

VITA LIVING, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2019 AND 2018

VITA LIVING, INC.

INDEX

	PAGE
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 15



INDEPENDENT AUDITORS' REPORT

Board of Directors
Vita Living, Inc.
Houston, Texas

We have audited the accompanying financial statements of Vita Living, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vita Living, Inc. as of December 31, 2019 and 2018 and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, likely belonging to the auditor, is positioned above the date and location of the report.

June 29, 2020
Houston, Texas

VITA LIVING, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 636,737	\$ 793,613
Short-term investments	201,887	-
Accounts receivable, net	334,616	377,703
Contributions receivable	5,900	26,700
Prepaid expenses, deposits and other assets	126,780	93,536
 Property and equipment, net	 1,006,492	 943,713
 TOTAL ASSETS	 \$ 2,312,412	 \$ 2,235,265
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 57,997	\$ 94,546
Accrued salaries	291,607	329,331
Deferred rent and lease incentive	191,793	233,653
Other accrued liabilities	93,289	88,953
 Total liabilities	 634,686	 746,483
 NET ASSETS		
With donor restrictions	5,900	26,700
Without donor restrictions	1,671,826	1,462,082
Total net assets	1,677,726	1,488,782
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,312,412	 \$ 2,235,265

See notes to financial statements.

VITA LIVING, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Medicaid contracted services	\$ 5,607,272	\$ 5,850,481
Private pay and other income	511,997	538,749
Fundraising event revenue	<u>102,560</u>	<u>75,962</u>
Total revenues	<u>6,221,829</u>	<u>6,465,192</u>
EXPENSES		
Program	5,921,130	6,233,750
Fundraising	362,508	381,125
General and administrative	<u>722,252</u>	<u>708,083</u>
Total expenses	<u>7,005,890</u>	<u>7,322,958</u>
DEFICIENCY OF REVENUES UNDER EXPENSES FROM OPERATIONS	<u>(784,061)</u>	<u>(857,766)</u>
SUPPORT AND OTHER ITEMS		
Contributions	1,085,133	1,000,819
Contribution to related party	(125,000)	-
Gain from disposition of property and equipment	29,147	6,325
Other investment income	<u>4,525</u>	<u>-</u>
Total support and other items	<u>993,805</u>	<u>1,007,144</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>209,744</u>	<u>149,378</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Donor restricted contributions	5,900	25,700
Net assets released from donor restrictions	<u>(26,700)</u>	<u>(56,950)</u>
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(20,800)</u>	<u>(31,250)</u>
INCREASE IN NET ASSETS	188,944	118,128
NET ASSETS		
BEGINNING OF YEAR	<u>1,488,782</u>	<u>1,370,654</u>
END OF YEAR	<u>\$ 1,677,726</u>	<u>\$ 1,488,782</u>

See notes to financial statements.

VITA LIVING, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 188,944	\$ 118,128
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	216,280	185,859
Contribution of property and equipment	(13,432)	(5,000)
Unrealized gain on other assets	(1,641)	-
Gain from disposition of property and equipment	(29,147)	(6,325)
(Increase) decrease in		
Accounts receivable	43,087	(14,333)
Receivable from related party	-	1,000
Contributions receivable	20,800	31,250
Prepaid expenses, deposits and other assets	(31,603)	(22,941)
Increase (decrease) in		
Accrued salaries	(37,724)	13,438
Accounts payable and other accrued liabilities	(32,213)	32,348
Deferred rent	<u>(41,860)</u>	<u>(35,079)</u>
Net cash provided by operating activities	<u>281,491</u>	<u>298,345</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	38,440	6,325
Purchase of property and equipment	(274,920)	(275,426)
Change in short-term investments	<u>(201,887)</u>	<u>-</u>
Net cash used by investing activities	<u>(438,367)</u>	<u>(269,101)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(156,876)	29,244
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>793,613</u>	<u>764,369</u>
END OF YEAR	<u>\$ 636,737</u>	<u>\$ 793,613</u>

See notes to financial statements.

VITA LIVING, INC.

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION

Vita Living, Inc. (VLI or the Organization) was incorporated in August 1982 as a non-profit corporation. VLI provides lifelong services and supports for children and adults with developmental disabilities while promoting personal growth toward a satisfying, safe, and meaningful life in the community. VLI's activities are primarily funded through Medicaid contracts, private pay, and contributions from foundations, corporations and individuals.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

Contributions - Contributions received are recorded as increases in net assets without donor restrictions unless use of the contributed asset is specifically restricted by the donor.

Recent Accounting Pronouncements - In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which is a comprehensive new lease standard that amends various aspects of existing accounting guidance for leases. It will require recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. In November 2019, the FASB voted to delay the effective date for ASU No. 2016-02 for non-public entities, therefore the ASU will be effective for VLI for fiscal year 2021. Early adoption is permitted. VLI is evaluating the impact that this new guidance will have on the financial statements and related note disclosures.

Cash and Cash Equivalents - For purposes of the statements of cash flows, VLI considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable are subject to certain Texas Health and Human Services (HHS) rules and regulations relating to Level of Need (LON) review. These rules permit HHS a 364-day retroactive review of LON determinations with recoupment of payments determined to be in excess of need. VLI is paid set fees through the Texas Health and Human Service Commission based on Medicaid allowances for care and services provided to clients. Management has established an allowance for doubtful accounts for certain accounts and advances whose collectibility is uncertain.

Contributions Receivable - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions receivable are all expected to be received and no allowance for doubtful receivables has been recorded.

VITA LIVING, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributed Services - No amounts have been reflected in the financial statements for donated services. VLI generally pays for services requiring specific expertise, however, many individuals volunteer their time and perform a variety of tasks that assist the Organization at the residents' facilities, but these services do not meet the criteria for recognition as contributed services. The Organization receives more than 1,000 volunteer hours per year from over 400 individuals.

Property and Equipment - Property and equipment are stated at cost or donated value. VLI capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets, ranging from three to twenty-five years. Expenditures of repairs and maintenance are charged to expense as incurred.

Long-Lived Assets - VLI's long-lived assets are evaluated for impairment in accordance with authoritative guidance which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. No impairment was noted during the years ended December 31, 2019 or 2018.

Federal Income Taxes - VLI is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. VLI's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they were filed.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant estimates are for depreciation and the allowance for doubtful accounts.

Cost Allocation - The financial statements report expenses that are attributable to more than one functional classification of expenses (program, fundraising and general and administrative). Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits and payroll taxes, which are allocated on the basis of estimates of time and effort.

Date of Management Review - The Organization's management has evaluated subsequent events through the date the financial statements were available to be issued, which was June 29, 2020.

VITA LIVING, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Cash in banks	\$ 635,570	\$ 792,446
Cash on hand	<u>1,167</u>	<u>1,167</u>
	<u>\$ 636,737</u>	<u>\$ 793,613</u>

VLI maintains a cash balance at a bank which may, at times, exceed the Federally insured limits. VLI has not experienced any losses from maintaining cash accounts in excess of this limit. VLI's balances at this bank exceed the insured limit by approximately \$599,000 and \$547,000 at December 31, 2019 and 2018, respectively.

SHORT-TERM INVESTMENTS

Short-term investments consists of certificates of deposit with original maturities greater than three months. A summary of short-term investments at December 31, 2019 is as follows:

Maturing March 2020	\$ 101,839
Maturing December 2020	<u>100,048</u>
Total	<u>\$ 201,887</u>

ACCOUNTS RECEIVABLE

Accounts receivable includes income earned for services provided as of December 31, 2019 and 2018 and are summarized as follows:

	<u>2019</u>	<u>2018</u>
HCS program	\$ 191,300	\$ 228,083
ICFID program	89,509	97,772
CLASS program	59,897	59,717
Private pay and other	<u>8,910</u>	<u>12,131</u>
	349,616	397,703
Allowance for uncollectible accounts	<u>(15,000)</u>	<u>(20,000)</u>
	<u>\$ 334,616</u>	<u>\$ 377,703</u>

CONTRIBUTIONS RECEIVABLE

The total contributions receivable at December 31, 2019 of \$5,900 is expected to be collected in 2020. Contributions receivable at December 31, 2018 consisted of \$26,700 collected in 2019.

VITA LIVING, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Leasehold improvements	\$ 1,250,989	\$ 1,094,004
Equipment	554,467	549,057
Leasehold improvement construction in progress	2,328	7,474
	1,807,784	1,650,535
Less accumulated depreciation and amortization	(801,292)	(706,822)
Net property and equipment	\$ 1,006,492	\$ 943,713

Depreciation expense for 2019 and 2018 amounted to \$216,280 and \$185,859, respectively.

NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019 and 2018, all net assets with donor restrictions were due to time restrictions of certain contributions receivable.

FUNCTIONAL EXPENSES

An analysis of expenses by both function and nature is as follows:

	Year Ended December 31, 2019			
	Program	Fundraising	General and Administrative	
Salaries	\$ 3,234,859	\$ 161,794	\$ 367,123	\$ 3,763,776
Employee benefits and payroll taxes	481,702	22,787	80,286	584,775
Lease expense	561,424	4,966	102,511	668,901
Contracted client services	566,684	-	-	566,684
Food and dietary supplies	242,068	-	-	242,068
Maintenance and repairs	177,537	-	58,570	236,107
Depreciation and amortization	202,399	-	13,881	216,280
Utilities	146,319	650	14,577	161,546
Insurance	101,242	-	15,329	116,571
Professional fees	64,208	132,214	44,303	240,725
Transportation	51,318	82	790	52,190
Housekeeping	31,019	-	-	31,019
Office and postage	3,393	30,804	7,531	41,728
Dues and licenses	18,275	365	450	19,090
Client activities	7,885	-	-	7,885
Medical and dental expenses	21,204	-	-	21,204
Bad debts	2,751	-	-	2,751
Other miscellaneous	6,843	8,846	16,901	32,590
	\$ 5,921,130	\$ 362,508	\$ 722,252	\$ 7,005,890

VITA LIVING, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FUNCTIONAL EXPENSES - CONTINUED

	Year Ended December 31, 2018			
	<u>Program</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 3,452,109	\$ 184,823	\$ 377,244	\$ 4,014,176
Employee benefits and payroll taxes	572,525	28,700	87,683	688,908
Lease expense	559,736	5,238	102,834	667,808
Contracted client services	553,232	-	-	553,232
Food and dietary supplies	247,943	-	-	247,943
Maintenance and repairs	178,949	772	57,693	237,414
Depreciation and amortization	168,678	-	17,181	185,859
Utilities	157,838	800	12,908	171,546
Insurance	95,064	-	15,906	110,970
Professional fees	61,040	113,801	22,273	197,114
Transportation	57,308	284	957	58,549
Housekeeping	42,783	-	-	42,783
Office and postage	4,536	39,180	9,371	53,087
Dues and licenses	16,032	-	313	16,345
Client activities	19,139	-	-	19,139
Medical and dental expenses	31,353	-	-	31,353
Bad debts	13,245	2,500	-	15,745
Other miscellaneous	2,240	5,027	3,720	10,987
	<u>\$ 6,233,750</u>	<u>\$ 381,125</u>	<u>\$ 708,083</u>	<u>\$ 7,322,958</u>

LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization regularly monitors the liquidity required to meet its operational needs and other contractual commitments. The Organization's sources of liquidity include its cash and cash equivalent balances, operational and pledge receivables and a \$500,000 available bank line of credit, of which zero has been drawn as of December 31, 2019 and 2018. In addition to its financial assets available to meet the Organization's general expenditures over the next twelve months, VLI operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The following table reflects the financial assets available for general expenditures over the next twelve months:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 636,737	\$ 793,613
Short-term investments	201,887	-
Accounts receivable, net	334,616	377,703
Contributions receivable, net	<u>5,900</u>	<u>26,700</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,179,140</u>	<u>\$ 1,198,016</u>

VITA LIVING, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

COMMITMENTS

Leases

VLI is committed to several renewable annual operating leases, which provide facilities for client residences. VLI is also committed to certain office equipment operating leases. Additionally, VLI is committed to an operating lease for office space. The office lease has a base rental escalation clause for maintenance, utilities, insurance and taxes. Under the terms of the lease, VLI received from the landlord a build-out allowance of \$271,280. This is considered to be a lease incentive. The lease incentive and the difference between the straight-line expense and the required lease payments is reflected as deferred rent and lease incentive in the accompanying statement of financial position.

Future minimum lease payments as of December 31, 2019 consist of the following:

2020	\$ 716,213
2021	720,161
2022	328,819
2023	143,727
2024	9,500
Thereafter	<u>792</u>
	<u>\$ 1,919,212</u>

Lease expense for 2019 and 2018 amounted to \$668,901 and \$667,808, respectively.

Line of credit agreement

In April 2016, VLI renewed a \$500,000 line of credit agreement with a Texas bank to be used for working capital. Interest on any outstanding balance under the line of credit agreement accrues at Prime Rate. The line of credit matured in April 2019 and was extended until April 2021. The assets of The Vita Living Foundation (VLF), a related party, are held as collateral on the line of credit. There was no balance outstanding on the line of credit at December 31, 2019 or 2018.

CONCENTRATIONS AND RISKS

Concentration of credit risk - A substantial portion of VLI's income is derived from its contract with DADS. Consequently, VLI's credit risk is dependent upon the future economic activities of DADS. The Organization does not obtain collateral for its receivables.

RELATED PARTY TRANSACTIONS

VLF was created in 1996. VLF is a non-profit organization that works to ensure the long-term financial security of VLI. One of VLF's directors is also a VLI director. Additionally, VLI provides certain management and accounting services to VLF for which VLI incurs the cost.

VLI has executed certain operating leases with VLF. Leasing expense under these lease agreements for 2019 and 2018 amounted to \$375,168 and \$372,192, respectively. These leases expire in 2021 and once expired, continue on a month to month basis. Future minimum lease payments have been included with the commitments previously reported.

VITA LIVING, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

RELATED PARTY TRANSACTIONS - CONTINUED

VLF has elected to make annual contributions to VLI of at least five percent of the fair market value of VLF's marketable investments, totaling \$108,682 and \$86,319 for the years ended December 31, 2019 and 2018, respectively. VLF also contributed \$360,000 and \$372,192 during 2019 and 2018, respectively, toward VLI's residential operating activities. Additionally, VLF contributed funds for the educational enhancement of VLI employees, which totaled \$6,000 for the year ended December 31, 2018.

During 2019, VLI made a donation in the amount of \$125,000 to VLF in furtherance of the housing initiative.

The marketable investments and other assets of VLF are held as collateral on the VLI \$500,000 line of credit.

VLI uses catering services from a company that is partially owned by an officer of the Organization. During 2019 and 2018, VLI paid \$132,647 and \$116,806, respectively, for the catering services performed by this company. At December 31, 2019 and 2018, \$1,923 and \$5,754, respectively, remains payable to the catering company and is included in accounts payable in the statements of financial position.

VLI uses a car dealership that is partially owned by a board member for car purchases and repairs. Payments to this dealership amounted to \$118,334 and \$105,640 for the years ended December 31, 2019 and 2018, respectively.

RETIREMENT PLAN

VLI has a 403 (b) plan for its employees. All employees who have attained the age of twenty-one are eligible to participate in the plan. VLI contributed \$34,554 and \$53,087 to the plan for the years ended December 31, 2019 and 2018, respectively as a discretionary 100% match of each employee's first 6% of contributions.

Effective June 1, 2018, VLI established a nonqualified retirement plan for certain executive employees. Plan participants can make tax-deferred payroll contributions to the plan and VLI may make discretionary tax-deferred contributions to the plan on behalf of plan participants. VLI maintains ownership of all plan assets and liabilities until distribution to the participants upon retirement. A summary of the plan assets and liabilities at December 31 follows:

	<u>2019</u>	<u>2018</u>
Plan assets	\$ <u>43,482</u>	\$ <u>16,679</u>
Plan liabilities	\$ <u>41,841</u>	\$ <u>16,679</u>

Plan assets are included in prepaid expenses, deposits and other assets and plan liabilities are included in other accrued liabilities in the statements of financial position. Any difference between the plan assets and plan liabilities is recorded as an unrealized gain or loss until the assets are distributed to the participants. As of December 31, 2019 and 2018, no plan assets were distributed. VLI has made no commitment for future contributions.

VITA LIVING, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FINANCIAL INSTRUMENTS

Cash and cash equivalents - VLI considers the estimated fair value of cash and cash equivalents to equal the carrying amount recognized in the statements of financial position.

Short-term investments - VLI considers the estimated fair value of these certificates of deposit to equal the value as indicated in the statement of financial position.

INCOME TAX UNCERTAINTIES

VLI has reviewed its filing positions on its current income tax return, as well as all open tax years. VLI adopted the policy of recognizing interest and penalties, if any, related to unrecognized tax positions as income tax expense. VLI did not have any unrecognized tax positions or benefits from tax positions that do not meet the more likely than not criterion. Accordingly, there was no effect on VLI's financial condition or results of operations for the years ended December 31, 2019 or 2018. The Federal tax returns of VLI for the last three years are subject to examination by the Internal Revenue Service.

CONTINGENCY

In 2018, a neighborhood association filed legal action against VLI and VLF related to the operation of group homes in that specific neighborhood. VLI and VLF are vigorously defending their rights and the rights of their clients to reside in the neighborhood. VLI believes the legal proceedings are a violation of the Federal Fair Housing Act, a violation of the Texas Fair Housing Act, and a violation of the City of Houston Code of Ordinances, all of which prohibit housing discrimination against individuals with disabilities. VLI and VLF have counter-sued the association based on these violations. VLI has insurance coverage for any potential losses on this claim. VLI does not anticipate any material loss from this claim and does not anticipate any impact on its future operations or residents' ability to reside in its homes.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. While this event is expected to adversely impact the global economy, the extent to which the coronavirus impacts the VLI's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others. VLI has robust management systems in place to both oversee the well-being of the key clients and stakeholders and react quickly to new economic conditions, however, management cannot determine the short-term or long-term effect it may have on operations.

On May 1, 2020, VLI was granted a loan from Zions Bancorporation, N.A. dba Amegy Bank in the aggregate amount of \$839,500, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title 1 of the CARES Act, which was enacted March 27, 2020. The loan bears interest at 1% and matures on May 1, 2022. Funds from the loan may be used for payroll costs, rent, utilities and other defined costs. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying defined costs as described under the CARES Act. VLI intends to use the entire loan amount for qualifying defined costs.

VITA LIVING, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

SUBSEQUENT EVENTS - CONTINUED

On June 15, 2020, VLI obtained an Economic Injury Disaster Loan from the U.S. Small Business Administration under Section 7(b) of the Small Business Act, as amended. The loan is in the amount of \$150,000 with interest at 2.75% per annum. Installment payments, including principal and interest, of \$641 per month are for a thirty year term beginning on June 15, 2021.

Subsequent events have been evaluated through June 29, 2020, which is the date the financial statements were available to be issued. Based on the evaluation, no adjustments to the accompanying financial statements were required.