

Delta Center for Independent Living

Combined Financial Statements
and Combining Information

Years Ended June 30, 2023 and 2022



Independent Auditor's Report

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

Opinion

We have audited the accompanying combined financial statements of Delta Center for Independent Living and Delta Center Personal Attendant Services (both non-profit organizations) (collectively, Delta Center) which comprise the combined statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying combined financial statements referred to above present fairly, in all material respects, the financial position of Delta Center as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

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

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Delta Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Delta Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining schedule of financial position and combining schedule of activities are presented for the purpose 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 related 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.

Wipfli LLP

Wipfli LLP

St. Louis, Missouri
December 18, 2023

Delta Center for Independent Living and Delta Center Personal Attendant Services

Combined Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 658,572	\$ 457,763
Accounts receivable, net	1,393,672	1,610,312
FMS agency transaction receivables	431,669	27,454
Promise to give	31,884	31,074
Prepaid expenses and other current assets	156,940	146,576
Total current assets	2,672,737	2,273,179
Investments, at fair value	2,779,395	2,475,077
Property and equipment, net of depreciation	892,301	926,666
Total assets	\$ 6,344,433	\$ 5,674,922
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 30,561	\$ 29,071
Line of credit	40,000	350,000
Accounts payable	29,678	27,094
FMS agency transaction liabilities	170,297	13,202
Accrued expenses and other current liabilities	530,866	426,951
Total current liabilities	801,402	846,318
Tenant deposits	15,049	13,617
Long-term debt, net	673,070	703,107
Deferred financing costs, net	(6,065)	(7,202)
Total liabilities	1,483,456	1,555,840
Net assets:		
Without donor restrictions:		
Available for general activities	3,172,049	2,458,871
Invested in property and equipment, net of related debt	174,509	176,281
Board designated	1,450,000	1,450,000
Total without donor restrictions	4,796,558	4,085,152
With donor restrictions	64,419	33,930
Total net assets	4,860,977	4,119,082
Total liabilities and net assets	\$ 6,344,433	\$ 5,674,922

See accompanying notes to combined financial statements.

Delta Center for Independent Living and Delta Center Personal Attendant Services

Combined Statement of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support:			
Program fees	\$ 9,050,160	\$ -	\$ 9,050,160
Contributions	33,486	-	33,486
Grants	261,202	90,028	351,230
In-kind equipment donations	50,249	-	50,249
Investment returns, net	38,625	-	38,625
Net realized/unrealized gain on investments	193,838	-	193,838
Rental income	104,668	-	104,668
Loss on disposal of furniture and equipment	(3,821)	-	(3,821)
Net assets released from restrictions:			
Satisfaction of time and usage restrictions	59,539	(59,539)	-
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Total revenue, gains, and other support	9,787,946	30,489	9,818,435
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Expenses:			
Program services	8,685,015	-	8,685,015
Supporting activities:			
Management and general	190,415	-	190,415
Building rental	128,317	-	128,317
Fundraising	72,793	-	72,793
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Total supporting activities	391,525	-	391,525
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Total expenses	9,076,540	-	9,076,540
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Change in net assets	711,406	30,489	741,895
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Net assets - Beginning of year	4,085,152	33,930	4,119,082
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Net assets - End of year	\$ 4,796,558	\$ 64,419	\$ 4,860,977

See accompanying notes to combined financial statements.

Delta Center for Independent Living and Delta Center Personal Attendant Services

Combined Statement of Activities

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support:			
Program fees	\$ 7,323,092	\$ -	\$ 7,323,092
Contributions	5,080	-	5,080
Grants	279,843	31,074	310,917
In-kind equipment donations	31,237	-	31,237
Investment returns, net	39,399	-	39,399
Net realized/unrealized loss on investments	(281,118)	-	(281,118)
Rental income	105,518	-	105,518
Net assets released from restrictions:			
Satisfaction of time and usage restrictions	43,339	(43,339)	-
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Total revenue, gains, and other support	7,546,390	(12,265)	7,534,125
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Expenses:			
Program services	7,107,474	-	7,107,474
Supporting activities:			
Management and general	157,162	-	157,162
Building rental	142,612	-	142,612
Fundraising	70,316	-	70,316
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Total supporting activities	370,090	-	370,090
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Total expenses	7,477,564	-	7,477,564
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Change in net assets	68,826	(12,265)	56,561
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Net assets - Beginning of year	4,016,326	46,195	4,062,521
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Net assets - End of year	\$ 4,085,152	\$ 33,930	\$ 4,119,082

See accompanying notes to combined financial statements.

Delta Center for Independent Living and Delta Center Personal Attendant Services

Combined Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Supporting Activity				Total Expenses
	Personal Attendant Services	Independent Living	Financial Management Services	Total	Management and General	Building Rental	Fundraising	Total Supporting Activity	
Wages - CDS and VIP	\$ 2,495,473	\$ 3,863,414	\$ -	\$ 6,358,887	\$ -	\$ -	\$ -	\$ -	\$ 6,358,887
Salaries and wages - staff	327,055	630,256	16,131	973,442	78,018	11,889	47,566	137,473	1,110,915
Payroll taxes	238,134	350,798	1,102	590,034	5,868	859	4,150	10,877	600,911
Employee benefits	69,828	216,487	2,195	288,510	15,189	2,118	11,027	28,334	316,844
Conferences and meetings	632	1,455	19	2,106	509	-	-	509	2,615
Consumer assistance	40,489	132,425	-	172,914	-	-	-	-	172,914
Dues	599	4,100	336	5,035	365	21	324	710	5,745
Information technology	29,571	47,794	2,624	79,989	6,270	945	5,613	12,828	92,817
In-kind equipment donated	-	50,249	-	50,249	-	-	-	-	50,249
Insurance	5,085	6,395	66	11,546	4,198	9,719	620	14,537	26,083
Interest	5,680	16,113	250	22,043	602	31,705	201	32,508	54,551
Miscellaneous	6,906	16,181	27	23,114	16,434	2,496	435	19,365	42,479
Outreach advertising	-	-	-	-	800	-	-	800	800
Printing and postage	3,691	6,860	252	10,803	851	123	611	1,585	12,388
Professional fees	2,796	8,747	254	11,797	53,052	1,232	-	54,284	66,081
Property taxes	-	-	-	-	4,261	10,403	-	14,664	14,664
Rent - storage unit	-	10,415	-	10,415	-	-	-	-	10,415
Repairs and maintenance	4,210	4,649	68	8,927	767	14,533	469	15,769	24,696
Supplies	2,561	4,522	127	7,210	588	91	407	1,086	8,296
Telephone	4,139	8,753	130	13,022	1,043	146	751	1,940	14,962
Travel	6,341	20,076	-	26,417	187	-	-	187	26,604
Utilities	1,212	3,213	47	4,472	350	6,397	265	7,012	11,484
Total expenses before depreciation	3,244,402	5,402,902	23,628	8,670,932	189,352	92,677	72,439	354,468	9,025,400
Depreciation	10,037	4,046	-	14,083	1,063	35,640	354	37,057	51,140
Total expenses	\$ 3,254,439	\$ 5,406,948	\$ 23,628	\$ 8,685,015	\$ 190,415	\$ 128,317	\$ 72,793	\$ 391,525	\$ 9,076,540
Percent of total	36 %	60 %	- %	96 %	2 %	1 %	1 %	4 %	100 %

See accompanying notes to combined financial statements.

Delta Center for Independent Living and Delta Center Personal Attendant Services

Combined Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services				Supporting Activity				Total Expenses
	Personal Attendant Services	Independent Living	Financial Management Services	Total	Management and General	Building Rental	Fundraising	Total Supporting Activity	
Wages - CDS and VIP	\$ 2,189,280	\$ 2,911,264	\$ -	\$ 5,100,544	\$ -	\$ -	\$ -	\$ -	\$ 5,100,544
Salaries and wages - staff	301,287	499,436	23,607	824,330	64,000	15,843	47,196	127,039	951,369
Payroll taxes	211,687	345,704	1,263	558,654	4,753	1,212	3,612	9,577	568,231
Employee benefits	70,836	179,330	6,715	256,881	11,051	2,475	7,466	20,992	277,873
Conferences and meetings	49	1,114	-	1,163	-	-	-	-	1,163
Consumer assistance	20,005	51,900	-	71,905	-	-	-	-	71,905
Rent - storage unit EEP	-	6,976	-	6,976	-	-	-	-	6,976
Dues	603	1,864	149	2,616	173	9	102	284	2,900
Information technology	30,551	41,198	6,576	78,325	5,734	1,458	5,349	12,541	90,866
In-kind equipment donated	-	31,237	-	31,237	-	-	-	-	31,237
Insurance	4,711	4,819	163	9,693	4,016	8,553	568	13,137	22,830
Interest	6,231	17,911	9,516	33,658	692	32,295	461	33,448	67,106
Miscellaneous	4,004	4,950	3,937	12,891	813	173	433	1,419	14,310
Outreach advertising	-	-	-	-	10,847	-	-	10,847	10,847
Printing and postage	3,295	5,034	916	9,245	668	153	522	1,343	10,588
Professional fees	10,318	26,115	2,943	39,376	45,967	1,344	1,563	48,874	88,250
Property taxes	-	-	-	-	4,204	10,362	-	14,566	14,566
Provision for doubtful accounts	-	3,000	-	3,000	-	-	-	-	3,000
Repairs and maintenance	8,918	5,142	348	14,408	1,224	28,892	929	31,045	45,453
Supplies	2,380	3,406	421	6,207	474	117	344	935	7,142
Telephone	4,073	6,688	375	11,136	841	201	612	1,654	12,790
Travel	2,529	13,252	405	16,186	-	-	-	-	16,186
Utilities	2,500	3,078	222	5,800	458	4,611	329	5,398	11,198
Total expenses before depreciation	2,873,257	4,163,418	57,556	7,094,231	155,915	107,698	69,486	333,099	7,427,330
Depreciation	11,220	2,023	-	13,243	1,247	34,914	830	36,991	50,234
Total expenses	\$ 2,884,477	\$ 4,165,441	\$ 57,556	\$ 7,107,474	\$ 157,162	\$ 142,612	\$ 70,316	\$ 370,090	\$ 7,477,564
Percent of total	39 %	56 %	1 %	95 %	2 %	4 %	1 %	5 %	100 %

See accompanying notes to combined financial statements.

Delta Center for Independent Living and Delta Center Personal Attendant Services

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 741,895	\$ 56,561
Adjustments to reconcile change in net assets to cash from operating activities:		
Depreciation expense	51,140	50,234
Amortization of deferred financing costs	1,137	5,979
Realized and unrealized change in investments	(193,838)	281,118
Loss on sale of property and equipment	3,821	-
Change in assets:		
Accounts receivable, net	216,640	(1,060,131)
FMS agency transaction receivables	(404,215)	716,273
Promise to give	(810)	(780)
Prepaid expenses and other current assets	(10,364)	(107,817)
Change in liabilities:		
Accounts payable	2,584	6,345
FMS agency transaction liabilities	157,095	(183,679)
Accrued expenses and other current liabilities	105,347	124,746
Total adjustments	(71,463)	(167,712)
Net cash from operating activities	670,432	(111,151)
Cash flows from investing activities:		
Purchases of investments	(465,624)	(771,880)
Proceeds from sales of investments	355,144	338,895
Cash paid for property and equipment	(20,596)	(20,229)
Net cash from investing activities	(131,076)	(453,214)
Cash flows from financing activities:		
Proceeds on line of credit	-	190,000
Payments on line of credit	(310,000)	(150,000)
Payments on long term debt	(28,547)	(27,111)
Net cash from financing activities	(338,547)	12,889
Net change in cash and cash equivalents	200,809	(551,476)
Cash and cash equivalents - beginning of year	457,763	1,009,239
Cash and cash equivalents - end of year	\$ 658,572	\$ 457,763
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 41,342	\$ 61,127

See accompanying notes to combined financial statements.

Delta Center for Independent Living and Delta Center Personal Attendant Services Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Activities

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. The CDS Program is intended to enable persons with physical disabilities to live in the community in non-institutional or unsupervised residential settings. The 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 serves citizens in the counties of St. Charles, Lincoln, Warren, Franklin, and St. Louis County as well as St. Louis City.

CIL and PAS are collectively referred to as Delta Center or the Organization.

The Equipment Exchange Program ("EEP") was created to get durable medical equipment and assistive devices to people who otherwise couldn't afford them. This includes wheelchairs, ramps, walkers, grab bars, stair lifts and many smaller assistive devices. The great majority of items are donated. Delta Center received a United Way grant which supports this program and, if a need is dire and no donated items are available, it's possible to purchase items based on available grant funds.

Financial Management Services ("FMS") is a contracted service provided to other entities which have their own Veteran-Directed Care Program. These entities do not internally manage the payroll, tax and other vendor payments for their Veteran clients' goods and services, so Delta Center is contracted to do so. FMS may also include billing preparation and assistance. Each entity has a separate scope of service based on their agency's need. Delta Center currently is approved through the Veteran's Administration ("VA") to provide FMS in Missouri, Illinois, and Arkansas.

Principles of Combined Financial Statements

The combined financial statements include the accounts of CIL and PAS. All significant intercompany transactions and account balances have been eliminated in combination. The statements are combined because both entities have the same Board of Directors.

Delta Center for Independent Living and Delta Center Personal Attendant Services Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Delta Center maintains its records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimated amounts.

Cash and Cash Equivalents

For purposes of the combined statements of cash flows, Delta Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. Delta Center deems all certificates of deposit with a maturity of 12-months or less to be cash and cash equivalents.

Investments

Delta Center carries investments in securities with readily determinable fair values, which are presented at their fair values in the combined statements of financial position. Unrealized gains and losses are included in the changes in net assets in the accompanying combined statements of activities. Dividend and interest income is recognized when earned.

Accounts Receivable

Accounts receivable, including billed accounts and unbilled obligations for which the unconditional right to payment exists, are recognized when the right to consideration is unconditional and subject only to the passage of time. Accounts receivable are due under contractual payment terms. Delta Center provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of accounts receivable, if any. The allowance for doubtful accounts totaled \$7,000 for both years ended June 30, 2023 and 2022.

Unconditional Promises to Give

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value using the risk-free interest rates applicable to the years in which the promises are to be received.

Delta Center for Independent Living and Delta Center Personal Attendant Services Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Unconditional Promises to Give (Continued)

Delta Center provides an allowance for doubtful promises to give equal to the estimated losses that will be incurred in the collection of unconditional promises to give. This estimate is based on historical experience coupled with a review of the current status of existing promises. The allowance and associated promises are reduced when the promises are determined to be uncollectible. Delta Center considers unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful promises to give is deemed necessary.

Grants Receivable

Grants receivable include amounts due from various funding sources under binding contracts with Delta Center for services rendered and barriers/conditions met prior to year-end.

Delta Center provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of grants receivable, if any. When necessary, this estimate is based on historical experience coupled with a review of the current status of existing receivables. The allowance and associated grants receivable are reduced when the receivables are determined to be uncollectible. Currently, Delta Center currently has no grants receivable.

FMS Agency Transactions

Delta Center has no variance power over the FMS disbursements and related reimbursements, which are all stipulated by the other entity. The transactions are agency transactions where the transactions are treated as increasing or decreasing receivables or liabilities and no revenue or expense is recorded by Delta Center.

Property and Equipment

Property and equipment are capitalized at cost or, if donated, at the approximate fair value at the date of donation. Delta Center capitalizes all asset purchases or donations exceeding \$5,000 with a useful life greater than three years. 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 according to the following schedule:

Buildings and building improvements	5 - 30 years
Furniture and equipment	3 - 10 years

Delta Center for Independent Living and Delta Center Personal Attendant Services Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

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, 2023 and 2022.

Concentrations of Risk

Delta Center maintains its bank accounts at several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. As of the years ended June 30, 2023 and 2022, Delta Center did have balances in excess of the federally insured limits. Management does not believe the solvency of the financial institutions are of concern. Delta Center maintains its investments primarily with one brokerage firm. Securities held at this firm are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 in the event of loss due to criminal intent or malfeasance. At various times throughout the years ended June 30, 2023 and 2022, Delta Center did have balances in excess of the SIPC limits. As of June 30, 2023, there were investments valued at \$2,279,395 in excess of the SIPC limit at the brokerage firm. If, however, the brokerage firm failed due to bankruptcy or other reasons and the investments were intact, they could be transferred to another brokerage firm within a short amount of time.

Investment Risks

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.

Revenue and Revenue Recognition

Delta Center recognizes contributions, direct marketing, other income, grants and trusts, and sponsorships when cash, securities, or other assets, an unconditional promise to give, or a notification of an award or beneficial interest is received. Conditional promises to give, that is, those contributions with a measurable performance or other barrier and a right of return, are recognized when the conditions on which they depend have been met. Program fees and rental revenue are recognized when earned over time as performance obligations are met. All program and rental revenue is available for unrestricted use.

Delta Center for Independent Living and Delta Center Personal Attendant Services Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition - Leases as a Lessor

The Organization generates revenue by leasing property to customers under operating lease agreements, which are accounted for under Accounting Standards Codification 842, Leases ("ASC 842"). The Organization recognizes total minimum lease payments provided for under the leases on a straight-line basis over the lease term if it is determined to be probable that substantially all of the lease payments will be collected over the lease term. The Organization commences recognition of revenue from rentals at the date the property is ready for its intended use by the tenant and the tenant takes possession. Rental payments received in excess of revenue recognized are classified as accounts payable. Unpaid rents that are contractually due are included in accounts receivable.

The Organization estimates the probability of collection of lease payments based on customer creditworthiness, outstanding accounts receivable balances, and historical bad debts - as well as current economic trends. If collection of substantially all lease payments over the lease term is not probable, rental revenue is recognized when the payment is received, and the Organization records a full valuation allowance on the balance of any rent receivable, less the balance of any security deposits or letters of credit. If collection is subsequently determined to be probable, the Organization 1) resumes recognizing rental revenue on a straight-line basis, 2) records incremental revenue such that the cumulative amount recognized is equal to the amount that would have been recorded on a straight-line basis since inception of the lease, and 3) reverses the allowance for bad debts recorded on outstanding receivables.

All of the Organization's leases are classified as operating leases.

Deferred Financing Costs

Delta Center follows the requirements in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 835-30, Interest-Imputation of Interest, to present deferred financing costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the deferred financing costs is reported as interest expense on the statements of functional expenses.

Net Asset Presentation

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

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Board designated funds are established by the Board of Directors and represent net assets without donor restrictions that have been set aside as a reserve for operations, a repair and replacement reserve, and other uses.

Delta Center for Independent Living and Delta Center Personal Attendant Services Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Asset Presentation (Continued)

Net assets with donor restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Delta Center reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions.

Donated Services and In-Kind Contributions - Contributions of Nonfinancial Assets

Donated services are recognized as contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605, *Revenue Recognition*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Delta Center. Volunteers also provided other services throughout the years that are not recognized as contributions in the combined financial statements since the recognition criteria under ASC 958-605 were not met. In-kind contributions are recorded at the fair market value at the time of the donation.

Income Tax Status

CIL and PAS are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except on net income derived from unrelated business activities as defined by the Internal Revenue Code. Therefore, there are no provisions for income taxes reflected in these financial statements. Management does not believe there are any uncertain tax positions as of June 30, 2023 and 2022.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$800 and \$10,847 for the years ended June 30, 2023 and 2022, respectively.

Delta Center for Independent Living and Delta Center Personal Attendant Services Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Expenses Allocation

The costs of program services and supporting activities have been summarized on a functional basis in the combined statements of activities. The combined statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting activities benefited. Delta Center utilizes a cost allocation plan for the functional allocation of expenses.

Description of Functional Expenses

Program

Includes those expenditures that enable Delta Center to fulfill its mission as described in the "Nature of Activities" note.

Management and General

Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of Delta Center's program mission, secure proper administrative functioning of the Board of Directors, and manage the financial and budgetary responsibilities of Delta Center. They also represent supporting activities that are not directly identifiable with Delta Center's program or fundraising activities.

Building Rental

Includes all expenses related to the operation, repair, and maintenance of the building owned by Delta Center.

Fundraising

Provides the structure necessary to encourage and secure government grants and private financial support from corporations, foundations and individuals through various fundraising events and activities.

Delta Center for Independent Living and Delta Center Personal Attendant Services Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Adoption of Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, Leases, Accounting Standards Codification (ASC Topic 842). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the statement of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted this guidance for the year ended June 30, 2023 with modified retrospective application to July 1, 2022 through a cumulative-effect adjustment. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating leases as operating leases and capital leases as finance leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Organization did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842. The Organization has elected the practical expedients provided to lessors, including, in certain circumstances, to not separate nonlease components from the associated lease component, to exclude sales and related taxes from consideration in the contract, and to not reassess the lease classification for any expired or existing leases. The Organization has determined that the adoption of the new standard had an immaterial effect on its existing accounting policies and the financial statements as a lessor. This standard did not have a material impact on the Organization's net assets or cash flows from operations and had an immaterial impact on the Organization's operating results as the leases as a lessee did not meet the criteria for recording or were immaterial during the year ended June 30, 2023.

Future Accounting Pronouncements

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 statements 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. This standard will be effective for the fiscal year ending June 30, 2024. Management is currently evaluating the impact of adoption of this ASU on the financial statements and the related notes to the financial statements.

Subsequent Events

The Board has evaluated events and transactions for potential recognition or disclosure in the combined financial statements through December 18, 2023, which is the date the financial statements were available to be issued.

Delta Center for Independent Living and Delta Center Personal Attendant Services

Notes to Combined Financial Statements

Note 2: Liquidity and Availability

Delta Center regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Delta Center had various sources of liquidity at its disposal, including cash and cash equivalents, equity securities, and a line of credit.

Delta Center operates within the board approved budget.

As of June 30, 2023 and 2022, the following table shows the total financial assets held by Delta Center and the amounts of those financial assets that could readily be made available within one year of the combined statements of financial position date to meet general expenditures:

	2023	2022
Financial Assets:		
Cash and cash equivalents	\$ 658,572	\$ 457,763
Accounts receivable, net	1,393,672	1,610,312
Operating investments	2,779,395	2,475,077
Promises to give	31,884	31,074
Less: Those unavailable for general expenditures within one year due to:		
Net assets with donor restrictions	(64,419)	(33,930)
Board designations	(1,450,000)	(1,450,000)
Financial assets available to meet cash needs for expenditures within one year	\$ 3,349,104	\$ 3,090,296

Delta Center's primary sources of support are program fees, contributions, grants, and investment income. Some support is required to be used in accordance with the purpose restrictions imposed by the donors. As part of a liquidity management plan, Delta Center invests cash in excess of daily requirements in short-term investments, CD's, and money market funds. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board approves that action.

Note 3: Investments and Fair Value Measurements

The framework for measuring fair value 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 I) and the lowest priority to unobservable inputs (level III).

Delta Center for Independent Living and Delta Center Personal Attendant Services Notes to Combined Financial Statements

Note 3: Investments and Fair Value Measurements (Continued)

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level I – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Delta Center has the ability to access.

Level II – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level II input must be observable for substantially the full term of the asset or liability.

Level III – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and June 30, 2022.

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

Level II instruments consist of corporate debt securities. These securities are valued based on discounted yield on interest rate and days accrued.

The following table sets forth by level, within the fair value hierarchy, Delta Center’s investments at fair value on a recurring basis as of June 30, 2023 and 2022:

	Fair Value	(Level I)	(Level II)	(Level III)
<u>June 30, 2023</u>				
Equity securities	\$ 1,879,035	\$ 1,879,035	\$ -	-
Corporate debt securities	796,384	-	796,384	-
Exchange traded funds	103,976	-	103,976	-
Total investments	\$ 2,779,395	\$ 1,879,035	\$ 900,360	-

Delta Center for Independent Living and Delta Center Personal Attendant Services Notes to Combined Financial Statements

Note 3: Investments and Fair Value Measurements (Continued)

	Fair Value	(Level I)	(Level II)	(Level III)
<u>June 30, 2022</u>				
Equity securities	\$ 1,677,337	\$ 1,677,337	\$ -	-
Corporate debt securities	797,740	-	797,740	-
Total investments	\$ 2,475,077	\$ 1,677,337	\$ 797,740	-

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

	2023	2022
Investment income:		
Interest and dividend income	\$ 64,353	\$ 61,309
Investment fees	(25,728)	(21,910)
Net Investment income	38,625	39,399
Net realized and unrealized gains and losses on Investments reported at fair value	193,838	(281,118)
Total investment return	\$ 232,463	\$ (241,719)

Note 4: Property and Equipment, Net

Property and equipment at June 30 are as follows:

	2023	2022
Land	\$ 65,349	\$ 65,349
Building and building improvements	1,365,431	1,344,836
Furniture and equipment	80,413	156,270
Total	1,511,193	1,566,455
Less: Accumulated depreciation	(618,892)	(639,789)
Property and equipment, net	\$ 892,301	\$ 926,666

Depreciation expense for the years ended June 30, 2023 and 2022 totaled \$51,140 and \$50,234, respectively.

Delta Center for Independent Living and Delta Center Personal Attendant Services Notes to Combined Financial Statements

Note 5: Long-Term Debt, Net

Long-term debt consisted of the following at June 30, 2023 and 2022:

	2023	2022
Note payable, collateralized by property at 3837 McClay Road in St. Peters, Missouri, interest at 5.1% per annum, monthly principal and interest payments of \$5,478 with a final balloon payment of \$519,599 at maturity on November 9, 2028.	\$ 703,631	\$ 732,178
	703,631	732,178
Less: unamortized deferred financing costs	(6,065)	(7,202)
Less: current maturities	(30,561)	(29,071)
Total long-term liabilities, net	\$ 667,005	\$ 695,905

Maturities of long-term debt are as follows:

Year Ending June 30:	
2024	30,561
2025	32,157
2026	33,836
2027	35,602
2028	37,461
Thereafter	534,014
Total	\$ 703,631

Financing costs of \$11,371 incurred in obtaining long-term debt are deferred and are currently being amortized over the life of the loan on a straight-line basis, which for Delta Center, is not considered materially different from the interest method. Total amortization related to deferred loan costs expensed for the years ended June 30, 2023 and 2022 was \$1,137 for both years, resulting in accumulated amortization of \$5,306 and \$4,169 as of June 30, 2023 and 2022. Amortization expense will be \$1,137 per year for the next four years.

Delta Center for Independent Living and Delta Center Personal Attendant Services

Notes to Combined Financial Statements

Note 6: Line of Credit

Delta Center maintains a \$500,000 line of credit (LOC) with Regions Bank, which originated on June 15, 2021 and expires on August 15, 2024. The LOC is secured by accounts receivable, furniture and equipment, and other assets. Interest is at a variable rate based on the bank's prime rate plus 1.75%, currently at 6.5% per annum, with monthly interest-only payments. At June 30, 2023, there were borrowings on the line-of-credit totaling \$40,000. Financing costs of \$5,053 incurred in obtaining long-term debt are deferred and are currently being amortized over the life of the original LOC on a straight-line basis, which for Delta Center, is not considered materially different from the interest method. Total amortization related to deferred loan costs expensed for the years ended June 30, 2023 and 2022 was \$1 and \$4,842, respectively, resulting in accumulated amortization of \$5,053 and \$5,052 as of June 30, 2023 and 2022, respectively.

Note 7: Net Assets with Donor Restriction

Donor Restricted net assets are comprised of the following as of June 30:

	2023	2022
Purpose restricted		
Restricted for specific events and programs	\$ 32,537	\$ 2,856
Time-restricted for future periods		
Restricted for use in future period	31,882	31,074
Total	\$ 64,419	\$ 33,930

Restrictions released during the years ended June 30, 2023 and 2022 were \$59,539, and \$43,339.

Delta Center for Independent Living and Delta Center Personal Attendant Services Notes to Combined Financial Statements

Note 8: Board Designated Funds

Delta Center’s Board of Directors has designated net assets without donor restrictions at June 30, as follows:

	2023	2022
Designated for six months operations	\$ 700,000	\$ 700,000
Designated for six weeks attendant payroll	300,000	300,000
Designated for building repairs and replacements	200,000	200,000
Designated for budgeted operating deficit	100,000	100,000
Growth opportunities	150,000	150,000
Total	\$ 1,450,000	\$ 1,450,000

Note 9: 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, 2023 and 2022, the reimbursement rate was \$19.56 and \$15.96, respectively, per hour of service accessed by consumer, consistent with his or her Plan of Care and Medicaid rules.

CIL is an approved vendor for the Veterans’ Administration (“VA”) Veteran-Directed Care Program (“VDC”). The payment arrangement includes the following:

Delta Center acts as the fiscal agent for services and performs payroll and tax functions and pays for non-employee goods and services. These costs are billed dollar-for-dollar to the VA. Delta Center receives a flat administrative fee per active veteran each month. This rate is set by the VA and is based on an economic study of each county. Therefore, the rate for each veteran can be different based on where they live.

Additionally, CIL provides Financial Management Services (“FMS”) to other VDC vendors who do not process payroll, tax and non-employee goods and services in-house. All services are paid and subsequently billed dollar-for-dollar to the vendor contracting with Delta Center. Delta Center receives a monthly administrative fee for each active veteran. This fee varies based on the scope of services in each contract. As described in Note 1, the amounts paid by Delta Center and subsequently billed to the vendor are considered agency transactions for accounting purposes and are not included in the revenue and expenses on the Statements of Activities.

Delta Center for Independent Living and Delta Center Personal Attendant Services Notes to Combined Financial Statements

Note 9: Program Fees (Continued)

Opening and closing balances for contract accounts receivable arising from program fee contracts with customers include:

As of

July 1, 2022	\$	519,661
June 30, 2022	\$	1,637,766
June 30, 2023	\$	1,825,341

Note 10: Donated Services and In-Kind Contributions - Contributed Nonfinancial Assets

Delta Center's contributed nonfinancial assets are donated services and in-kind contributions. Donated services and in-kind contributions consist of the following:

<i>Years Ended June 30,</i>	2023	2022
Medical equipment and assistive devices	\$ 50,249	\$ 31,237
Total donated services and in-kind contributions	\$ 50,249	\$ 31,237

Delta Center recognizes donated services and in-kind contributions within revenue. Unless otherwise noted, donated services and in-kind contributions did not have donor-imposed restrictions.

Contributed medical equipment and assistive devices will be used for the Equipment Exchange Program. In valuing medical equipment and assistive devices, Delta Center estimates the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Note 11: Retirement Plan

Delta Center maintains a contributory retirement savings plan under Section 401(k) of the IRC covering substantially all employees who meet certain eligibility requirements. Employer contributions to the plan totaled \$67,011 and \$65,502 for the years ended June 30, 2023 and 2022, respectively.

Note 12: Lease Commitments

Delta Center leases a portion of its building to outside entities under several operating leases that have various expiration dates through fiscal year-end 2024, with certain renewal options.

Delta Center for Independent Living and Delta Center Personal Attendant Services Notes to Combined Financial Statements

Note 12: Lease Commitments (Continued)

The total associated cost and accumulated depreciation of these assets as of June 30, are as follows:

	2023	2022
Land	\$ 65,349	\$ 65,349
Building and building improvements	1,365,431	1,344,836
Total	1,430,780	1,410,185
Less: accumulated depreciation	(550,209)	(505,916)
Property and equipment, net	\$ 880,571	\$ 904,269

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

Year Ending June 30:		
2024		\$ 107,936
2025		80,718
2026		33,633
Total		\$ 222,287

Note 13: Concentrations of Revenue and Receivables

Revenue from Medicaid was approximately 33% and 39% of Delta Center's revenue during the years ended June 30, 2023 and 2022, respectively. Accounts receivable from two payors was approximately 79% of Delta Center's accounts receivable at June 30, 2023. Accounts receivable from three payors was approximately 97% of Delta Center's accounts receivable at June 30, 2022.

Supplementary Information

Delta Center for Independent Living and Delta Center Personal Attendant Services Combining Schedule of Financial Position

June 30, 2023

	CIL	PAS	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 586,606	\$ 71,966	\$ -	\$ 658,572
Accounts receivable, net	983,244	410,428	-	1,393,672
FMS agency transaction receivables	431,669	-	-	431,669
Promise to give	31,884	-	-	31,884
Due from affiliate	-	753,456	(753,456)	-
Prepaid expenses and other current assets	108,549	48,391	-	156,940
Total current assets	2,141,952	1,284,241	(753,456)	2,672,737
Investments, at fair value	495,209	2,284,186	-	2,779,395
Property and equipment, net of depreciation	14,161	878,140	-	892,301
Total assets	\$ 2,651,322	\$ 4,446,567	\$ (753,456)	\$ 6,344,433
LIABILITIES AND NET ASSETS				
Current liabilities:				
Current maturities of long-term debt	\$ -	\$ 30,561	\$ -	\$ 30,561
Line of credit	40,000	-	-	40,000
Due to affiliate	753,456	-	(753,456)	-
Accounts payable	16,178	13,500	-	29,678
FMS agency transaction liabilities	170,297	-	-	170,297
Accrued expenses and other current liabilities	316,868	213,998	-	530,866
Total current liabilities	1,296,799	258,059	(753,456)	801,402
Tenant deposits	-	15,049	-	15,049
Long-term debt	-	673,070	-	673,070
Deferred financing costs, net	-	(6,065)	-	(6,065)
Total long-term liabilities	-	667,005	-	667,005
Total liabilities	1,296,799	940,113	(753,456)	1,483,456
NET ASSETS				
Without donor restrictions	1,291,416	3,505,142	-	4,796,558
With donor restrictions	63,107	1,312	-	64,419
Total net assets	1,354,523	3,506,454	-	4,860,977
Total liabilities and net assets	\$ 2,651,322	\$ 4,446,567	\$ (753,456)	\$ 6,344,433

See Independent Auditor's Report.

**Delta Center for Independent Living and Delta Center
Personal Attendant Services
Combining Schedule of Activities**

Year Ended June 30, 2023

	CIL	PAS	Eliminations	Total
Revenue, gains, and other support				
Program fees	\$ 5,643,429	\$ 3,406,731	\$ -	\$ 9,050,160
Contributions	32,613	873	-	33,486
Grants	887,907	-	(536,677)	351,230
In-kind equipment donations	50,249	-	-	50,249
Investment returns, net	649	37,976	-	38,625
Net realized/unrealized gain on investments	(33,331)	227,169	-	193,838
Rental income	-	142,096	(37,428)	104,668
Loss on disposal of furniture and equipment	-	(3,821)	-	(3,821)
Total revenue	6,581,516	3,811,024	(574,105)	9,818,435
Expenses				
Program services:	5,463,512	3,791,116	(569,613)	8,685,015
Supporting activities:				
Management and general	114,851	77,810	(2,246)	190,415
Building rental	-	128,317	-	128,317
Fundraising	57,177	17,862	(2,246)	72,793
Total supporting activities	172,028	223,989	(4,492)	391,525
Total expenses	5,635,540	4,015,105	(574,105)	9,076,540
Change in net assets	945,976	(204,081)	-	741,895
Net assets - Beginning of year	408,547	3,710,535	-	4,119,082
Net assets - End of year	\$ 1,354,523	\$ 3,506,454	\$ -	\$ 4,860,977

See Independent Auditor's Report.