



CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

(With Comparative Totals for June 30, 2021)

With Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Volunteers of America Northern New England, Inc. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Volunteers of America Northern New England, Inc. and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of operations and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the results of their operations and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, during the year ended June 30, 2022, the Organization adopted new accounting guidance, Financial Accounting Standards Board Accounting Standards Update No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2021 consolidated financial statements, and our report dated October 28, 2021 expressed an unmodified opinion on those consolidated statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
October 28, 2022

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Consolidated Statement of Financial Position

June 30, 2022

(With Comparative Totals for June 30, 2021)

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets		
Cash	\$ 1,640,697	\$ 1,607,682
Accounts receivable	628,353	612,748
Prepaid expenses	76,743	72,375
Other current assets	<u>80,037</u>	<u>81,922</u>
Total current assets	<u>2,425,830</u>	<u>2,374,727</u>
Designated and restricted assets		
Replacement reserves	1,669,160	1,558,606
Residual receipts reserve	96,245	256,584
Operating deficit escrows	250,436	249,973
Tenant security deposits	187,757	182,612
Endowment funds	<u>1,215,907</u>	<u>1,266,476</u>
Total designated and restricted assets	<u>3,419,505</u>	<u>3,514,251</u>
Property and equipment		
Land and improvements	3,016,242	3,016,242
Buildings and improvements	41,302,774	39,796,008
Furnishings and equipment	833,033	833,033
Vehicles	207,809	207,809
Construction in progress	<u>6,569</u>	<u>-</u>
	45,366,427	43,853,092
Less accumulated depreciation	<u>(11,286,612)</u>	<u>(10,084,667)</u>
Property and equipment, net	<u>34,079,815</u>	<u>33,768,425</u>
Other assets	<u>17,230</u>	<u>1,160</u>
Total assets	<u>\$ 39,942,380</u>	<u>\$ 39,658,563</u>

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Current liabilities		
Line of credit	\$ 566,639	\$ 650,639
Current portion of long-term liabilities	224,069	202,458
Accounts payable	186,415	181,536
Accrued expenses	651,093	862,209
Refundable advances	655,998	476,851
Other current liabilities	<u>200,900</u>	<u>342,770</u>
Total current liabilities	<u>2,485,114</u>	<u>2,716,463</u>
Long-term liabilities		
Notes and loans payable, less current portion	45,673	59,914
Mortgages payable, less current portion and unamortized fees	11,351,751	10,461,977
Other long-term liabilities	<u>231,839</u>	<u>221,920</u>
Total long-term liabilities	<u>11,629,263</u>	<u>10,743,811</u>
Total liabilities	<u>14,114,377</u>	<u>13,460,274</u>
Net assets		
Without donor restrictions - controlling interest	1,442,225	1,588,395
Without donor restrictions - noncontrolling interest	<u>3,164,927</u>	<u>3,301,037</u>
Total net assets without donor restrictions	4,607,152	4,889,432
With donor restrictions	<u>21,220,851</u>	<u>21,308,857</u>
Total net assets	<u>25,828,003</u>	<u>26,198,289</u>
Total liabilities and net assets	<u>\$ 39,942,380</u>	<u>\$ 39,658,563</u>

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Consolidated Statement of Operations and Changes in Net Assets

**Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)**

	2022					2021
	<u>Net Assets Without Donor Restrictions- Controlling Interest</u>	<u>Net Assets Without Donor Restrictions- Noncontrolling Interest</u>	<u>Total Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Operating revenues						
Contributions	\$ 466,073	\$ -	\$ 466,073	\$ -	\$ 466,073	\$ 405,611
Contributions-in-kind	32,286	-	32,286	-	32,286	6,409
United Way	15,555	-	15,555	-	15,555	6,455
Volunteers of America, Inc. (VOA) grants	33,971	-	33,971	-	33,971	82,171
Revenues and grants from government agencies	12,404,035	-	12,404,035	-	12,404,035	11,184,019
Program service fees	2,307,826	-	2,307,826	-	2,307,826	2,251,830
Paycheck Protection Program (PPP) loan forgiveness	-	-	-	-	-	378,900
Net assets released from restriction	27,582	-	27,582	(27,582)	-	-
Other	1,051,472	-	1,051,472	-	1,051,472	823,172
Total operating revenues	<u>16,338,800</u>	<u>-</u>	<u>16,338,800</u>	<u>(27,582)</u>	<u>16,311,218</u>	<u>15,138,567</u>
Operating expenses						
Program services expenses						
Encouraging positive development	69,131	-	69,131	-	69,131	58,470
Fostering independence	12,948,798	-	12,948,798	-	12,948,798	11,643,323
Promoting self-sufficiency	2,039,507	-	2,039,507	-	2,039,507	1,702,093
Support services expenses						
Management and general	1,480,528	-	1,480,528	-	1,480,528	1,285,367
Fundraising	139,515	-	139,515	-	139,515	80,038
Total operating expenses	<u>16,677,479</u>	<u>-</u>	<u>16,677,479</u>	<u>-</u>	<u>16,677,479</u>	<u>14,769,291</u>
Change in net assets from operations	<u>(338,679)</u>	<u>-</u>	<u>(338,679)</u>	<u>(27,582)</u>	<u>(366,261)</u>	<u>369,276</u>
Non-operating activity						
Contributions for long-term purposes	100,000	-	100,000	-	100,000	648,690
Contributions of property and equipment	-	-	-	-	-	87,900
Interest and dividend income	6,926	-	6,926	-	6,926	5,968
(Loss) gains on endowment funds	(50,527)	-	(50,527)	(60,424)	(110,951)	330,658
Loss on sale of equipment	-	-	-	-	-	(150)
Other	136,110	(136,110)	-	-	-	196,267
Total non-operating activity	<u>192,509</u>	<u>(136,110)</u>	<u>56,399</u>	<u>(60,424)</u>	<u>(4,025)</u>	<u>1,269,333</u>
Change in net assets	<u>(146,170)</u>	<u>(136,110)</u>	<u>(282,280)</u>	<u>(88,006)</u>	<u>(370,286)</u>	<u>1,638,609</u>
Net assets, beginning of year	<u>1,588,395</u>	<u>3,301,037</u>	<u>4,889,432</u>	<u>21,308,857</u>	<u>26,198,289</u>	<u>24,559,680</u>
Net assets, end of year	<u>\$ 1,442,225</u>	<u>\$ 3,164,927</u>	<u>\$ 4,607,152</u>	<u>\$ 21,220,851</u>	<u>\$ 25,828,003</u>	<u>\$ 26,198,289</u>

The accompanying notes are an integral part of these consolidated financial statements.

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

**Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)**

	<u>Program Services</u>				<u>Support Services</u>			<u>Total Program and Support Services</u>	
	<u>Encouraging Positive Development</u>	<u>Fostering Independence</u>	<u>Promoting Self-Sufficiency</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2022</u>	<u>2021</u>
Salaries and wages	\$ 5,505	\$ 6,888,824	\$ 988,458	\$ 7,882,787	\$ 936,915	\$ 88,978	\$ 1,025,893	\$ 8,908,680	\$ 7,900,038
Payroll taxes and employee benefits	558	1,355,626	210,207	1,566,391	235,888	16,425	252,313	1,818,704	1,613,881
Professional services	7,578	580,195	193,332	781,105	130,073	13,746	143,819	924,924	884,674
Program supplies and expenses	15,773	366,617	106,158	488,548	2,121	5,693	7,814	496,362	487,533
Office supplies and expenses	147	102,599	39,579	142,325	20,828	-	20,828	163,153	140,592
Occupancy	36,200	1,350,770	157,517	1,544,487	82,258	249	82,507	1,626,994	1,407,686
Interest	-	375,290	32,984	408,274	-	-	-	408,274	417,974
Travel and transportation	946	53,947	41,828	96,721	12,605	584	13,189	109,910	53,279
Specific assistance to individuals	-	22,367	5,049	27,416	-	-	-	27,416	24,001
Other	2,424	892,607	51,645	946,676	28,068	13,840	41,908	988,584	783,756
Depreciation and amortization	-	959,956	212,750	1,172,706	31,772	-	31,772	1,204,478	1,055,877
Total operating expenses	\$ 69,131	\$ 12,948,798	\$ 2,039,507	\$ 15,057,436	\$ 1,480,528	\$ 139,515	\$ 1,620,043	\$ 16,677,479	\$ 14,769,291

The accompanying notes are an integral part of these consolidated financial statements.

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (370,286)	\$ 1,638,609
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Loss (gain) on endowment funds	110,951	(330,658)
Loss on sale of equipment	-	150
Depreciation and amortization	1,204,478	1,055,877
Forgiveness of debt	(321,383)	(421,383)
Contribution of property and equipment	-	(87,900)
Contribution revenue for long-term purposes	(100,000)	(648,690)
Changes in operating assets and liabilities		
Accounts receivable	(15,605)	(84,156)
Prepaid expenses	(4,368)	(4,792)
Other current assets	1,885	(10,195)
Other assets	(16,070)	-
Accounts payable	4,879	(86,604)
Accrued expenses	(211,116)	193,008
Refundable advances	179,147	107,636
CARES Act refundable advance	-	(388,900)
Other current liabilities	(141,870)	101,255
Other long-term liabilities	-	13,681
Net cash provided by operating activities	<u>320,642</u>	<u>1,046,938</u>
Cash flows from investing activities		
Purchase of endowment funds	(60,382)	(27,525)
Proceeds from sale of equipment	-	572
Acquisition of property and equipment	(1,513,336)	(883,241)
Net cash used by investing activities	<u>(1,573,718)</u>	<u>(910,194)</u>
Cash flows from financing activities		
Proceeds from notes, loans and mortgages payable	1,854,395	72,251
Payments on notes, loans and mortgages payable	(638,400)	(203,928)
Contribution received for long-term purposes	100,000	-
Net repayments on the line of credit	(84,000)	(108,000)
Change in other long-term liabilities, net of security deposit liability	4,774	-
Net cash provided (used) by financing activities	<u>1,236,769</u>	<u>(239,677)</u>
Net decrease in cash and restricted cash	(16,307)	(102,933)
Cash and restricted cash, beginning of year	<u>3,672,845</u>	<u>3,775,778</u>
Cash and restricted cash, end of year	\$ <u>3,656,538</u>	\$ <u>3,672,845</u>
Composition of cash and restricted cash, end of year:		
Cash	\$ 1,640,697	\$ 1,607,682
Replacement reserves	1,669,160	1,558,606
Residual receipts reserve	96,245	256,584
Operating deficit escrow	<u>250,436</u>	<u>249,973</u>
	\$ <u>3,656,538</u>	\$ <u>3,672,845</u>
Supplemental disclosure of cash flow information:		
Acquisition of property and equipment with issuance of long-term debt to seller's financing company	\$ -	\$ 45,420
Contribution of property, net of mortgage note payable assumed of \$135,035	\$ -	\$ 736,590

The accompanying notes are an integral part of these consolidated financial statements.

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

(With Comparative Totals for June 30, 2021)

Nature of Organization

The consolidated financial statements for Volunteers of America Northern New England, Inc. and Subsidiaries include the following entities, which collectively are referred to as the Organization:

- Volunteers of America Northern New England, Inc. (VOANNE)
- Loudon VOANNE Senior Housing, Inc. (Loudon)
- Topsham VOANNE Senior Housing, Inc. (Topsham)
- Saco VOANNE Senior Housing, Inc. (Saco)
- VOANNE Bangor Senior Housing, L.P. (Bangor)
- Old Town VOA Affordable Housing, Inc. (Old Town)
- VOANNE Sawyer Street House, Inc. (Sawyer St.)
- VOANNE Beach Street House, Inc. (Beach St.)
- VOANNE Brackett Street House, Inc. (Brackett St.)
- GHF Residential Services (GHF)
- VOANNE Vincent Street House, Inc. (Vincent St.)
- VOANNE Property Corporation (Property Corp.)
- VOANNE Beach Street Apartment, Inc. (Beach St. Apt.)
- Veterans VOANNE Housing Corporation (Veterans Housing)
- VOANNE Retirement, Inc. (Country Villa)
- VOANNE High Street House, Inc. (High St.)
- VOANNE Oak Street House, Inc. (Oak St.)
- Cabin in the Woods, L.P. (CITW)

VOANNE is a nonprofit spiritually-based human services organization, incorporated in Maine, that provides social services within the states of Maine and New Hampshire under a charter from Volunteers of America (VOA), a national nonprofit spiritually-based organization providing local human service programs and opportunities for individual and community involvement.

Program services provided by the Organization for the years ended June 30, 2022 and 2021 include:

Encouraging Positive Development

The Organization provides services to encourage positive development for troubled and at-risk children and youth, while also promoting the healthy development of all children, adolescents, and their families. These programs provide a continuum of care and support for young people ages birth to 21 through prevention, early intervention, crisis intervention, and long-term services.

Children and Youth: Programs include Camp POSTCARD.

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022
(With Comparative Totals for June 30, 2021)

Fostering Independence

The Organization fosters the health and independence of the elderly and persons with disabilities and mental illness through quality affordable housing, healthcare services, and a wide range of community services.

Disabled Housing and Elderly Housing: The Organization manages, on behalf of VOA, U.S. Department of Housing and Urban Development (HUD) subsidized apartments housing elderly persons. The Organization operates 270 HUD subsidized apartments housing elderly and disabled persons.

Mental Health: The Organization operates 57 supportive housing units for persons with mental illness.

In-Home Senior Support Services: The Organization is a registered Personal Care Agency. It lends a helping hand to seniors living independently or allows respite for caregivers. This program allows seniors access to homemaker assistance, housekeeping, assistance with activities of daily living skills, transportation, medication assistance and more. It allows seniors to age in place regardless of their income, reduces isolation, increases access to community resources, and leads to a better quality of life. This program is set apart from other in-home support services because it is affordable and has no hourly minimum requirements for service.

Promoting Self-Sufficiency

The Organization promotes self-sufficiency for individuals and families who have experienced homelessness, or other personal crisis, including chemical dependency, involvement with the corrections system and unemployment. The Organization focuses on solution-oriented approaches, using a continuum of services from prevention to intervention to long-term support.

Correctional Services: Programs include adult correction and transitional and re-entry programs.

Supportive Senior Services: The Organization operates a 28-bed retirement inn that includes laundry, housekeeping, and three meals a day to seniors. In addition, an activities coordinator has been employed to set up activities and schedules regular outings for the seniors.

Veterans Services: The Organization operates 18 units of transitional housing for homeless veterans and provides case management services and programs for health and wellness and basic living skills. The Organization operates a 21 rental cabin units, which provide permanent housing for homeless veterans and their families, operated by CITW. CITW is owned .01% by the General Partner CIW VOANNE Housing, Inc., a wholly-owned subsidiary of VOANNE, and 99.99% by the Limited Partner 481 Maine and New Hampshire Fund III, LP, a wholly-owned subsidiary of an unrelated organization.

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

(With Comparative Totals for June 30, 2021)

1. Summary of Significant Accounting Policies

Basis of Accounting

The accounting policies of the Organization conform to U.S. generally accepted accounting principles (U.S. GAAP).

Principles of Consolidation

The consolidated financial statements include the accounts of VOANNE, Loudon, Topsham, Saco, Bangor, Old Town, Sawyer St., Beach St., Brackett St., GHF, Vincent St., Property Corp., Beach St. Apt., Veterans Housing, Country Villa, High St., Oak St., and CITW. All material inter-organization transactions have been eliminated.

Basis of Presentation

The accompanying financial statements of the Organization have been prepared in accordance with U.S. GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's June 30, 2021 consolidated financial statements, from which the summarized information was derived.

Cash

The Organization is subject to credit risk consist primarily through financial instruments held in cash, such as operating cash, security deposits, tax and insurance escrow, and residual receipt and replacement reserves.

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022
(With Comparative Totals for June 30, 2021)

The Organization maintains its cash balances at various banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank in the United States of America up to \$250,000. At times, the Organization maintains cash above the FDIC insured balance. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on operating cash, security deposits, operating deficit escrows, and residual receipts and replacement reserves.

Accounts Receivable

Accounts receivable consist primarily of revenue earned from various government grants, contracts, and programs. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances considered uncollectible after management has used reasonable collection efforts are written off to expense.

A rollforward of accounts receivable, net activity related to exchange transactions for the years ended June 30, 2022 and June 30, 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 612,748	\$ 528,592
Net charges, payments, and adjustments	<u>15,605</u>	<u>84,156</u>
Balance, end of year	<u>\$ 628,353</u>	<u>\$ 612,748</u>

Property and Equipment

Property and equipment are stated at cost, while donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Repairs and maintenance are expensed and betterments and renewals are capitalized as incurred. Buildings, improvements, and equipment are being depreciated using the straight-line method over their estimated useful lives based on the following:

Furnishings and equipment	3 to 10 years
Vehicles	5 years
Buildings and improvements	20 or 40 years

Designated and Restricted Assets

Designated and restricted assets represent the total of all assets that are encumbered by donor restrictions, legal agreements, Board designation, or are otherwise unavailable for the general use of the Organization. This category generally includes client funds, custodial funds, funded escrow and reserve funds, and endowment funds.

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

(With Comparative Totals for June 30, 2021)

Revenue Recognition

Revenues and grants from government agencies include government contracts with the Maine Department of Health and Human Services (DHHS) to render MaineCare services to qualifying individuals under certain cost-based reimbursement programs, and contracts to provide various programs it offers to veterans. Under the Organization's contractual arrangements, the Organization provides services to clients for an agreed upon fee. The Organization recognizes revenue for client services in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606 and related guidance. Client services billed to DHHS are subject to audit and retroactive adjustment. Estimated cost settlements have been recorded in the year that the services were provided.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual services rendered. Generally, performance obligations are satisfied over time when services are provided. The Organization measures the performance obligation from when the Organization begins to provide services to a client to the point when it is no longer required to provide services to that client, which is generally at the time of DHHS notification to the Organization.

Each performance obligation is separately identifiable from other promises in the contract with the client and DHHS. As the performance obligations are met (i.e., day services), revenue is recognized based upon allocated transaction price. The transaction price is allocated to separate performance obligations based upon the relative stand-alone selling price.

Because all of its performance obligations relate to short-term contracts, the Organization has elected to apply the optional exemption provided in FASB ASC Subtopic 606-10-50-14(a), and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization receives rental revenue from tenants and subsidy rental payments under Housing Assistance Payments (HAP) Contracts. Rental revenue is recognized pro rata over each tenant's period of occupancy. A contract is entered into with a tenant and covers a period of twelve months. All rents are collected at the beginning of each month and are nonrefundable. A tenant has an option to cancel a lease at any time with a minimum of 30 days notice, at which time the Organization prorates the final rent payment through a tenant's expected move-out date.

When a contract is entered into with a tenant, the Organization collects a security deposit. The security deposits are maintained in a separate cash account and a corresponding liability is recognized. Upon termination of a tenant's contract, the Organization assesses the condition of the unit being vacated. If it is determined a unit is vacated in condition equivalent to when the tenant occupied the unit, the security deposit is refunded to the tenant. If a unit is determined to be vacated in a condition less than equivalent to when the tenant occupied the unit, the security deposit is retained and recognized as revenue.

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022
(With Comparative Totals for June 30, 2021)

In general, program service is recognized as revenue when such services are rendered or as agreement milestones are achieved.

Contributions

During the year ended June 30, 2022, the Organization adopted FASB Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which increases transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The Organization's adoption of the ASU was applied retrospectively to all periods presented within the Organization's consolidated financial statements.

The Organization reports contributions of cash or other assets, including unconditional promises to give, in the consolidated statement of operations and changes in net assets when the cash, unconditional promise, or other assets are received. Unconditional promises to give are reported at their net realizable value, with an allowance for uncollectible promises where appropriate. Conditional promises to give are reported in the consolidated statement of operations and changes in net assets when the conditions are met.

The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of operations and changes in net assets as net assets released from restrictions. The Organization records donor-restricted contributions whose restrictions are met in the same reporting period as support without donor restrictions in the year of the gift.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

During 2021, the Organization purchased the High St. property for \$10. The excess of the fair value above the purchase price was recorded as contribution of property and equipment on the consolidated statement of operations and changes in net assets. These contributed nonfinancial assets were utilized during 2022 and 2021 in its Fostering Independence program. The Organization does not have a written policy related to monetizing contributed nonfinancial assets, but does have a practice of utilizing these assets in operations. There are no donor imposed restrictions associated with the contributed nonfinancial assets. The Organization determined the fair value of the property and equipment based on sale prices of similar properties in the area.

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

(With Comparative Totals for June 30, 2021)

Endowment Funds

Endowment funds restricted by donor or designated by the Organization's Board of Directors consist primarily of funds held with the Maine Community Foundation (MCF), a foundation, made up of several hundred pooled component funds. MCF has confirmed the fair market value of assets held in the Organization's component fund. MCF's pooled investment portfolio is comprised primarily of marketable equities, fixed income funds and real asset funds.

Change in Net Assets from Operations

The consolidated statement of operations and changes in net assets includes a measure of change in net assets from operations. Changes in net assets which are excluded from the change in net assets from operations include contributions for long-term purposes, interest and dividend income, (loss) gains on endowment funds, loss on sale of equipment, and other non-operating activities.

Income Taxes

The Organization consists primarily of organizations that are exempt from federal and state income taxes under Section 501(c)(3) of the Code. Accordingly, no provision for income taxes has been reflected in these consolidated financial statements.

Included in the consolidated financial statements are limited partnerships. No provision for taxes on income is made in the consolidated financial statements since all taxable income and losses are allocated to the partners for inclusion in their respective tax returns.

Low-income housing tax credit has been allocated to the limited partnerships. The credit will be allocated to the partners for inclusion in their respective tax returns. The projects associated with the limited partnerships must be maintained as low-income rental projects to realize the tax credit. If the project or any portion of it is not low income, adverse tax consequences will occur.

Allocation of Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include salaries and wages and employee benefits of staff, office supplies and expenses, and other costs. Office supplies and expenses are allocated to programs based on actual or estimated usage of resources. Payroll and employee benefits expenses are allocated based on estimates of time and effort. Other expenses are allocated based on direct labor, physical usage of facilities or equipment or specific identification.

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022
(With Comparative Totals for June 30, 2021)

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

For purposes of the preparation of these consolidated financial statements in conformity with U.S. GAAP, management has considered transactions or events occurring through October 28, 2022, which is the date that the consolidated financial statements were available to be issued. Management has not evaluated subsequent events after that date for inclusion in the consolidated financial statements.

2. Leases

The Organization holds operating leases on buildings for administrative office space and program services expiring in June of 2023 and December 2022, respectively. Rent expense for the years ended June 30, 2022 and 2021 totaled \$214,884 and \$165,538, respectively. The Organization also has various copier leases.

Future minimum lease expense under the terms of the leases for the next five fiscal years is as follows:

2023	\$ 137,005
2024	6,940
2025	5,243

3. Line of Credit

The Organization has a line of credit with Bangor Savings Bank collateralized by substantially all business assets. The line of credit is renewable on an annual basis, and is expected to be renewed in December 2022. The maximum credit available is \$1,500,000 with interest at a variable rate equal to the Wall Street Journal Prime Rate (4.75% as of June 30, 2022). At June 30, 2022 and 2021, the outstanding balances on the line of credit were \$566,639 and \$650,639, respectively.

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

(With Comparative Totals for June 30, 2021)

4. Notes, Loans and Mortgages Payable

Notes, loans and mortgages payable consist of the following:

	<u>2022</u>	<u>2021</u>
<p>Promissory note payable to Saco and Biddeford Savings Institution in monthly principal and interest payments of \$1,397 through June 29, 2026, with a final balloon payment upon maturity. Variable interest rate adjusted annually to the Federal Home Loan Bank of Boston (FHLBB) Classic Advance rate (1.67% at June 30, 2022). The promissory note payable is collateralized by real estate held by Veterans Housing.</p>	\$ 59,985	\$ 73,583
<p>Under the Tax Credit Exchange Program authorized by the American Recovery and Reinvestment Act of 2009, Maine State Housing Authority (MSHA) advanced funds under a non-interest bearing mortgage note payable in the amount of \$4,807,078 in exchange for development of the project and in exchange for assignment of certain available tax credits and tax incentives. Repayment of the remaining funds is required in the event of noncompliance with the requirements of Section 42 of the Code at any time through 2026. The mortgage note payable is collateralized by real estate and personal property held by Bangor. Upon maintaining compliance, a portion of the mortgage note payable is forgiven annually over the 15 years of the agreement.</p>	1,602,358	1,922,830
<p>Noninterest bearing mortgage note payable to Bangor Savings Bank. Under the terms of the agreement, no principal payments are due as long as Bangor continues to operate and occupy the building as affordable rental housing for a period of fifteen years, through June 1, 2026, at which time the amount will be forgiven as part of the Affordable Housing Program of the FHLBB. The mortgage note payable is collateralized by real estate and personal property held by Bangor.</p>	400,000	400,000
<p>Mortgage note payable to MSHA bearing a fixed interest rate of 3%. Payments of principal and interest payments are deferred until November 23, 2051 at which time all unpaid principal and interest is due. Deferred interest at June 30, 2022 and 2021 was \$44,082 and \$39,308, respectively. The mortgage note payable is collateralized by real estate and personal property held by Bangor.</p>	119,829	119,829

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

**June 30, 2022
(With Comparative Totals for June 30, 2021)**

	<u>2022</u>	<u>2021</u>
Mortgage note payable to the City of Bangor, Maine bearing a fixed rate of 3%. The mortgage note payable is forgiven annually over the 20 years of the agreement, as long as Bangor rents all apartments to low/moderate-income households. The mortgage note payable is collateralized by real estate and personal property held by Bangor.	8,206	9,117
Noninterest bearing mortgage note payable to MSHA. On May 20, 2010, 20% of the original note was forgiven. On May 20, 2025, 40% of the original mortgage note payable will be forgiven and the remaining 40% will be forgiven on May 20, 2040 as long as the use restrictions on the property are maintained. The mortgage note payable is collateralized by real estate and personal property held by Veterans Housing.	300,446	300,446
Noninterest bearing mortgage note payable to MSHA. The mortgage note payable is not required to be repaid, as long as the Beach St. Apt. housing continues to operate and occupy the building as safe rental housing for low and very-low income persons through May 2025, at which time the mortgage note would be forgiven. The mortgage note payable is collateralized by real estate and personal property held by Beach St.	87,867	87,867
Noninterest bearing mortgage note payable to MSHA. On June 22, 2005, 20% of the original note was forgiven. On June 22, 2020, 40% of the original mortgage note payable was forgiven. The remaining 40% will be forgiven on June 22, 2035 as long as the use restrictions on the property are maintained. The mortgage note payable is collateralized by real estate and personal property held by Brackett St.	100,000	100,000
Mortgage note payable to MSHA bearing a fixed interest rate of 5.5% and with monthly interest only payments of \$331 through February, 2052, when the principal balance will be due in full. The note is collateralized by real estate and personal property held by Oak St.	91,258	72,251
Noninterest bearing mortgage note payable to MSHA. The mortgage note payable will be forgiven thirty years from the date of issuance as long as the use restrictions on the property are maintained. The mortgage note payable is collateralized by real estate and personal property held by Property Corp.	355,000	355,000

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June 30, 2022

(With Comparative Totals for June 30, 2021)

	<u>2022</u>	<u>2021</u>
Mortgage note payable to Bangor Savings Bank in monthly principal and interest payments of \$1,137 through December 24, 2042 when all remaining principal and interest is due. Interest was fixed at 5% per annum for the first ten years (July 2022) at which time the interest rate was adjusted to the FHLBB rate plus 2% (3.67% at June 30, 2022). The mortgage note payable is collateralized by real estate and personal property located on Peaks Island, Maine held by Property Corp.	173,404	178,126
Mortgage note payable to MSHA in monthly principal and interest payments of \$3,153 through June 1, 2044. Interest is fixed at 8% per annum; collateralized by real estate and personal property held by Old Town.	391,118	397,392
Mortgage note payable to MSHA in monthly principal and interest payments of \$12,433 through June 1, 2044. Interest is fixed at 8% per annum; collateralized by the real estate and personal property held by Old Town.	1,542,242	1,566,975
Mortgage note payable to MSHA in monthly principal and interest payments of \$7,097 through July 1, 2044. Interest is fixed at 5.5% per annum; collateralized by the real estate and personal property held by Old Town.	1,087,587	1,112,198
Noninterest bearing note payable to Volunteers of America National Services, a related party of VOANNE, Old Town's sole incorporator through economic interest, to assist with the development of the Old Town property. Under the terms of the agreement, no principal payments are due as long as Old Town continues to operate and occupy the building as safe and affordable rental housing for seniors for a period of ten years, through June 1, 2024, at which time the amount will be forgiven; collateralized by the real estate and personal property held by Old Town.	200,000	200,000
Mortgage note payable to Bangor Savings Bank in monthly principal and interest payments of \$2,512 through November 2023 at which time the remaining principal will be due. Interest is fixed at 3.9% per annum; collateralized by the real estate and personal property held by Oak St.	304,425	322,145

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June 30, 2022

(With Comparative Totals for June 30, 2021)

	<u>2022</u>	<u>2021</u>
Mortgage note payable to Bangor Savings Bank. Monthly principal and interest payments of \$4,061 through October 2026 at which time the remaining principal will be due. Interest at the FHLBB 5/5 Amortizing Advance Rate plus 2.50%, through October 2021 and then for the remaining five years the interest rate adjusted to the FHLBB 3/3 Amortizing Advance Rate plus 2.50% for three years (5.72% at June 30, 2022). The mortgage note payable is collateralized by the real estate and personal property.	198,382	252,699
Mortgage note payable to Bangor Savings Bank in monthly principal and interest payments of \$1,537 through March 2036 at which time the remaining principal will be due. Interest is fixed at 3.84% per annum; collateralized by the real estate and personal property held by Property Corp.	196,149	206,733
Mortgage note payable to MSHA payable in monthly interest-only payments of \$1,861 at a fixed rate of 6% for 30 years from origination date (March 2047) at which date the balance is due in full; collateralized by the real estate and personal property held by CITW.	372,114	372,114
Noninterest mortgage note payable to MSHA. Mortgage note payable is repayable 30 years from origination date (March 2047); collateralized by the real estate and personal property held by CITW.	51,756	51,756
Noninterest mortgage note payable to MSHA. Mortgage note payable is repayable 30 years from origination date (November 2046); collateralized by the real estate and personal property held by CITW.	155,270	155,270
Mortgage note payable to Bangor Savings Bank in monthly principal and interest payments of \$7,851 through October 2041 at which time the remaining principal will be due. Interest is fixed at 3.74% per annum; collateralized by the real estate and personal property held by Country Villa.	1,289,291	1,333,687
Mortgage note payable to Genesis Community Loan Fund in monthly principal and interest payments of \$2,087 through October 2026 at which time the remaining principal will be due. Interest is fixed at 5.20% per annum; collateralized by the real estate and personal property held by Country Villa.	345,295	352,183

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

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(With Comparative Totals for June 30, 2021)

	<u>2022</u>	<u>2021</u>
Various notes payable to Bodwell Chrysler Jeep Dodge Ram in monthly principal and interest payments of ranging from \$444 to \$456 with maturity dates through July 2025 at which time the remaining principal will be due. Interest is fixed at rates from 5.11% to 5.99% per annum; collateralized by vehicles.	39,874	39,640
Noninterest bearing mortgage note payable to MSHA. The mortgage note payable will be forgiven on May 1, 2050 as long as the use restrictions on the property are maintained. The mortgage note payable is collateralized by real estate and personal property held by High St.	215,334	215,334
Noninterest mortgage note payable to MSHA. Mortgage note payable is repayable 5 years from origination date (July 2026); collateralized by the real estate and personal property held by Property Corp.	72,000	-
Noninterest mortgage note payable to MSHA. Mortgage note payable is repayable 30 years from origination date (February 2036); collateralized by the real estate and personal property held by Property Corp.	135,035	135,035
Note payable to MSHA in monthly principal and interest payments of \$2,329 through May 2050 at which time the remaining principal will be due. Interest is fixed at 5.5% per annum; collateralized by real estate and personal property held by High St.	398,324	404,188
Noninterest bearing mortgage note payable to MSHA. The mortgage note payable will be forgiven on April 2066 as long as the use restrictions on the property are maintained. The mortgage note payable is collateralized by real estate and personal property held by Oak St.	897,217	-
Noninterest bearing Affordable Housing Subsidy note payable administered through FHLBB. The mortgage note payable will be forgiven on April 2036 as long as the use restrictions on the property are maintained. The mortgage note payable is collateralized by real estate and personal property held by Oak St.	<u>441,244</u>	<u>-</u>
	11,631,010	10,736,398
Less unamortized fees	9,517	12,049
Less current portion	<u>224,069</u>	<u>202,458</u>
	<u>\$11,397,424</u>	<u>\$10,521,891</u>

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

(With Comparative Totals for June 30, 2021)

Cash paid for interest approximates interest expense.

Annual principal maturities and annual expected forgiveness on notes, loans and mortgages payable, for fiscal years subsequent to June 30, 2022, are as follows:

	Annual Principal Payments	Annual Expected Forgiveness	Total
2023	\$ 224,069	\$ 321,383	\$ 545,452
2024	236,349	521,383	757,732
2025	242,187	559,473	801,660
2026	243,400	721,383	964,783
2027	509,268	911	510,179
Thereafter	<u>5,731,236</u>	<u>2,319,968</u>	<u>8,051,204</u>
Total	<u>\$ 7,186,509</u>	<u>\$ 4,444,501</u>	<u>\$ 11,631,010</u>

5. Capital Advances

In conjunction with construction of some properties, pursuant to Sections 202 and 811 of the National Housing Act, HUD issued capital advances in an aggregate amount of \$20,605,558 at June 30, 2022, which is reflected in net assets with donor restrictions in the consolidated statement of financial position. The capital advances bear no interest and are not required to be repaid, so long as the use restrictions are maintained for a period of 40 years. The capital advances are collateralized by real estate and personal property. Failure to maintain the use restrictions would result in HUD's billing the owner for the entire capital advance outstanding plus interest since the date of the advance.

The Regulatory Agreement imposes restrictions on cash disbursements and distributions and prohibits the transfer or encumbrance of title to the rental property without HUD approval. In addition, a Use Agreement restricts use of the project to rental housing for eligible households as approved by HUD for a period of 40 years.

6. Pension Plans

The Organization can participate in a non-contributory defined benefit pension and retirement plan. The plan is administered through a commercial insurance company and covers the Chief Executive Officer. Pension plan expense was \$24,000 at June 30, 2022 and 2021. Because the plan is a multi-employer plan, the accumulated benefits and net assets available for benefits as they relate solely to the Organization are not readily available.

Employees of the Organization are covered by a Section 403(b) annuity pension plan. Employees may contribute up to 15% of their base wages to the plan. At June 30, 2022 and 2021, Organization contributions to the 403(b) plan were \$56,644 and \$22,035, respectively.

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

(With Comparative Totals for June 30, 2021)

7. Related Party Transactions

VOA has organized separate nonprofit corporations to provide elderly housing. These corporations are related to the Organization by nature of property management agreements. These corporations owed the Organization \$44,104 and \$35,422 at June 30, 2022 and 2021, respectively.

The Organization is affiliated with VOA, which provides supporting services to the Organization for a fee. Charter services for the years ended June 30, 2022 and 2021 totaled \$274,419 and \$252,097, respectively. Charter services due at June 30, 2022 and 2021 were \$21,985 and \$23,930, respectively.

8. Commitments and Contingencies

The Organization receives a significant amount of its support from state and federal agencies. If these agencies significantly reduced their level of support, it may affect certain programs and activities of the Organization.

Grants received by the Organization are subject to audit by the grantors upon termination of the grant period. Generally, management makes provisions for potential refunds to grantors that may result from audit adjustments. However, the provisions are subject to change as the amounts, if any, are not determinable until the audits are completed.

9. Endowment

The Organization's endowment consists of funds held by MCF whose investment return is available for operations. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Maine Uniform Prudent Management of Institutional Funds Act for the implementation of FASB ASC Topic 958 as requiring preservation of the original value of the gifts, as of the gift date, to donor-restricted endowment funds, absent any explicit donor restrictions to the contrary in the gift instrument. As a result of this interpretation for accounting and financial statement purposes, the Organization classifies the original value of assets donated to the permanent endowment as net assets with donor restrictions (held in perpetuity), along with any investment earnings that are directed by the donor to be reinvested in perpetuity (i.e., historic book value). The Organization appropriates a fixed distribution each year as determined and approved by MCF.

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

(With Comparative Totals for June 30, 2021)

Endowment Net Asset Composition by Type of Fund

The endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions - Subject to Use or Time	With Donor Restrictions - Held in Perpetuity	Total
June 30, 2022				
Endowment funds	\$ <u>600,614</u>	\$ <u>329,020</u>	\$ <u>286,273</u>	\$ <u>1,215,907</u>
June 30, 2021				
Endowment funds	\$ <u>568,324</u>	\$ <u>411,879</u>	\$ <u>286,273</u>	\$ <u>1,266,476</u>

The Organization had the following endowment-related activities for the years ended June 30, 2022 and 2021, respectively:

	Without Donor Restrictions	With Donor Restrictions - Subject to Use or Time	With Donor Restrictions - Held in Perpetuity	Total
Endowment net assets, June 30, 2021	\$ 568,324	\$ 411,879	\$ 286,273	\$ 1,266,476
Investment loss, net of fees	(58,031)	(60,424)	-	(118,455)
Contributions	90,321	-	-	90,321
Appropriation of endowment assets for expenditures	-	(22,435)	-	(22,435)
Endowment net assets, June 30, 2022	\$ <u>600,614</u>	\$ <u>329,020</u>	\$ <u>286,273</u>	\$ <u>1,215,907</u>
Endowment net assets, June 30, 2020	\$ 373,566	\$ 248,454	\$ 286,273	\$ 908,293
Investment return, net of fees	145,593	185,065	-	330,658
Contributions	49,165	-	-	49,165
Appropriation of endowment assets for expenditures	-	(21,640)	-	(21,640)
Endowment net assets, June 30, 2021	\$ <u>568,324</u>	\$ <u>411,879</u>	\$ <u>286,273</u>	\$ <u>1,266,476</u>

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

(With Comparative Totals for June 30, 2021)

10. Concentration of Revenues and Risk

For the years ended June 30, 2022 and 2021, approximately 57% and 56%, respectively, of the operating revenues of the Organization was derived from DHHS MaineCare program. Accounts receivable from DHHS MaineCare program totaled \$480,440 and \$443,449 at June 30, 2022 and 2021, respectively.

Charges for services to individuals were billed through the MaineCare intermediary. Settlements for differences between interim rates paid by MaineCare and the actual cost for rendering services, as defined by the "Principles of Reimbursement," which govern the respective programs, are based on annual cost reporting. Laws and regulations governing the programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The consolidated financial statements reflect estimated settlements due under these programs. Settlements do not become final until cost reports are audited and approved by DHHS. Differences between estimated and actual settlements are netted against the actual revenue sources in the year of final determination. The cost reports have been audited through 2019.

Approximately 10% and 12% of the operating revenues of the Organization was derived from HAP received from HUD for the years ended June 30, 2022 and 2021, respectively. Accounts receivable from HUD totaled \$8,280 and \$4,524 at June 30, 2022 and 2021, respectively.

Due to the large concentration of consumers who receive benefits from the DHHS MaineCare program and HUD, the Organization is highly dependent upon regulatory authorities establishing reimbursement rates that are adequate to sustain the Organization's operations.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of checking, savings, and time deposit accounts with banks. These balances fluctuate during the year and can exceed the limit of FDIC coverage. Management regularly monitors the financial institutions, together with their respective cash balances, and attempts to maintain the potential risk at a minimum. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Service Provider Tax

The Maine Legislature enacted legislation that imposes a 6% Service Provider Tax (SPT) on the "value" (i.e., sales price) of certain services provided in the State including Private Non-Medical Institutions services and certain clinical and outpatient services. Providers are taxed based on revenue, received for the purpose of providing food, shelter, and treatment. MaineCare is then reimbursing facilities for their portion of the tax by increasing their direct care per diem rate. The portion of the tax paid on revenue generated from private pay residents will not be funded by MaineCare.

Total SPT expense was \$466,359 and \$489,083 in 2022 and 2021, respectively.

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

**June 30, 2022
(With Comparative Totals for June 30, 2021)**

11. Noncontrolling Interest

Noncontrolling interest, as shown in the consolidated statements of financial position, represents investments by the limited partner in CITW as follows as of June 30:

<u>Limited Partner</u>	<u>2022</u>	<u>2021</u>
481 Maine and New Hampshire Fund III, LP	\$ <u>3,164,927</u>	\$ <u>3,301,037</u>

12. Availability and Liquidity of Financial Assets

The goal for the Organization is to maintain a balanced budget while meeting the requirements of the various financing authorities.

Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and capital acquisitions not funded through replacement reserves or financed with debt, were as follows:

	<u>2022</u>	<u>2021</u>
Cash less required residual receipt deposits	\$ 1,372,775	\$ 1,406,141
Accounts receivable	628,353	612,748
Other current assets	<u>80,037</u>	<u>81,922</u>
Financial assets available at year end for current use	\$ <u>2,081,165</u>	\$ <u>2,100,811</u>

The Organization has certain designated and restricted assets which are for restricted use and subject to HUD or Board approval. As a result, these designated and restricted assets are not considered available for general expenditure within the next year and are not reflected in the amount above. The Organization also has access to a line of credit as more fully described in Note 3. As of June 30, 2022, the Organization could draw \$933,361 in additional funds from the line of credit.

13. Net Assets with Donor Restrictions

As of June 30, 2022 and 2021, net assets subject to time or purpose restrictions, temporary in nature, are as follows:

	<u>2022</u>	<u>2021</u>
HUD capital advance	\$ 20,605,558	\$ 20,605,558
Accumulated earnings on funds invested in perpetuity whose income is available for general operations	329,020	411,879
High St. renovations	<u>-</u>	<u>5,147</u>
	\$ <u>20,934,578</u>	\$ <u>21,022,584</u>

VOLUNTEERS OF AMERICA NORTHERN NEW ENGLAND, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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(With Comparative Totals for June 30, 2021)

As of June 30, 2022 and 2021, net assets subject to Organization spending policy (invested in perpetuity) are as follows:

	<u>2022</u>	<u>2021</u>
Income available for general operations	\$ <u>286,273</u>	\$ <u>286,273</u>

14. Home and Community-Based Services (HCBS)

In June 2021, DHHS announced HCBS Recruitment and Retention payments to providers of certain MaineCare services. These payments are intended to recognize direct support workers' service during the pandemic and attract new direct support workers to the industry through employee bonus payments. These supplemental funds must be used specifically for employee retention and recruitment for the period July 1, 2021 through December 31, 2022.

In 2022, the Organization applied for HCBS payments and in February 2022 received notification of award in the amount of \$798,499. As of June 30, 2022, management believes the Organization met the conditions necessary to recognize revenue totaling \$445,975 and is included in revenues and grants from government agencies in the consolidated statement of operations and changes in net assets. The remaining balance of of \$352,524 is reported in the consolidated statement of financial position as refundable advances at June 30, 2022.