

LIFE UNLIMITED, INC. AND AFFILIATES
YEARS ENDED JUNE 30, 2018 AND 2017



HOUSE PARK DOBRATZ & WIEBLER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

LIFE UNLIMITED, INC. AND AFFILIATES

YEARS ENDED JUNE 30, 2018 AND 2017

CONTENTS

	Page
Independent auditors' report	1-2
Combined financial statements:	
Statements of financial position	3
Statements of activities and changes in net assets	4-5
Statements of functional expenses	6-7
Statements of cash flows	8
Notes to financial statements	9-17
Supplementary information:	
Combining statement of financial position - 2018	18
Combining statement of activities and changes in net assets – unrestricted net assets - 2018	19



HOUSE PARK DOBRATZ & WIEBLER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

STANLEY H. HOUSE
MICHAEL A. DOBRATZ
STEVEN V. WIEBLER
WILLIAM S. LACY, JR.

605 WEST 47TH STREET • SUITE 301
KANSAS CITY, MISSOURI 64112
TEL. (816) 931-3393
FAX: (816) 931-9636

Independent Auditors' Report

Board of Directors
Life Unlimited, Inc. and Affiliates
Liberty, Missouri

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Life Unlimited, Inc. and Affiliates (the Organization), which comprise the combined statements of financial position as of June 30, 2018 and 2017, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

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

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

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

(continued)

Independent Auditors' Report (continued)

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Life Unlimited, Inc. and Affiliates as of June 30, 2018 and 2017, and the combined 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying supplementary information on pages 18 and 19 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the combined financial statements as a whole.

House Park Dobratz & Wiebler, P.C.

Kansas City, Missouri
February 28, 2019

LIFE UNLIMITED, INC. AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 3,014,507	\$ 2,324,960
Accounts receivable	926,992	1,307,605
Other receivables	1,773	2,420
Prepaid expenses	<u>126,011</u>	<u>101,803</u>
Total current assets	4,069,283	3,736,788
Investments (Note 2)	562,658	1,725,036
Funds held in escrow and reserve (Note 3)	202,398	206,826
Property and equipment (Notes 4 and 5)	5,220,902	4,215,551
Other assets	<u>13,314</u>	<u>9,151</u>
	<u>\$ 10,068,555</u>	<u>\$ 9,893,352</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Current portion of note payable (Note 5)	\$ 18,128	\$ 17,729
Accounts payable	108,301	110,469
Accrued payroll-related expenses and withholdings	583,045	516,570
Other liabilities	<u>8,814</u>	<u>85,991</u>
Total current liabilities	718,288	730,759
Note payable, less current portion (Note 5)	<u>242,094</u>	<u>260,213</u>
Commitments and contingency (Notes 4, 9 and 10)		
Net assets:		
Unrestricted:		
Available for general activities (Note 7)	8,445,239	7,803,454
Board-designated funds (Note 6)	<u>600,000</u>	<u>406,413</u>
	9,045,239	8,209,867
Temporarily restricted (Note 6)	32,934	662,513
Permanently restricted (Note 6)	<u>30,000</u>	<u>30,000</u>
Total net assets	9,108,173	8,902,380
	<u>\$ 10,068,555</u>	<u>\$ 9,893,352</u>

See notes to combined financial statements.

LIFE UNLIMITED, INC. AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Program services	\$ 12,561,939			\$ 12,561,939
Rent revenue	261,115			261,115
Contributions	35,224	\$ 198,892		234,116
Donations from Thrift Store	70,000			70,000
Special events, net of direct expenses of \$12,004	15,598			15,598
Investment income (Note 2)	149,918			149,918
Other revenue	18,300			18,300
Net assets released from restriction	<u>828,471</u>	<u>(828,471)</u>		<u>13,310,986</u>
	<u>13,940,565</u>	<u>(629,579)</u>		
Program services	11,319,165			11,319,165
Management and general	1,720,657			1,720,657
Fundraising	<u>65,371</u>			<u>65,371</u>
	<u>13,105,193</u>			<u>13,105,193</u>
Change in net assets	835,372	(629,579)		205,793
Net assets, beginning of year	<u>8,209,867</u>	<u>662,513</u>	<u>\$ 30,000</u>	<u>8,902,380</u>
Net assets, end of year	<u>\$ 9,045,239</u>	<u>\$ 32,934</u>	<u>\$ 30,000</u>	<u>\$ 9,108,173</u>

See notes to combined financial statements.

LIFE UNLIMITED, INC. AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Program services	\$ 12,381,654			\$ 12,381,654
Rent revenue	188,917			188,917
Contributions	168,802	\$ 1,916,885		2,085,687
Donations from Thrift Store	73,182			73,182
Special events, net of direct expenses of \$23,680	54,902			54,902
Investment income (Note 2)	153,070			153,070
Other revenue	83,769			83,769
Net assets released from restriction	<u>1,391,845</u>	<u>(1,391,845)</u>		<u>15,021,181</u>
	<u>14,496,141</u>	<u>525,040</u>		
Program services	10,977,948			10,977,948
Management and general	776,795			776,795
Fundraising	135,544			135,544
	<u>11,890,287</u>			<u>11,890,287</u>
Change in net assets	2,605,854	525,040		3,130,894
Net assets, beginning of year	<u>5,604,013</u>	<u>137,473</u>	<u>\$ 30,000</u>	<u>5,771,486</u>
Net assets, end of year	<u>\$ 8,209,867</u>	<u>\$ 662,513</u>	<u>\$ 30,000</u>	<u>\$ 8,902,380</u>

See notes to combined financial statements.

LIFE UNLIMITED, INC. AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 8,024,498	\$ 893,234	\$ 38,612	\$ 8,956,344
Employee benefits (Note 8)	1,661,929	184,995	7,997	1,854,921
Communications	87,441	39,271	180	126,892
Contract staff	87,458	59,005		146,463
Depreciation (Note 4)	245,907	12,942		258,849
Food costs	113,629	834	154	114,617
Insurance	133,470	76,750	28	210,248
Interest (Note 5)	10,384	1,832		12,216
Maintenance and repairs	136,077	32,248		168,325
Marketing and public relations	10,571			10,571
Material and supplies	61,325	89,660	39	151,024
Other	98,964	90,405	6,091	195,460
Professional services	7,495	145,767	504	153,766
Program services	90,027	2,089		92,116
Rent (Note 9)	155,057	9,548		164,605
Staff recognition	9,344	29,013	11,436	49,793
Transportation	213,270	32,411	330	246,011
Utilities (Note 9)	<u>172,319</u>	<u>20,653</u>		<u>192,972</u>
Total expenses	<u>\$ 11,319,165</u>	<u>\$ 1,720,657</u>	<u>\$ 65,371</u>	<u>\$ 13,105,193</u>

See notes to combined financial statements.

LIFE UNLIMITED, INC. AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 7,379,101	\$ 561,453	\$ 80,208	\$ 8,020,762
Employee benefits (Note 8)	1,446,009	110,022	15,718	1,571,749
Communications	113,445	13,040	3,912	130,397
Contract staffing	146,462			146,462
Depreciation (Note 4)	195,552	12,616	2,103	210,271
Food costs	116,744	1,179		117,923
Insurance	186,883	16,429	2,054	205,366
Interest (Note 5)	5,280	7,599		12,879
Maintenance and repairs	154,937	15,323		170,260
Marketing and public relations			29,591	29,591
Material and supplies	148,060	11,144		159,204
Other	92,829	6,987		99,816
Professional services	203,884	3,539		207,423
Program services	115,050	1,162		116,212
Rent (Note 9)	182,614			182,614
Staff recognition	54,392			54,392
Transportation	256,510	2,591		259,101
Utilities (Note 9)	<u>180,196</u>	<u>13,711</u>	<u>1,958</u>	<u>195,865</u>
Total expenses	<u>\$ 10,977,948</u>	<u>\$ 776,795</u>	<u>\$ 135,544</u>	<u>\$ 11,890,287</u>

See notes to combined financial statements.

LIFE UNLIMITED, INC. AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 205,793	\$ 3,130,894
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	258,849	210,271
Realized gains on investments	(136,275)	(134,885)
Unrealized gains on investments	(1,555)	(12,542)
Change in:		
Accounts receivable	380,613	(234,852)
Other receivables	647	1,372
Prepaid expenses	(24,208)	(33,502)
Other assets	(4,163)	25,661
Accounts payable	(2,168)	24,003
Accrued payroll-related expenses and withholdings	66,475	217,664
Other liabilities	(77,177)	73,588
Net cash provided by operating activities	<u>666,831</u>	<u>3,267,672</u>
Cash flows from investing activities:		
Sale (purchase) of investments, net	1,300,208	(889,359)
(Increase) decrease in funds held in escrow and reserve	4,428	(24,023)
Purchase of property and equipment	(1,264,200)	(1,292,746)
Net cash provided (used) by investing activities	<u>40,436</u>	<u>(2,206,128)</u>
Cash flows from financing activities, payments on note payable	(17,720)	(16,941)
Increase in cash and cash equivalents	689,547	1,044,603
Cash and cash equivalent, beginning of year	<u>2,324,960</u>	<u>1,280,357</u>
Cash and cash equivalents, end of year	<u>\$ 3,014,507</u>	<u>\$ 2,324,960</u>
<i>Supplemental disclosures of cash flow information:</i>		
Cash paid for interest	<u>\$ 12,216</u>	<u>\$ 12,879</u>

See notes to combined financial statements.

LIFE UNLIMITED, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

1. Organization and summary of significant accounting policies:

Organization:

Effective July 1, 2016, Immacolata Manor (the Manor) and Concerned Care, Inc. (Concerned Care) merged operations under the name Life Unlimited, Inc. by combining all assets and liabilities. The combined entities provide residential and day habilitation services for individuals with developmental disabilities, regardless of their race, religion, or economic background. The programs are designed to maximize individual development, enabling each resident to live as independently as possible. The Missouri Department of Mental Health provides funding for most of the residents. Additional support is received through direct donor contributions.

Both the Manor and Concerned Care had related organizations through agreements with the U.S. Department of Housing and Urban Development (HUD). Immacolata Manor Homes, Inc. and CCI Apartment Corporation (hereinafter collectively referred to as the HUD Projects) continue to operate as separate entities. The HUD Projects are related to Life Unlimited, Inc. by virtue of the same Boards of Directors. The HUD Projects' construction of homes and apartments were funded by capital advances under Section 811 of the National Affordable Housing Act (Note 7). The HUD Projects are regulated by HUD. The HUD Projects receive Project Rental Assistance under 40-year contracts with HUD. Project Rental Assistance covers the difference between the HUD-approved operating cost per unit and the amount the tenant pays, which is determined in accordance with HUD regulations.

In January 2019, the Organization entered into an agreement to merge with Open Options, Inc., an entity that provides similar services. The merging entity's assets and liabilities as of December 31, 2018 were approximately \$1,500,000 and \$850,000, respectively. Liabilities include approximately \$480,000 of long-term debt. Annual revenues are approximately \$5 million.

Principles of combination:

The financial statements include the accounts of Life Unlimited, Inc. and the HUD Projects (hereinafter collectively referred to as the Organization). All intercompany accounts have been eliminated.

Income taxes:

Both the Manor and Concerned Care continued to operate under their existing Federal employer identification numbers (EINs) during fiscal 2017. For tax reporting purposes, the Manor and Concerned Care filed separate federal tax returns for the year ended June 30, 2017. Beginning in fiscal 2018, the Organization filed under a single return. The HUD Projects will continue to file separate returns under their respective Federal EINs.

All of the entities are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization follows accounting principles generally accepted in the United States of America regarding uncertain income tax provisions. The Organization's accounting policy is to provide liabilities for uncertain income tax provisions when a liability is probable and estimable. The Organization has no uncertain tax positions for the years ended June 30, 2018 and 2017 and is not aware of any violation of its tax status as organizations exempt from income taxes.

LIFE UNLIMITED, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

1. Organization and summary of significant accounting policies (continued):

Basis of accounting:

Unrestricted net assets:

The unrestricted net assets represent resources over which the Organization's Directors have discretionary control and are used to carry out operations of the Organization. Unrestricted Board-designated net assets represent amounts designated by the Board to provide support to the Organization in future years.

Temporarily restricted net assets:

Temporarily restricted net assets represent resources available for use currently or in the future, but expendable only for purposes specified by the donor or within a donor-designated time period. Donor-restricted contributions or grants whose restrictions are satisfied in the same reporting year are reported as unrestricted support.

Permanently restricted net assets:

Permanently restricted net assets are those contributions whose use by the Organization is limited by donor-imposed stipulations that the corpus be held in perpetuity. The earnings from these net assets are available for use as specified by the donor.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of risk:

The Organization derived approximately 83% and 74% of its revenues through the State Medicaid program for the years ended June 30, 2018 and 2017, respectively. Approximately 88% and 87% of accounts receivable as of June 30, 2018 and 2017, respectively, are due from the State Medicaid program. Management does not believe there is any significant business or collection risk.

Property and equipment and depreciation:

Property and equipment are stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets. The Organization capitalizes asset additions greater than \$1,000 that have a useful life of more than one year.

LIFE UNLIMITED, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

1. Organization and summary of significant accounting policies (continued):

Property and equipment and depreciation (continued):

Gifts of long-lived assets such as property or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. 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 temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Investments and concentrations of credit risk:

The Organization accounts for pooled investment funds at the Greater Kansas City Community Foundation at fair value. The underlying holdings in these funds are valued by the respective managers or custodians using quoted market prices for publicly traded securities and fair value for other investments using methodologies relevant to each asset class. The valuations are routinely evaluated by management, and management believes such values are reasonable.

Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to these risks, it is at least reasonably possible that changes in value could occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

The Organization maintains its primary bank accounts at institutions where deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization's deposits periodically exceed FDIC limits.

Expense allocation:

Expenses that are directly identifiable are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Cash and cash equivalents:

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with maturities of three months or less to be cash equivalents. Cash equivalents as of June 30, 2018 consist of money market funds.

LIFE UNLIMITED, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

1. Organization and summary of significant accounting policies (continued):

Subsequent events:

Subsequent events have been evaluated through February 28, 2019, which is the date the financial statements were available to be issued.

2. Investments:

Investments as of June 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Cash and money market funds	\$ 357,264	\$ 282,377
Certificates of deposit (Note 6)	121,278	566,944
Equities	1,173	752,953
Funds held at Greater Kansas City Community Foundation:		
Money market funds	20,698	65,317
Fixed income	45,659	42,010
Equities	<u>16,586</u>	<u>15,435</u>
	<u>\$ 562,658</u>	<u>\$ 1,725,036</u>

Investment income for the years ended June 30, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 12,088	\$ 5,643
Realized gains	136,275	134,885
Unrealized gains	<u>1,555</u>	<u>12,542</u>
	<u>\$ 149,918</u>	<u>\$ 153,070</u>

Funds held at the Greater Kansas City Community Foundation include the permanently restricted funds and a portion of the unrestricted funds. The Organization values investments at fair value. Fair value is defined as the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs including quoted prices in active markets for similar assets and Level 3 inputs consist of unobservable inputs that are supported by little or no market activity and have the lowest priority.

LIFE UNLIMITED, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

2. Investments (continued):

As of June 30, 2018 and 2017, the Organization's investments measured at fair value consisted of the following within the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
2018:			
Cash and money market funds	\$ 357,264		\$ 357,264
Certificates of deposit		\$ 121,278	121,278
Equities	1,173		1,173
Funds held at Greater Kansas City Community Foundation:			
Money market funds	20,698		20,698
Fixed income		45,659	45,659
Equities		16,586	16,586
	<u>\$ 379,135</u>	<u>\$ 183,523</u>	<u>\$ 562,658</u>
2017:			
Cash and money market funds	\$ 282,377		\$ 282,377
Certificates of deposit		\$ 566,944	566,944
Equities	752,953		752,953
Funds held at Greater Kansas City Community Foundation:			
Money market funds	65,317		65,317
Fixed income		42,010	42,010
Equities		15,435	15,435
	<u>\$ 1,100,647</u>	<u>\$ 624,389</u>	<u>\$ 1,725,036</u>

3. Funds held in escrow and reserve:

Funds held in escrow and reserve as of June 30, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Reserve for replacements	\$ 135,795	\$ 134,335
Residual receipts	<u>66,603</u>	<u>72,491</u>
	<u>\$ 202,398</u>	<u>\$ 206,826</u>

(a) Reserve for replacements:

According to the terms of the regulatory agreements with HUD, the HUD Projects are required to make specified monthly deposits in restricted bank accounts. All disbursements from these funds are restricted for the replacement and maintenance of rental property and require prior written approval from HUD.

LIFE UNLIMITED, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

3. Funds held in escrow and reserve (continued):

(b) *Residual receipts:*

The regulatory agreement also requires the HUD Projects to fund certain, defined amounts in residual receipts accounts after each operating period. Withdrawals from these accounts are required to be approved in writing by HUD.

4. Property and equipment:

	<u>2018</u>	<u>2017</u>
Land	\$ 535,014	\$ 416,458
Buildings and improvements	6,783,612	5,604,783
Office furniture and equipment	769,480	761,946
Vehicles	<u>828,481</u>	<u>813,648</u>
	8,916,587	7,596,835
Accumulated depreciation	(4,120,660)	(3,859,341)
	4,795,927	3,737,494
Construction in progress	<u>424,975</u>	<u>478,057</u>
	<u>\$ 5,220,902</u>	<u>\$ 4,215,551</u>

Depreciation expense was \$258,849 and \$210,271 for the years ended June 30, 2018 and 2017. Construction in progress relates to renovation projects in progress at year-end to two homes. The estimated costs to complete the renovations approximate \$200,000 as of June 30, 2018.

5. Note payable:

	<u>2018</u>	<u>2017</u>
Note payable to bank, monthly payments of \$2,489 including interest at 4.5%, maturing in fiscal 2020, collateralized by a deed of trust on the administrative building	\$ 260,222	\$ 277,942
Less current portion	<u>18,128</u>	<u>17,729</u>
	<u>\$ 242,094</u>	<u>\$ 260,213</u>

Scheduled annual maturities of the note payable are as follows:

Year ending <u>June 30,</u>	<u>Amount</u>
2019	\$ 18,128
2020	<u>242,094</u>
	<u>\$ 260,222</u>

All interest costs have been expensed.

LIFE UNLIMITED, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

6. Net assets:

Board-designated net assets:

The Organization's Board-designated net assets represent amounts that have been designated by the Board for purposes of establishing a reserve to support the Organization in the future.

Temporarily restricted net assets:

Temporarily restricted net assets include funds held for the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Program expenses	\$ 31,807	\$ 21,922
Resident expenses	1,127	2,685
Capital improvements	<u> </u>	<u>637,906</u>
	<u>\$ 32,934</u>	<u>\$ 662,513</u>

Permanently restricted net assets:

The Organization's permanently restricted net assets consist of funds set aside to establish a permanent endowment. The Organization's policy requires the preservation of the fair value as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization classifies as permanently restricted net assets the original value of the gifts to the permanent endowment, the fair value of any subsequent gifts to the endowment fund, and any accumulations required to be made by donor stipulation. Amounts in excess of the stated values of permanently restricted funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

7. Capital advances:

The capital advances provided by HUD under Section 811 to the HUD Projects were to construct homes and apartments. The total advances of \$2,546,700 bear no interest and need not be repaid so long as the group homes and apartment units remain available as housing for very low-income, developmentally disabled persons for at least 40 years. Failure to keep the housing available for very low-income, developmentally disabled persons would result in HUD taking possession of the property, or declaring the indebtedness immediately due and payable and proceeding with foreclosure of the mortgage. The capital advances are included in unrestricted net assets in the accompanying financial statements as it is unlikely that they will be required to be repaid.

LIFE UNLIMITED, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

8. Retirement plan:

During a portion of fiscal 2017, the Organization had two separate retirement plans in place. Beginning in calendar 2017, one of the plans was terminated and the assets were transferred to the second which has become the new 401(k) plan (the Plan). The Plan covers all full-time employees with at least one year of service. The Plan allows for employee contributions equal to the maximum percentage of the employee's annual compensation allowed by law. The Organization may make discretionary matching contributions. The Organization's total contributions to all plans were \$45,256 and \$56,768 for the years ended June 30, 2018 and 2017, respectively.

9. Leases:

Subsequent to year-end, the Organization entered into a five-year building lease extension expiring January 2023. Building lease expense was \$56,557 and \$47,691 for the years ended June 30, 2018 and 2017.

The Organization leases some of its group homes from a County agency. The leases cover the twelve-month period ending December 31, 2018 and are renewed annually as part of the agency's budget process. Lease expense is adjusted for the number of individuals in the home for any given month. Total rent expense for the group homes was \$96,700 and \$134,923 for the years ended June 30, 2018 and 2017, respectively.

Total other rents related to equipment and other charges aggregated \$11,348 for the year ended June 30, 2018.

During fiscal 2016, the Organization entered into a 20-year lease for solar panels. The monthly lease payments are \$1,350 throughout the term of the lease. Lease expense was \$16,200 for the years ended June 30, 2018 and 2017 and is included in "Utilities" in the Statements of Functional Expenses. Future annual lease payments under the building and solar panel leases are summarized as follows:

Year ending <u>June 30,</u>	<u>Amount</u>
2019	\$ 69,800
2020	69,800
2021	70,917
2022	72,480
2023	49,030
Thereafter	<u>203,850</u>
	<u>\$ 535,877</u>

LIFE UNLIMITED, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

10. Litigation:

During 2016, Concerned Care received a settlement demand from the parties involved in a 2014 automobile accident. Management believes that the chance of any settlement being in excess of insurance coverage is unlikely and no amounts have been accrued as of June 30, 2018. Events could occur that would change this estimate materially in the near term.

SUPPLEMENTARY INFORMATION

LIFE UNLIMITED, INC. AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

ASSETS

	Life Unlimited, Inc.	Immacolata Manor Homes, Inc.	CCI Apartment Corporation	Eliminations	Combined totals
Current assets:					
Cash and cash equivalents	\$ 3,007,815	\$ 3,357	\$ 3,335		\$ 3,014,507
Accounts receivable	898,193	5,922	22,877		926,992
Other receivables	11,784			(\$ 10,011)	1,773
Prepaid expenses	126,011				126,011
Total current assets	4,043,803	9,279	26,212	(10,011)	4,069,283
Investments	562,658				562,658
Funds held in escrow and reserve		113,946	88,452		202,398
Property and equipment, net	3,699,358	637,382	884,162		5,220,902
Other assets	4,500	4,156	4,658		13,314
	<u>\$ 8,310,319</u>	<u>\$ 764,763</u>	<u>\$ 1,003,484</u>	<u>(\$ 10,011)</u>	<u>\$ 10,068,555</u>

LIABILITIES AND NET ASSETS

Current liabilities:					
Current portion of note payable	\$ 18,128				\$ 18,128
Accounts payable	103,443	\$ 2,835	\$ 12,034	(\$ 10,011)	108,301
Accrued payroll-related expenses and withholdings	583,045				583,045
Other liabilities		4,156	4,658		8,814
Total current liabilities	<u>704,616</u>	<u>6,991</u>	<u>16,692</u>	<u>(10,011)</u>	<u>718,288</u>
Note payable, less current portion	<u>242,094</u>				<u>242,094</u>
Net assets:					
Unrestricted	7,300,675	757,772	986,792		9,045,239
Temporarily restricted	32,934				32,934
Permanently restricted	30,000				30,000
Total net assets	<u>7,363,609</u>	<u>757,772</u>	<u>986,792</u>		<u>9,108,173</u>
	<u>\$ 8,310,319</u>	<u>\$ 764,763</u>	<u>\$ 1,003,484</u>	<u>(\$ 10,011)</u>	<u>\$ 10,068,555</u>

LIFE UNLIMITED, INC. AND AFFILIATES

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS – UNRESTRICTED NET ASSETS

YEAR ENDED JUNE 30, 2018

	Life Unlimited, Inc.	Immacolata Manor Homes, Inc.	CCI Apartment Corporation	Eliminations	Combined totals
Program services	\$ 12,561,939				\$ 12,561,939
Rent revenue	85,019	\$ 73,876	\$ 102,220		261,115
Contributions	35,224	3,352	3,632	(\$ 6,984)	35,224
Donations from Thrift Store	70,000				70,000
Special events, net	15,598				15,598
Investment income	149,604	175	139	(56,420)	149,918
Other revenue	74,720				18,300
Net assets released from restriction	828,471				828,471
	<u>13,820,575</u>	<u>77,403</u>	<u>105,991</u>	<u>(63,404)</u>	<u>13,940,565</u>
Salaries	8,956,344				8,956,344
Employee benefits	1,854,921				1,854,921
Communications	126,892				126,892
Contract staff	146,463				146,463
Depreciation	184,354	42,169	32,326		258,849
Food costs	114,617				114,617
Insurance	210,248	7,416	7,584	(15,000)	210,248
Interest	12,216				12,216
Maintenance and repairs	142,335	12,362	13,628		168,325
Marketing and public relations	10,571				10,571
Material and supplies	151,024				151,024
Other	141,738	34,053	35,618	(15,949)	195,460
Professional services	153,766				153,766
Program services	92,116				92,116
Rent	164,605				164,605
Staff recognition	49,793				49,793
Transportation	246,011				246,011
Utilities	176,738	20,346	28,343	(32,455)	192,972
	<u>12,934,752</u>	<u>116,346</u>	<u>117,499</u>	<u>(63,404)</u>	<u>13,105,193</u>
Change in unrestricted net assets	885,823	(38,943)	(11,508)		835,372
Unrestricted net assets, beginning of year	<u>6,414,852</u>	<u>796,715</u>	<u>998,300</u>		<u>8,209,867</u>
Unrestricted net assets, end of year	<u>\$ 7,300,675</u>	<u>\$ 757,772</u>	<u>\$ 986,792</u>	<u>\$ --</u>	<u>\$ 9,045,239</u>