	-	18,679
Contract labor	44,690	11,819	56,509	9,256	-	9,256	65,765
Dues	1,189	1,181	2,370	308	-	308	2,678
Information technology	-	-	-	4,605	-	4,605	4,605
Insurance	6,661	3,173	9,834	4,928	2,298	7,226	17,060
Interest	10,233	4,892	15,125	2,796	17,921	20,717	35,842
Miscellaneous	1,974	5	1,979	1,449	-	1,449	3,428
Outreach advertising	148,681	201	148,882	499	-	499	149,381
Printing and postage	5,928	2,847	8,775	1,706	-	1,706	10,481
Professional fees	18,676	20,084	38,760	11,086	598	11,684	50,444
Property taxes	-	-	-	-	13,269	13,269	13,269
Provision for doubtful accounts	14,159	-	14,159	-	-	-	14,159
Rent	6,439	3,099	9,538	1,770	-	1,770	11,308
Repairs and maintenance	43,135	16,127	59,262	2,391	4,324	6,715	65,977
Supplies	4,884	2,076	6,960	2,235	64	2,299	9,259
Telephone	10,220	3,150	13,370	2,059	-	2,059	15,429
Training	762	684	1,446	271	-	271	1,717
Travel	10,217	3,469	13,686	1,555	9	1,564	15,250
Utilities	7,113	3,403	10,516	1,944	4,274	6,218	16,734
Total Expense Before Depreciation	3,512,807	274,240	3,787,047	197,454	51,136	248,591	4,035,637
Depreciation	42,617	9,686	52,303	7,467	35,481	42,948	95,251
Total Expenses	<u>\$ 3,555,424</u>	<u>\$ 283,926</u>	<u>\$ 3,839,350</u>	<u>\$ 204,921</u>	<u>\$ 86,617</u>	<u>\$ 291,539</u>	<u>\$ 4,130,888</u>
Percent of Total	<u>86.07 %</u>	<u>6.87 %</u>	<u>92.94 %</u>	<u>4.96 %</u>	<u>2.10 %</u>	<u>7.06 %</u>	<u>100.00 %</u>

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Combined Statements of Cash Flows
Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 151,002	\$ 149,094
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	95,785	95,251
Investment gains	(113,495)	(81,774)
(Increase) decrease in assets:		
Accounts receivable, net	27,325	66,714
Prepaid expenses and other current assets	(15,143)	1,033
Increase (decrease) in liabilities:		
Accounts payable	10,176	(10,411)
Accrued expenses and other current liabilities	787	(101,379)
Tenant deposits	(3,098)	5,000
Net Cash Provided by Operating Activities	<u>153,339</u>	<u>123,528</u>
Cash Flows From Investing Activities		
Purchases of investments	(564,925)	(305,097)
Proceeds from sales of investments	387,967	260,579
Purchases of property and equipment	(11,078)	(4,828)
Net Cash Used in Investing Activities	<u>(188,036)</u>	<u>(49,346)</u>
Cash Flows From Financing Activities		
Payments on long-term debt	(37,274)	(35,795)
Net Cash Used in Financing Activities	<u>(37,274)</u>	<u>(35,795)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(71,971)	38,387
Cash and Cash Equivalents, Beginning of Year	<u>522,070</u>	<u>483,683</u>
Cash and Cash Equivalents, End of Year	<u>\$ 450,099</u>	<u>\$ 522,070</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for		
Interest	\$ 34,362	\$ 35,842

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Notes to Combined Financial Statements
June 30, 2018 and 2017**

1. Nature of Operations and Basis of Presentation

Organization

Delta Center for Independent Living ("CIL"), a not-for-profit corporation, was incorporated in 1997. CIL services the Missouri counties of St. Charles, Lincoln, and Warren with the purpose to remove architectural and attitudinal barriers in the community that limit the independence of persons with disabilities, to promote a positive change in attitudes about disabilities, and to encourage greater independence for persons with disabilities within our community.

Delta Center Personal Attendant Services ("PAS"), a not-for-profit corporation, was incorporated in 2005 to manage a consumer-controlled model of Consumer-Directed Attendant Services Program ("CDS Program") funded through Medicaid. CDS Program is intended to enable persons with physical disabilities to live in the community in non-institutional or unsupervised residential settings. CDS Program is administered by the Missouri Department of Health and Senior Services, Division of Senior and Disability Services (the "Division") and the Missouri Department of Social Services, Missouri HealthNet Division ("MHD"). MHD is the single state agency responsible for administering the CDS Program. However, MHD relies on the Division to determine potential individuals' eligibility to participate in the CDS Program. Consumer control means that a person with a disability who is receiving the services is the employer of the attendant. PAS services citizens in the counties of St. Charles, Lincoln, Warren, Franklin, and St. Louis as well as St. Louis City.

Principles of Combination

The accompanying combined financial statements include the accounts of CIL and PAS, collectively "Delta Center." All significant inter-entity accounts and transactions have been eliminated in combination. The statements are combined because both entities have the same Board of Directors.

Basis of Presentation

The accompanying combined financial statements have been prepared in accordance with the provisions of the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Delta Center and changes therein are classified into three categories of net assets, as applicable, and reported as follows:

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Notes to Combined Financial Statements
June 30, 2018 and 2017**

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Board designated funds are established by the Board of Directors and represent unrestricted net assets that have been set aside as a reserve for operations as well as a repair and replacement reserve.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may be met by actions of Delta Center and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations required to be maintained permanently by Delta Center. As of June 30, 2018 and 2017, there were no permanently restricted net assets.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

Delta Center follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

Cash and Cash Equivalents

Delta Center considers all short-term investments with an original maturity of three months or less at the time of purchase to be cash and cash equivalents.

Investments

Delta Center carries investments at fair value with unrealized holding gains and losses included in earnings. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities sold. Dividend and interest income is recognized when earned.

Accounts Receivable

Accounts receivable are uncollateralized state obligations due under contractual payment terms.

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Notes to Combined Financial Statements
June 30, 2018 and 2017**

Delta Center provides an allowance for doubtful receivables equal to the estimated losses that will be incurred in the collection of accounts receivable. This estimate is based on historical experience coupled with a review of the current status of existing receivables. The allowance and associated accounts receivable are reduced when the receivables are determined to be uncollectible. The allowance for doubtful receivables totaled \$2,000 and \$14,875 as of June 30, 2018 and 2017, respectively.

Property and Equipment

Property and equipment acquisitions with a life of 3 years or greater and a cost in excess of \$1,000 are capitalized and recorded at cost, while maintenance and repairs are expensed as incurred. Donated assets are recorded at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose or period of time. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition.

Depreciation is computed using the straight line method over the estimated useful lives of the assets.

The estimated lives for computing depreciation on property and equipment are:

<u>Classification</u>	<u>Years</u>
Buildings and building improvements	5-30
Furniture and fixtures	3-10

Long-Lived Asset Impairment

Delta Center evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2018 and 2017.

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Notes to Combined Financial Statements
June 30, 2018 and 2017**

Support and Revenue

Contributions and grant revenue, including unconditional promises to give, are recorded at the earlier of the date awarded or received. All contributions are available for unrestricted use unless specifically restricted by the donor. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Donor restricted contributions in which the restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying combined financial statements.

Program fees are recognized when earned. All program revenue is available for unrestricted use.

Donated Services (In Kind)

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by Delta Center. Volunteers provided various services throughout the year that are not recognized as contributions in the combined financial statements since the recognition criteria were not met.

Functional Expense Allocation

Delta Center allocates expenses on a functional basis among various programs and supporting activities. Expenses that can be identified with a specific program and supporting activity are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated by various statistical bases.

Advertising

Delta Center expenses advertising costs as they are incurred. Advertising costs totaled \$64,610 and \$149,381 for the years ended June 30, 2018 and 2017, respectively.

Income Taxes

Delta Center for Independent Living and Delta Center Personal Attendant Services are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on net income derived from unrelated business activities as defined in the Code. Accordingly, Delta Center for Independent Living and Delta Center Personal Attendant Services file as tax exempt organizations.

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Notes to Combined Financial Statements
June 30, 2018 and 2017**

Delta Center follows guidance issued by the FASB on accounting for income taxes and has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provision for income taxes is necessary to cover any uncertain tax positions. Delta Center for Independent Living and Delta Center Personal Attendant Services returns for tax years 2014 and later remain subject to examination by taxing authorities.

Reclassifications

Certain amounts in the 2017 combined financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

Delta Center has evaluated subsequent events through November 14, 2018, the date the combined financial statements were available to be issued.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

The FASB has issued new guidance on the recognition of revenue from contracts with customers. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, an entity should apply a five step process to (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance also requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance will be required for the first fiscal year beginning after December 15, 2018. Based on a preliminary analysis, Delta Center has not yet determined what impact, if any, this new guidance will have on its combined financial statements.

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Notes to Combined Financial Statements
June 30, 2018 and 2017**

Not-for-profit Entities

The FASB has issued new guidance on financial reporting for not-for-profit entities. The guidance requires a not-for-profit entity to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, a not-for-profit entity will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets. The guidance also requires a not-for-profit entity to present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes. Not-for-profit entities will continue reporting the currently required amount of the change in total net assets for the period. The guidance also requires a not-for-profit entity to continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer requires the presentation or disclosure of the indirect method (reconciliation) if using the direct method. The guidance also requires enhanced disclosures about the following:

- Amounts and purposes of governing board designations, appropriations, etc.,
- Composition of net assets with donor restrictions at the end of the period,
- Qualitative information that communicates how an entity manages its liquid resources,
- Quantitative and additional qualitative information as necessary that communicates the availability of an entity's financial assets,
- Amounts of expenses by both their natural classification and their functional classification,
- Method(s) used to allocate costs among program and support functions,
- Underwater endowment funds.

The guidance also requires that Delta Center report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses. The guidance also requires that Delta Center use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. The guidance will be required for the first fiscal year beginning after December 15, 2017. Based on a preliminary analysis, Delta Center does expect the new guidance will have a significant impact on its combined financial statements.

3. Fair Value Measurements

The framework for measuring fair value establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into Levels 1, 2, and 3. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Notes to Combined Financial Statements
June 30, 2018 and 2017**

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|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical instruments in active markets. |
| Level 2 | Inputs to the valuation methodology to include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, inputs other than quoted prices that are observable for the instrument, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The instruments' 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Carrying amounts of certain financial instruments such as cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other current liabilities, and long-term debt approximate fair value due to their short maturities or because the terms are similar to market terms. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Following is a description of the valuation methodologies used for instruments measured at fair value:

Level 1 instruments consist of publicly traded common stocks. These securities are traded on national exchanges and are stated at the last reported sales price on the day of valuation.

Level 2 instruments consist of government and agency bonds and corporate bonds. These securities are valued based on discounted yield on interest rate and days accrued.

The following table presents the fair value measurements of instruments recognized in the accompanying combined statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements are categorized at June 30, 2018 and 2017:

**Delta Center for Independent Living
Delta Center Personal Attendant Services
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June 30, 2018 and 2017**

	2018			
	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Investments:				
Equity securities	\$ 824,831	\$ 824,831	\$ -	\$ -
Corporate debt securities	<u>585,276</u>	<u>-</u>	<u>585,276</u>	<u>-</u>
Total Investments	<u>\$ 1,410,107</u>	<u>\$ 824,831</u>	<u>\$ 585,276</u>	<u>\$ -</u>
	2017			
	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Investments:				
Equity securities	\$ 760,143	\$ 760,143	\$ -	\$ -
U.S. Treasury securities	49,688	-	49,688	-
Corporate debt securities	<u>309,822</u>	<u>-</u>	<u>309,822</u>	<u>-</u>
Total Investments	<u>\$ 1,119,653</u>	<u>\$ 760,143</u>	<u>\$ 359,510</u>	<u>\$ -</u>

4. Investments

A summary of the amortized cost and fair value of Delta Center's investments as of June 30, is as follows:

	2018			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	\$ 626,311	\$ 229,974	\$ (31,454)	\$ 824,831
Corporate debt securities	<u>589,753</u>	<u>166</u>	<u>(4,643)</u>	<u>585,276</u>
	<u>\$ 1,216,064</u>	<u>\$ 230,140</u>	<u>\$ (36,097)</u>	<u>\$ 1,410,107</u>
	2017			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	\$ 608,521	\$ 195,131	\$ (43,509)	\$ 760,143
U.S. Treasury securities	49,547	141	-	49,688
Corporate debt securities	<u>311,327</u>	<u>169</u>	<u>(1,674)</u>	<u>309,822</u>
	<u>\$ 969,395</u>	<u>\$ 195,441</u>	<u>\$ (45,183)</u>	<u>\$ 1,119,653</u>

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Notes to Combined Financial Statements
June 30, 2018 and 2017**

Investment return for the years ended June 30, is summarized as follows:

	2018	2017
Interest and dividend income	\$ 27,970	\$ 18,642
Net realized and unrealized gains on investments reported at fair value	113,495	81,774
Total Investment Return	\$ 141,465	\$ 100,416

5. Property and Equipment

Property and equipment at June 30, is as follows:

	2018	2017
Land	\$ 65,349	\$ 65,349
Buildings and building improvements	1,316,564	1,312,586
Furniture and fixtures	149,512	146,111
	1,531,425	1,524,046
Less accumulated depreciation	395,018	302,932
	\$ 1,136,407	\$ 1,221,114

Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$95,785 and \$95,251, respectively.

6. Long-term Debt

Long-term debt at June 30, is as follows:

	2018	2017
Note payable, collateralized by property at 3837 McClay Road in St. Peters, Missouri, interest at 4 percent per annum, monthly principal and interest payments of \$5,970, with a final balloon payment of \$806,691 at maturity on February 1, 2019.	\$ 826,833	\$ 864,107
Less current maturities	826,833	37,298
	\$ -	\$ 826,809

**Delta Center for Independent Living
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7. Board Designated Funds

The Delta Center's board of directors has designated unrestricted net assets at June 30, as follows:

	2018	2017
Designated for six months operations	\$ 588,081	\$ 588,081
Designated for six weeks attendant payroll	268,096	268,096
Designated for building repairs and replacements	54,000	54,000
Designated for budgeted operating deficit	113,417	113,417
	\$ 1,023,594	\$ 1,023,594

8. Program Fees

PAS is an approved vendor of a CDS Program. The payment arrangement includes the following:

Medicaid - Covered services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. Delta Center is reimbursed for cost reimbursable items at a rate set by the state of Missouri. During the years ended June 30, 2018 and 2017, the reimbursement rate was \$15.56 and \$16.04, respectively per hour of service accessed by consumer, consistent with his or her Plan of Care and Medicaid rules.

9. Retirement Plan

Delta Center maintains a contributory retirement savings plan under Section 401(k) of the Internal Revenue Code covering substantially all employees who meet certain eligibility requirements. Employer contributions to the plan totaled \$7,535 and \$26,902 for the years ended June 30, 2018 and 2017, respectively.

10. Risks and Uncertainties

Concentrations

Revenue from Medicaid was approximately 90 and 89 percent of Delta Center's revenue during the years ended June 30, 2018 and 2017, respectively. Accounts receivable from one payor was 100 percent of Delta Center's accounts receivable at June 30, 2018 and 2017, respectively.

**Delta Center for Independent Living
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June 30, 2018 and 2017**

Concentration of Credit Risk

Financial instruments, which potentially subject the Delta Center to concentrations of credit risk, consist principally of cash and cash equivalents, accounts receivable, and investments. Delta Center maintains its cash primarily with one financial institution. Deposits at the bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018, there were cash balances of \$17,137 in excess of federally insured limits at the bank. Delta Center performs ongoing credit evaluations of its payors and maintains allowances, as needed, for potential credit losses. Although Delta Center is directly affected by the financial stability of its payor base, management does not believe significant credit risk exists at June 30, 2018. Delta Center maintains its investments primarily with one brokerage firm. Securities held at this firm are insured by the Securities Investor Protection Corporation up to \$500,000. At times, there may be investment balances in excess of SIPC limits at the brokerage firm. As of June 30, 2018, there were investment balances of \$910,107 in excess of SIPC limits at the brokerage firm.

Investments

Delta Center invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined statements of financial position.

11. Commitments and Contingencies

Delta Center leases approximately half of its building to outside entities under numerous operating leases that have various expiration dates through 2020, with certain renewal options.

The total associated cost and accumulated depreciation of these assets are as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 65,349	\$ 65,349
Buildings and related improvements	<u>1,316,564</u>	<u>1,312,586</u>
	1,381,913	1,377,935
Less accumulated depreciation	<u>261,692</u>	<u>190,934</u>
	<u>\$ 1,120,221</u>	<u>\$ 1,187,001</u>

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June 30, 2018 and 2017**

Future minimum lease payments expected to be received under noncancellable operating leases are as follows:

Years Ending June 30,

2019	\$ 109,810
2020	100,405
2021	<u>43,409</u>
	<u>\$ 253,624</u>

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Combining Statement of Financial Position
June 30, 2018**

Assets				
	CIL	PAS	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 2,680	\$ 447,419	\$ -	\$ 450,099
Investments, at fair value	-	1,410,107	-	1,410,107
Accounts receivable net	1,200	527,033	-	528,233
Due from affiliate	-	716	(716)	-
Prepaid expenses and other current assets	-	30,630	-	30,630
Total Current Assets	3,880	2,415,905	(716)	2,419,069
Property and Equipment, net	-	1,136,407	-	1,136,407
Total Assets	\$ 3,880	\$ 3,552,312	\$ (716)	\$ 3,555,476
Liabilities and Net Assets				
Current Liabilities				
Current maturities of long-term debt	\$ -	\$ 826,833	\$ -	\$ 826,833
Due to affiliate	716	-	(716)	-
Accounts payable	-	21,747	-	21,747
Accrued expenses and other current liabilities	7,348	118,464	-	125,812
Total Current Liabilities	8,064	967,044	(716)	974,392
Tenant Deposits	-	11,590	-	11,590
Total Liabilities	8,064	978,634	(716)	985,982
Net Assets				
Unrestricted				
Unrestricted	(6,152)	1,550,084	-	1,543,932
Unrestricted - board designated	-	1,023,594	-	1,023,594
Temporarily restricted	1,968	-	-	1,968
Total Net Assets	(4,184)	2,573,678	-	2,569,494
Total Liabilities and Net Assets	\$ 3,880	\$ 3,552,312	\$ (716)	\$ 3,555,476

**Delta Center for Independent Living
Delta Center Personal Attendant Services
Combining Statement of Activities
Year Ended June 30, 2018**

	<u>CIL</u>	<u>PAS</u>	<u>Eliminations</u>	<u>Total</u>
Revenue, Gains and Other Support				
Program fees	\$ 968	\$ 3,701,538	\$ -	\$ 3,702,506
Contributions	7,397	4,255	-	11,652
Grants	250,250	-	(120,000)	130,250
Investment income	-	141,465	-	141,465
Rental income	-	170,735	(58,860)	111,875
Other	4,200	8,736	-	12,936
Total Revenues, Gains and Other Support	<u>262,815</u>	<u>4,026,729</u>	<u>(178,860)</u>	<u>4,110,684</u>
Expenses				
Program Services	229,972	3,604,266	(168,401)	3,665,837
Supporting Activities				
Management and general	15,363	152,320	(10,459)	157,224
Building rental	-	<u>136,621</u>	-	<u>136,621</u>
Total Supporting Activities	<u>15,363</u>	<u>288,941</u>	<u>(10,459)</u>	<u>293,845</u>
Total Expenses	<u>245,335</u>	<u>3,893,207</u>	<u>(178,860)</u>	<u>3,959,682</u>
Change in Net Assets	17,480	133,522	-	151,002
Net Assets, Beginning of Year	<u>(21,664)</u>	<u>2,440,156</u>	<u>-</u>	<u>2,418,492</u>
Net Assets, End of Year	<u>\$ (4,184)</u>	<u>\$ 2,573,678</u>	<u>\$ -</u>	<u>\$ 2,569,494</u>