

**LIFE UNLIMITED, INC. AND AFFILIATES**  
**YEARS ENDED JUNE 30, 2020 AND 2019**



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

# LIFE UNLIMITED, INC. AND AFFILIATES

YEARS ENDED JUNE 30, 2020 AND 2019

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## **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, 2020 and 2019, 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 audit 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, 2020 and 2019, 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 20 and 21 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  
January 7, 2021

**LIFE UNLIMITED, INC. AND AFFILIATES**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

**ASSETS**

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 5,570,415	\$ 1,608,388
Accounts receivable	1,442,325	1,565,247
Other receivables (Note 14)	793,901	31,316
Prepaid expenses	<u>49,013</u>	<u>93,362</u>
Total current assets	7,855,654	3,298,313
Investments (Note 2)	978,072	2,341,927
Funds held in escrow and reserve (Note 3)	173,854	184,304
Property and equipment (Notes 4 and 5)	6,566,926	6,116,842
Other assets	<u>12,416</u>	<u>12,638</u>
	<u>\$ 15,586,922</u>	<u>\$ 11,954,024</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 1,263,396	\$ 281,041
Accounts payable	104,700	154,366
Accrued payroll-related expenses and withholdings	844,556	737,480
Other liabilities	<u>7,916</u>	<u>8,138</u>
Total current liabilities	2,220,568	1,181,025
Long-term debt, less current portion (Note 5)	<u>1,924,485</u>	<u>359,495</u>
Commitments and contingencies (Notes 9, 12 and 13)		
Net assets:		
Without donor restrictions:		
Available for general activities (Note 7)	10,752,463	9,715,839
Board-designated funds (Note 6)	<u>600,000</u>	<u>600,000</u>
	11,352,463	10,315,839
With donor restrictions (Note 6)	<u>89,406</u>	<u>97,665</u>
Total net assets	11,441,869	10,413,504
	<u>\$ 15,586,922</u>	<u>\$ 11,954,024</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, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Program services	\$ 16,706,516		\$ 16,706,516
Rent revenue	358,327		358,327
Contributions (Note 14)	1,440,217	\$ 42,500	1,482,717
Donations from Thrift Store	74,000		74,000
Special events, net of direct expenses of \$4,417	197,215		197,215
Investment income (Note 2)	76,425		76,425
Other revenue	80,582		80,582
Net assets released from restriction (Note 6)	50,759	( 50,759)	
	<u>18,984,041</u>	<u>( 8,259)</u>	<u>18,975,782</u>
Program services	13,379,539		13,379,539
Management and general	4,252,746		4,252,746
Fundraising	315,132		315,132
	<u>17,947,417</u>		<u>17,947,417</u>
Change in net assets	1,036,624	( 8,259)	1,028,365
Net assets, beginning of year	<u>10,315,839</u>	<u>97,665</u>	<u>10,413,504</u>
Net assets, end of year	<u>\$ 11,352,463</u>	<u>\$ 89,406</u>	<u>\$ 11,441,869</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, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Program services	\$ 15,182,538		\$ 15,182,538
Rent revenue	352,953		352,953
Contributions	630,832	\$ 97,610	728,442
Donations from Thrift Store	68,500		68,500
Special events, net of direct expenses of \$35,159	167,091		167,091
Investment income (Note 2)	56,989		56,989
Other revenue	60,265		60,265
Net assets released from restriction (Note 6)	<u>91,384</u>	<u>( 91,384)</u>	<u>        </u>
	<u>16,610,552</u>	<u>6,226</u>	<u>16,616,778</u>
Program services	12,865,187		12,865,187
Management and general	2,403,068		2,403,068
Fundraising	<u>475,041</u>		<u>475,041</u>
	<u>15,743,296</u>		<u>15,743,296</u>
Change in net assets prior to recognition of net assets acquired over liabilities assumed	867,256	6,226	873,482
Net assets acquired over liabilities assumed (Note 10)	<u>403,344</u>	<u>28,505</u>	<u>431,849</u>
Change in net assets	1,270,600	34,731	1,305,331
Net assets, beginning of year	<u>9,045,239</u>	<u>62,934</u>	<u>9,108,173</u>
Net assets, end of year	<u>\$ 10,315,839</u>	<u>\$ 97,665</u>	<u>\$ 10,413,504</u>

See notes to combined financial statements.

**LIFE UNLIMITED, INC. AND AFFILIATES**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 9,615,794	\$ 2,441,817	\$ 194,531	\$ 12,252,142
Employee benefits (Note 8)	1,913,558	735,392	49,958	2,698,908
Communications	107,319	5,721		113,040
Contract staff	206,613	32,039	4,590	243,242
Depreciation (Note 4)	173,222	186,900		360,122
Insurance	213,072	55,182	1,661	269,915
Interest (Note 5)	13,284	5,562		18,846
Maintenance and repairs	230,822	19,544		250,366
Material and supplies	38,521	102,282	6,019	146,822
Other	33,543	209,287	971	243,801
Professional services	306	181,846	50,849	233,001
Program services	251,239	91,091	2,571	344,901
Rent (Note 9)	180,031	9,931		189,962
Staff recognition	1,346	118,144	2,504	121,994
Transportation	219,654	50,237	1,478	271,369
Utilities (Note 9)	181,215	7,771		188,986
	<u>13,379,539</u>	<u>4,252,746</u>	<u>315,132</u>	<u>17,947,417</u>
Special events direct expenses			<u>4,417</u>	<u>4,417</u>
	<u>\$ 13,379,539</u>	<u>\$ 4,252,746</u>	<u>\$ 319,549</u>	<u>\$ 17,951,834</u>

See notes to combined financial statements.

**LIFE UNLIMITED, INC. AND AFFILIATES**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 9,134,713	\$ 993,239	\$ 245,095	\$ 10,373,047
Employee benefits (Note 8)	1,920,440	265,629	19,982	2,206,051
Communications	125,923	19,028	2,569	147,520
Contract staff	318,078	2,057	55,606	375,741
Depreciation (Note 4)		282,618		282,618
Food costs	88,984	25,845	3,017	117,846
Insurance	195,517	52,175	4,243	251,935
Interest (Note 5)	11,204	11,261		22,465
Maintenance and repairs	150,192	33,658	78	183,928
Marketing and public relations	10,022	2,495	6,018	18,535
Material and supplies	52,420	104,316	38,835	195,571
Other	169,009	143,329	115	312,453
Professional services	66,930	149,432	33,405	249,767
Program services	150,965	22,030	13,507	186,502
Rent (Note 9)	128,669	9,304	37,345	175,318
Staff recognition	79,445	1,725	233	81,403
Transportation	134,103	193,631	7,552	335,286
Utilities (Note 9)	128,573	91,296	7,441	227,310
	<u>12,865,187</u>	<u>2,403,068</u>	<u>475,041</u>	<u>15,743,296</u>
Special events direct expenses			35,159	35,159
	<u>\$ 12,865,187</u>	<u>\$ 2,403,068</u>	<u>\$ 510,200</u>	<u>\$ 15,778,455</u>

See notes to combined financial statements.

**LIFE UNLIMITED, INC. AND AFFILIATES**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,028,365	\$ 1,305,331
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in net assets related to excess of fair value of assets acquired over liabilities assumed		( 431,849)
Depreciation	360,122	282,618
Realized gains on investments	( 13,705)	( 6,700)
Unrealized gains on investments	( 7,427)	( 4,747)
Change in:		
Accounts receivable	122,922	( 302,803)
Other receivables	( 762,585)	( 29,543)
Prepaid expenses	44,349	71,578
Other assets	222	9,262
Accounts payable	( 49,666)	( 136,424)
Accrued payroll-related expenses and withholdings	107,076	26,319
Other liabilities	( 222)	( 676)
Net cash provided by operating activities	<u>829,451</u>	<u>782,366</u>
Cash flows from investing activities:		
Sale (purchase) of investments, net	1,384,987	( 1,767,822)
Decrease in funds held in escrow and reserve	10,450	18,094
Purchase of property and equipment	( 810,206)	( 412,949)
Net cash provided (used) by investing activities	<u>585,231</u>	<u>( 2,162,677)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	2,827,563	
Payments on long-term debt	( 280,218)	( 25,808)
Net cash provided (used) by financing activities	<u>2,547,345</u>	<u>( 25,808)</u>
Increase (decrease) in cash	3,962,027	( 1,406,119)
Cash, beginning of year	<u>1,608,388</u>	<u>3,014,507</u>
Cash, end of year	<u>\$ 5,570,415</u>	<u>\$ 1,608,388</u>
<i>Supplemental disclosures of cash flow information:</i>		
Cash paid for interest	<u>\$ 18,846</u>	<u>\$ 22,465</u>
Long-term debt refinanced	<u>\$ 226,166</u>	

See notes to combined financial statements.

**LIFE UNLIMITED, INC. AND AFFILIATES**  
COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2019</u>
<i>Assets acquired and liabilities assumed (Note 10):</i>	
Accounts receivable	\$ 335,452
Prepaid expenses	38,929
Other assets	8,586
Property and equipment	<u>765,609</u>
	<u>1,148,576</u>
Accounts payable, net of cash	182,489
Accrued payroll-related expenses and withholdings	128,116
Notes payable	<u>406,122</u>
	<u>716,727</u>
Change in net assets related to excess of fair value of assets acquired over liabilities assumed	\$ <u>431,849</u>

See notes to combined financial statements.

**LIFE UNLIMITED, INC. AND AFFILIATES**  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019

**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, Life Unlimited, Inc. acquired the assets and related liabilities of Open Options, Inc., an entity that provides similar services (Note 10).

*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:*

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 (U.S. GAAP) 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, 2020 and 2019 and is not aware of any violation of its tax status as organizations exempt from income taxes.

*Basis of accounting:*

Net assets without donor restrictions:

The net assets without donor restrictions represent resources over which the Organization's Directors have discretionary control and are used to carry out operations of the Organization. Board-designated net assets are reported as net assets without donor restrictions since the Board of Directors has discretionary control over these funds (Note 6).

## LIFE UNLIMITED, INC. AND AFFILIATES

### NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

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

##### *Basis of accounting (continued):*

###### Net assets with donor restrictions:

Net assets with donor restrictions 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 contributions without donor restrictions in the statement of activities and changes in net assets.

##### *Use of estimates:*

The preparation of financial statements in conformity with U.S. GAAP 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 81% and 73% of its revenues through the State Medicaid program for the years ended June 30, 2020 and 2019, respectively. Approximately 92% and 79% of accounts receivable as of June 30, 2020 and 2019, 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 \$5,000 that have a useful life of more than one year.

##### *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.

# LIFE UNLIMITED, INC. AND AFFILIATES

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

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

#### *Investments and concentrations of credit risk (continued):*

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 utilizes a sweep account to minimize exposure to uninsured funds.

#### *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.

#### *Implementation of new Accounting Standards Update (ASU):*

During fiscal 2020, the Organization implemented the provisions of *ASU 2018-08, Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. There was no effect to the change in net assets in fiscal 2020 or 2019 resulting from the implementation.

#### *Subsequent events:*

Subsequent events have been evaluated through January 7, 2021, which is the date the financial statements were available to be issued.

### 2. Investments:

Investments as of June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Cash and money market funds		\$ 3,549
Certificates of deposit	\$ 245,777	1,636,508
Funds held at Greater Kansas City Community Foundation:		
Money market funds	107,901	101,939
Fixed income	326,955	309,794
Equities	<u>297,439</u>	<u>290,137</u>
	<u>\$ 978,072</u>	<u>\$ 2,341,927</u>

**LIFE UNLIMITED, INC. AND AFFILIATES**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

**2. Investments (continued):**

Investment income for the years ended June 30, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 61,568	\$ 50,948
Realized gains	13,705	6,700
Unrealized gains	7,427	4,747
Investment fees	( 6,275)	( 5,406)
	<u>\$ 76,425</u>	<u>\$ 56,989</u>

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. There were no Level 3 investments.

As of June 30, 2020 and 2019, 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>
2020:			
Certificates of deposit		\$ 245,777	\$ 245,777
Funds held at Greater Kansas City Community Foundation:			
Money market funds	\$ 107,901		107,901
Fixed income		326,955	326,955
Equities		297,439	297,439
	<u>\$ 107,901</u>	<u>\$ 870,171</u>	<u>\$ 978,072</u>
2019:			
Cash and money market funds	\$ 3,549		\$ 3,549
Certificates of deposit		\$ 1,636,508	1,636,508
Funds held at Greater Kansas City Community Foundation:			
Money market funds	101,939		101,939
Fixed income		309,794	309,794
Equities		290,137	290,137
	<u>\$ 105,488</u>	<u>\$ 2,236,439</u>	<u>\$ 2,341,927</u>

**LIFE UNLIMITED, INC. AND AFFILIATES**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

**3. Funds held in escrow and reserve:**

Funds held in escrow and reserve as of June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Reserve for replacements	\$ 103,708	\$ 114,482
Residual receipts	<u>70,146</u>	<u>69,822</u>
	<u>\$ 173,854</u>	<u>\$ 184,304</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.

*(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>2020</u>	<u>2019</u>
Land	\$ 735,014	\$ 735,014
Buildings and improvements	8,435,213	8,395,996
Office furniture and equipment	488,171	939,015
Vehicles	<u>998,295</u>	<u>908,657</u>
	10,656,693	10,978,682
Accumulated depreciation	<u>( 4,570,537)</u>	<u>( 4,861,840)</u>
	6,086,156	6,116,842
Construction in progress	<u>480,770</u>	<u>                    </u>
	<u>\$ 6,566,926</u>	<u>\$ 6,116,842</u>

Depreciation expense was \$360,122 and \$282,618 for the years ended June 30, 2020 and 2019. Construction in progress as of June 30, 2020 includes costs associated with the renovation to one home that was near completion at year-end and the cost related to renovations to the administrative building. The Organization has obtained financing (Note 5) for the renovation of its administrative building but has not committed to a construction contract.

**LIFE UNLIMITED, INC. AND AFFILIATES**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

5. Long-term debt):	<u>2020</u>	<u>2019</u>
Construction loan, administrative building. *	\$ 232,229	
Note payable, due in monthly installments of \$915 including interest at 5.5%, maturing in October 2024, collateralized by a deed of trust on related property	40,515	51,389
Note payable, due in monthly installments of \$816 including interest at 4.98%, maturing in July 2033, collateralized by a deed of trust on related property	93,637	98,998
Note payable, Paycheck Protection Program **	2,821,500	
Notes payable refinanced or retired prior to scheduled maturity		490,149
	<u>3,187,881</u>	<u>640,536</u>
Less current portion	<u>1,263,396</u>	<u>281,041</u>
	<u>\$ 1,924,485</u>	<u>\$ 359,495</u>

\* In May 2020, the Organization entered into a construction loan to refinance a note payable on its administrative building and to finance the renovation of the building (Note 4). The total loan is not to exceed \$2,100,000. Funds will be drawn down on the construction loan as needed during the renovation period. As of June 30, 2020, a total of \$232,229 has been drawn. Interest only is due on the amounts drawn through May 2021. Interest on the loan is 3.95%. Interest costs will be capitalized during the construction period. Interest cost was not material for the year ended June 30, 2020. Assuming the full amount is drawn, monthly principal and interest payments of \$15,543 will be due beginning June 2021 and continuing through May 2030 at which time all remaining principal and interest will be due. The loan is collateralized by a deed of trust on the building.

\*\* In April 2020, the Organization received a loan under the government's Paycheck Protection Program (PPP) in the amount of \$2,821,500. The loan was obtained through a local bank. PPP loans received from the government are forgivable provided the recipients meet certain requirements. The requirements relate to spending the funds primarily for salaries. The Organization retained its staff during the period in question and has no reason to believe that the loan will not be forgiven in accordance with the intent of the program. Absent a forgiveness of the loan, the loan amount would be required to be repaid with 18 monthly payments of \$158,785 beginning in November 2020 with interest of 1%.

**LIFE UNLIMITED, INC. AND AFFILIATES**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

**5. Long-term debt (continued):**

Scheduled annual maturities on the long-term debt are as follows:

Year ending June 30,	Notes payable	Construction loan draws	PPP loan	Total
2021	\$ 14,097	\$ 8,400	\$ 1,240,899	\$ 1,263,396
2022	14,868	104,646	1,580,601	1,700,115
2023	15,681	119,183		134,864
2024	16,528			16,528
2025	8,060			8,060
Thereafter	<u>64,918</u>	<u>                    </u>	<u>                    </u>	<u>64,918</u>
	<u>\$ 134,152</u>	<u>\$ 232,229</u>	<u>\$ 2,821,500</u>	<u>\$ 3,187,881</u>

Interest expense was \$18,846 and \$22,465 for the years ended June 30, 2020 and 2019, respectively.

**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.

*Net assets with donor restrictions:*

Net assets with donor restrictions include funds held for the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Program expenses, Area Regional Council resident support	\$ 53,734	\$ 46,395
Resident expenses, emergency medical fund	5,672	21,270
Permanent endowments	<u>30,000</u>	<u>30,000</u>
	<u>\$ 89,406</u>	<u>\$ 97,665</u>

Net assets released from restrictions for the years ended June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Area Regional Council, resident support	\$ 30,161	\$ 47,912
Emergency medical fund	20,598	14,968
Resident support	<u>                    </u>	<u>28,504</u>
	<u>\$ 50,759</u>	<u>\$ 91,384</u>

## LIFE UNLIMITED, INC. AND AFFILIATES

### NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

#### 6. Net assets (continued):

##### *Permanent endowment:*

The Organization's permanent endowment consists of funds set aside to establish a fund to support future operations. 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 includes 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.

#### 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 net assets without donor restrictions in the accompanying financial statements as it is unlikely that they will be required to be repaid.

#### 8. Retirement plan:

The Organization has a 401(k) 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 the Plan were \$75,823 and \$50,552 for the years ended June 30, 2020 and 2019, respectively.

#### 9. Leases:

Total rent expense for various properties and equipment was \$189,962 and \$175,318 for the years ended June 30, 2020 and 2019, respectively.

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, 2020 and 2019 and is included in "Utilities" in the Statements of Functional Expenses.

**LIFE UNLIMITED, INC. AND AFFILIATES**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

**9. Leases (continued):**

Future annual lease payments under noncancelable building leases and the solar panel lease as of June 30, 2020 are summarized as follows:

Year ending <u>June 30,</u>	<u>Amount</u>
2021	\$ 159,868
2022	163,269
2023	141,658
2024	31,740
2025	16,200
Thereafter	<u>171,450</u>
	<u>\$ 684,184</u>

**10. Fiscal 2019 acquisition:**

In fiscal 2019, Life Unlimited entered into an agreement with Open Options, Inc. to combine operations effective January 1, 2019. Under U.S. GAAP, the transaction was accounted for as an acquisition. At the date of acquisition the estimated fair value of the assets exceeded the liabilities assumed by \$431,849. The excess has been reflected in the Statement of Activities and Changes in Net Assets as a contribution from the acquiree in fiscal 2019.

**11. Liquidity and availability of resources:**

The organization's financial assets available within one year of June 30, 2020 for general expenditures are as follows:

Cash	\$ 5,570,415
Receivables	2,236,226
Investments	<u>978,072</u>
	8,784,713
Current liabilities	( 2,220,568)
Other funds received with donor restrictions	<u>( 89,406)</u>
	<u>\$ 6,474,739</u>

The Organization maintains funds to meet current obligations and invests excess cash in investment funds with the ability to redeem its interest on short notice.

**12. Litigation:**

During 2016, Concerned Care received a settlement demand from the parties involved in a 2014 automobile accident. The Organization's management believes that the chance of any settlement being in excess of insurance coverage is remote and no amounts have been accrued as of June 30, 2020. Events could occur that would change this estimate materially in the near term.

## LIFE UNLIMITED, INC. AND AFFILIATES

### NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

#### **13. Contingencies:**

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization did obtain a loan under the Paycheck Protection Program in fiscal 2020 (Note 5) and other financial relief (Note 14). As of the date of the independent auditors' report, management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may impact the Organization's financial position, results of operations, and cash flows in fiscal 2021.

#### **14. Subsequent event:**

Subsequent to June 30, 2020, the Organization applied for financial relief under the Federal CARES Act Provider Relief Fund. The Organization was awarded \$667,682 to cover certain costs incurred during initial months of the COVID-19 outbreak. The Organization has recognized the award as a receivable as of June 30, 2020 and has recorded the full amount as fiscal 2020 grant revenue since it related to specified costs incurred prior to June 30, 2020.

**SUPPLEMENTARY INFORMATION**

**LIFE UNLIMITED, INC. AND AFFILIATES**

COMBINING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS

	<u>Life Unlimited, Inc.</u>	<u>Immacolata Manor Homes, Inc.</u>	<u>CCI Apartment Corporation</u>	<u>Eliminations</u>	<u>Combined totals</u>
Current assets:					
Cash	\$ 5,518,054	\$ 23,258	\$ 29,103		\$ 5,570,415
Accounts receivable	1,438,479	3,846			1,442,325
Other receivables	793,901				793,901
Prepaid expenses	49,013				49,013
Total current assets	<u>7,799,447</u>	<u>27,104</u>	<u>29,103</u>		<u>7,855,654</u>
Investments	978,072				978,072
Funds held in escrow and reserve		91,081	82,773		173,854
Property and equipment, net	5,154,893	580,006	832,027		6,566,926
Other assets	53,181	2,921	4,995	(\$ 48,681)	12,416
	<u>\$ 13,985,593</u>	<u>\$ 701,112</u>	<u>\$ 948,898</u>	<u>(\$ 48,681)</u>	<u>\$ 15,586,922</u>

LIABILITIES AND NET ASSETS

Current liabilities:					
Current portion of long-term debt	\$ 1,263,396				\$ 1,263,396
Accounts payable	76,218		\$ 6,562		104,700
Accrued payroll-related expenses and withholdings	844,556				844,556
Other liabilities	2,184,170	2,921	4,995		7,916
Total current liabilities	<u>2,184,170</u>	<u>24,841</u>	<u>11,557</u>		<u>2,220,568</u>
Long-term debt, less current portion	1,924,485	38,681	10,000	(\$ 48,681)	1,924,485
Net assets:					
Without donor restriction	9,787,532	637,590	927,341		11,352,463
With donor restrictions	89,406				89,406
Total net assets	<u>9,876,938</u>	<u>637,590</u>	<u>927,341</u>		<u>11,441,869</u>
	<u>\$ 13,985,593</u>	<u>\$ 701,112</u>	<u>\$ 948,898</u>	<u>(\$ 48,681)</u>	<u>\$ 15,586,922</u>

**LIFE UNLIMITED, INC. AND AFFILIATES**

**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS**

YEAR ENDED JUNE 30, 2020

	<u>Life Unlimited, Inc.</u>	<u>Immacolata Manor Homes, Inc.</u>	<u>CCI Apartment Corporation</u>	<u>Eliminations</u>	<u>Combined totals</u>
Program services	\$ 16,706,516				\$ 16,706,516
Rent revenue	167,290	\$ 85,731	\$ 105,306		358,327
Contributions	1,440,217				1,440,217
Donations from Thrift Store	74,000				74,000
Special events, net	197,215				197,215
Investment income	75,533	502	390		76,425
Other revenue	118,354		17,239	(\$ 55,011)	80,582
Net assets released from restriction	<u>50,759</u>				<u>50,759</u>
	<u>18,829,884</u>	<u>86,233</u>	<u>122,935</u>	<u>( 55,011)</u>	<u>18,984,041</u>
Salaries	12,252,142				12,252,142
Employee benefits	2,698,908				2,698,908
Communications	113,040				113,040
Contract staff	243,242				243,242
Depreciation	284,510	40,921	34,691		360,122
Insurance	251,412	10,075	8,428		269,915
Interest	18,846				18,846
Maintenance and repairs	196,005	47,256	44,707	( 37,602)	250,366
Material and supplies	146,822				146,822
Other	189,181	36,064	35,965	( 17,409)	243,801
Professional services	233,001				233,001
Program services	344,901				344,901
Rent	189,962				189,962
Staff recognition	121,994				121,994
Transportation	271,369				271,369
Utilities	134,799	21,731	32,456		188,986
	<u>17,690,134</u>	<u>156,047</u>	<u>156,247</u>	<u>( 55,011)</u>	<u>17,947,417</u>
Change in net assets without donor restrictions	1,139,750	( 69,814)	( 33,312)		1,036,624
Net assets without donor restrictions, beginning of year	<u>8,647,782</u>	<u>707,404</u>	<u>960,653</u>		<u>10,315,839</u>
Net assets without donor restrictions, end of year	<u>\$ 9,787,532</u>	<u>\$ 637,590</u>	<u>\$ 927,341</u>	<u>\$ --</u>	<u>\$ 11,352,463</u>