

**VITA LIVING, INC.**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2020 AND 2019**

**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, 2020 and 2019 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, 2020 and 2019 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.



May 12, 2021

**VITA LIVING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 766,593	\$ 636,737
Investments	803,876	201,887
Accounts receivable, net	394,403	334,616
Contributions receivable	8,100	5,900
Prepaid expenses, deposits and other assets	236,709	126,780
Property and equipment, net	959,834	1,006,492
 <b>TOTAL ASSETS</b>	 <b>\$ 3,169,515</b>	 <b>\$ 2,312,412</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 42,577	\$ 57,997
Accrued salaries	187,556	291,607
PPP Loan	839,500	-
Deferred rent and lease incentive	117,435	191,793
Other accrued liabilities	80,513	93,289
Total liabilities	1,267,581	634,686
 <b>NET ASSETS</b>		
With donor restrictions	8,100	5,900
Without donor restrictions	1,893,834	1,671,826
Total net assets	1,901,934	1,677,726
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 3,169,515</b>	 <b>\$ 2,312,412</b>

See notes to financial statements.

**VITA LIVING, INC.**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
REVENUES		
Medicaid contracted services	\$ 5,639,600	\$ 5,607,272
Private pay and other income	460,324	511,997
Fundraising event revenue	81,885	102,560
Total revenues	6,181,809	6,221,829
EXPENSES		
Program	5,684,531	5,921,130
Fundraising	363,394	362,508
General and administrative	720,211	722,252
Total expenses	6,768,136	7,005,890
DEFICIENCY OF REVENUES UNDER EXPENSES FROM OPERATIONS	(586,327)	(784,061)
SUPPORT AND OTHER ITEMS		
Contributions	892,641	1,085,133
Contribution to related party	(82,300)	(125,000)
(Loss) gain from disposition of property and equipment	(7,316)	29,147
Other investment income	5,310	4,525
Total support and other items	808,335	993,805
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	222,008	209,744
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Donor restricted contributions	8,100	5,900
Net assets released from donor restrictions	(5,900)	(26,700)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	2,200	(20,800)
INCREASE IN NET ASSETS	224,208	188,944
NET ASSETS		
BEGINNING OF YEAR	1,677,726	1,488,782
END OF YEAR	\$ 1,901,934	\$ 1,677,726

See notes to financial statements.

**VITA LIVING, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 224,208	\$ 188,944
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	239,235	216,280
Contribution of property and equipment	-	(13,432)
Unrealized gain on other assets	(2,959)	(1,641)
Loss (gain) from disposition of property and equipment	7,316	(29,147)
(Increase) decrease in		
Accounts receivable	(59,787)	43,087
Contributions receivable	(2,200)	20,800
Prepaid expenses, deposits and other assets	(106,970)	(31,603)
Decrease in		
Accrued salaries	(104,051)	(37,724)
Accounts payable and other accrued liabilities	(28,196)	(32,213)
Deferred rent	<u>(74,358)</u>	<u>(41,860)</u>
Net cash provided by operating activities	<u>92,238</u>	<u>281,491</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	723	38,440
Purchase of property and equipment	(200,616)	(274,920)
Change in investments	<u>(601,989)</u>	<u>(201,887)</u>
Net cash used by investing activities	<u>(801,882)</u>	<u>(438,367)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan	839,500	-
Proceeds from EID loan	150,000	-
Payment of EID loan	<u>(150,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>839,500</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	129,856	(156,876)
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>	<u>636,737</u>	<u>793,613</u>
<b>END OF YEAR</b>	<u>\$ 766,593</u>	<u>\$ 636,737</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 documented 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 normally 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, 2020 or 2019.

**Revenue Recognition** - Medicaid contracted services revenue, private pay revenue and other revenue are reported at the amounts that reflect the consideration to which VLI expects to be entitled to in exchange for providing client care. These amounts are due from governmental entities, clients, and others. Reimbursements for Medicaid services are generally paid at pre-determined rates per occasion of services. Allowances are established for variable consideration for retroactive adjustments due to settlement of audits and reviews. Generally, VLI bills governmental entities, clients and others within several days after the services are performed. Revenues are recognized as the services are provided.

**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, the allowance for doubtful accounts and the functional allocation of expenses.

**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 May 12, 2021.

# VITA LIVING, INC.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Cash in banks	\$ 765,426	\$ 635,570
Cash on hand	<u>1,167</u>	<u>1,167</u>
	<u>\$ 766,593</u>	<u>\$ 636,737</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 \$1,411,000 and \$599,000 at December 31, 2020 and 2019, respectively.

### INVESTMENTS

Investments consists of certificates of deposit with original maturities greater than three months. A summary of investments at December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Maturing March 2021	\$ 702,879	\$ -
Maturing December 2021	100,997	-
Maturing March 2020	-	101,839
Maturing December 2020	-	<u>100,048</u>
Total	<u>\$ 803,876</u>	<u>\$ 201,887</u>

### ACCOUNTS RECEIVABLE

Accounts receivable includes income earned for services provided as of December 31, 2020 and 2019 and are summarized as follows:

	<u>2020</u>	<u>2019</u>
HCS program	\$ 231,918	\$ 191,300
ICFID program	110,504	89,509
CLASS program	57,019	59,897
Private pay and other	<u>10,462</u>	<u>8,910</u>
	409,903	349,616
Allowance for uncollectible accounts	<u>(15,500)</u>	<u>(15,000)</u>
	<u>\$ 394,403</u>	<u>\$ 334,616</u>

### CONTRIBUTIONS RECEIVABLE

The total contributions receivable at December 31, 2020 of \$8,100 is expected to be collected in 2021. Contributions receivable at December 31, 2019 of \$5,900 was collected in 2020.

## VITA LIVING, INC.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

#### PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 1,341,802	\$ 1,250,989
Equipment	624,696	554,467
Leasehold improvement construction in progress	<u>23,142</u>	<u>2,328</u>
	1,989,640	1,807,784
Less accumulated depreciation and amortization	<u>(1,029,806)</u>	<u>(801,292)</u>
Net property and equipment	<u>\$ 959,834</u>	<u>\$ 1,006,492</u>

Depreciation expense for 2020 and 2019 amounted to \$239,235 and \$216,280, respectively.

#### PPP LOAN AND OTHER LOANS

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 used the entire loan amount for qualifying defined costs. VLI is accounting for the potential forgiveness of the loan in accordance with ASC 405-20-40-1, whereas the proceeds from the loan are recorded as a liability until either (1) the loan is, in part or wholly forgiven and the debtor has been "legally released" or (2) the debtor pays off the loan to the creditor. As discussed in the Subsequent Events Note, the PPP loan was forgiven in February 2021.

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 was in the amount of \$150,000 with interest at 2.75% per annum. Installment payments, including principal and interest, of \$641 per month were for a thirty year term beginning on June 15, 2021. VLI paid the loan in full in December 2020.

#### NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020 and 2019, all net assets with donor restrictions were due to time restrictions of certain contributions receivable.

## VITA LIVING, INC.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

#### FUNCTIONAL EXPENSES

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

	<b>Year Ended December 31, 2020</b>			
	<b><u>Program</u></b>	<b><u>Fundraising</u></b>	<b><u>General and Administrative</u></b>	<b><u>Total</u></b>
Salaries	\$ 3,111,209	\$ 157,897	\$ 363,284	\$ 3,632,390
Employee benefits and payroll taxes	436,369	26,298	92,833	555,500
Lease expense	542,636	1,373	102,291	646,300
Contracted client services	581,959	-	-	581,959
Food and dietary supplies	224,701	-	-	224,701
Maintenance and repairs	171,551	-	59,626	231,177
Depreciation and amortization	224,440	-	14,795	239,235
Utilities	119,054	600	11,547	131,201
Insurance	100,361	-	12,476	112,837
Professional fees	65,639	133,147	37,532	236,318
Transportation	19,438	-	390	19,828
Housekeeping	38,583	-	-	38,583
Office and postage	2,792	37,348	8,058	48,198
Dues and licenses	14,215	3,386	435	18,036
Client activities	6,077	-	-	6,077
Medical and dental expenses	13,095	-	-	13,095
Interest	-	-	2,215	2,215
Bad debts	10,393	-	-	10,393
Other miscellaneous	2,019	3,345	14,729	20,093
	<u>\$ 5,684,531</u>	<u>\$ 363,394</u>	<u>\$ 720,211</u>	<u>\$ 6,768,136</u>

	<b>Year Ended December 31, 2019</b>			
	<b><u>Program</u></b>	<b><u>Fundraising</u></b>	<b><u>General and Administrative</u></b>	<b><u>Total</u></b>
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
	<u>\$ 5,921,130</u>	<u>\$ 362,508</u>	<u>\$ 722,252</u>	<u>\$ 7,005,890</u>

## VITA LIVING, INC.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

#### 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, 2020 and 2019. 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>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 766,593	\$ 636,737
Investments maturing within one year	803,876	201,887
Accounts receivable, net	394,403	334,616
Contributions receivable, net	<u>8,100</u>	<u>5,900</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,972,972</u>	<u>\$ 1,179,140</u>

#### 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, 2020 consist of the following:

2021	\$ 725,327
2022	715,855
2023	530,763
2024	396,536
2025	387,828
Thereafter	<u>387,036</u>
	<u>\$ 3,143,345</u>

Lease expense for 2020 and 2019 amounted to \$646,300 and \$668,901, respectively.

## VITA LIVING, INC.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

#### COMMITMENTS (CONTINUED)

##### *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, at which time it was not renewed. 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, 2020 or 2019.

#### 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 2020 and 2019 amounted to \$358,212 and \$375,168, respectively. These leases expire in 2026 and once expired, continue on a month to month basis. Future minimum lease payments have been included with the commitments previously reported.

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 \$97,641 and \$108,682 for the years ended December 31, 2020 and 2019, respectively. VLF also contributed \$270,000 and \$360,000 during 2020 and 2019, respectively, toward VLI's residential operating activities.

For the years ended December 31, 2020 and 2019, VLI made donations in the amount of \$82,300 and \$125,000, respectively, 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 2020 and 2019, VLI paid \$125,726 and \$132,647, respectively, for the catering services performed by this company. At December 31, 2020 and 2019, \$3,509 and \$1,923, 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 \$2,607 and \$118,334 for the years ended December 31, 2020 and 2019, respectively.

## VITA LIVING, INC.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

#### 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 \$52,963 and \$34,554 to the plan for the years ended December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Plan assets	\$ <u>72,127</u>	\$ <u>43,482</u>
Plan liabilities	\$ <u>72,646</u>	\$ <u>41,841</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, 2020 and 2019, no plan assets were distributed. VLI has made no commitment for future contributions.

#### 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.

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, 2020 or 2019. 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 vigorously defended their rights and the rights of their clients to reside in the neighborhood. Effective April 7, 2020, the Court issued a final judgment in favor of VLI and VLF.

## **VITA LIVING, INC.**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

#### **RISKS AND UNCERTAINTIES**

On March 11, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. While this event has impacted the global economy, the extent to which the coronavirus will impact VLI's results will depend on future developments, which are highly uncertain and cannot be predicted. 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 the pandemic may have on operations.

#### **SUBSEQUENT EVENTS**

In February 2021, the Small Business Administration (SBA) in alignment to its Paycheck Protection Program (PPP) regulations and guidance forgave the Organization's PPP loan. In connection with this forgiveness, VLI recorded a gain on extinguishment of debt of \$839,500.

Subsequent events have been evaluated through May 12, 2021, 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.