

VITA LIVING, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2021 AND 2020

VITA LIVING, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Vita Living, Inc.
Houston, Texas

Opinion

We have audited the accompanying financial statements of Vita Living, Inc. (a non profit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Vita Living, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

(continued)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Vita Living, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Vita Living, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in blue ink that reads "Pittsford Samuels, P.C." The signature is written in a cursive, flowing style.

June 15, 2022

VITA LIVING, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 795,413	\$ 766,593
Certificates of deposit	351,046	803,876
Investments	1,278,221	-
Accounts receivable, net	317,976	394,403
Accrued interest receivable	1,875	-
Contributions receivable	1,150	8,100
Prepaid expenses, deposits and other assets	218,571	236,709
Property and equipment, net	<u>937,778</u>	<u>959,834</u>
TOTAL ASSETS	<u>\$ 3,902,030</u>	<u>\$ 3,169,515</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 86,743	\$ 42,577
Accrued salaries	180,284	187,556
PPP Loan	-	839,500
Deferred rent and lease incentive	149,762	117,435
Other accrued liabilities	<u>155,782</u>	<u>80,513</u>
Total liabilities	<u>572,571</u>	<u>1,267,581</u>
NET ASSETS		
With donor restrictions	1,150	8,100
Without donor restrictions	<u>3,328,309</u>	<u>1,893,834</u>
Total net assets	<u>3,329,459</u>	<u>1,901,934</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,902,030</u>	<u>\$ 3,169,515</u>

See notes to financial statements.

VITA LIVING, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Medicaid contracted services	\$ 6,039,738	\$ 5,639,600
Private pay and other income	497,625	460,324
Fundraising event revenue	71,085	81,885
Total revenues	6,608,448	6,181,809
EXPENSES		
Program	6,043,722	5,684,531
Fundraising	338,008	363,394
General and administrative	718,371	720,211
Total expenses	7,100,101	6,768,136
DEFICIENCY OF REVENUES UNDER EXPENSES FROM OPERATIONS	(491,653)	(586,327)
SUPPORT AND OTHER ITEMS		
Contributions	1,062,447	886,741
PPP loan forgiveness	839,500	-
Contribution to related party	-	(82,300)
Loss from disposition of property and equipment	(3,290)	(7,316)
Investment return, net	18,389	-
Other miscellaneous	982	5,310
Net assets released from restrictions	8,100	5,900
Total support and other items	1,926,128	808,335
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,434,475	222,008
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Donor restricted contributions	1,150	8,100
Net assets released from donor restrictions	(8,100)	(5,900)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	(6,950)	2,200
INCREASE IN NET ASSETS	1,427,525	224,208
NET ASSETS		
BEGINNING OF YEAR	1,901,934	1,677,726
END OF YEAR	\$ 3,329,459	\$ 1,901,934

See notes to financial statements.

VITA LIVING, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,427,525	\$ 224,208
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	258,774	239,235
Forgiveness of PPP loan	(839,500)	-
Unrealized gain on other assets	(195)	(2,959)
Realized and unrealized gain on investments	(12,696)	-
Loss from disposition of property and equipment	3,290	7,316
(Increase) decrease in		
Accounts receivable	76,427	(59,787)
Accrued interest receivable	(1,875)	-
Contributions receivable	6,950	(2,200)
Prepaid expenses, deposits and other assets	18,333	(106,970)
Decrease in		
Accrued salaries	(7,272)	(104,051)
Accounts payable and other accrued liabilities	119,435	(28,196)
Deferred rent	32,327	(74,358)
Net cash provided by operating activities	1,081,523	92,238
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,357,989)	-
Proceeds from sale of investments	92,464	-
Purchase of property and equipment	(240,008)	(200,616)
Proceeds from sale of property and equipment	-	723
Change in certificates of deposit	452,830	(601,989)
Net cash used by investing activities	(1,052,703)	(801,882)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	-	839,500
Proceeds from EID loan	-	150,000
Payment of EID loan	-	(150,000)
Net cash provided by financing activities	-	839,500
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,820	129,856
CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	766,593	636,737
END OF YEAR	\$ 795,413	\$ 766,593

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. ASU 2016-02 will be effective for VLI for fiscal year 2022. 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.

Investments - Investments are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

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.

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, 2021 or 2020.

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, investment market values 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 June 15, 2022.

Reclassifications - Certain reclassifications have been made to the prior year information to conform to the current year presentation.

VITA LIVING, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Cash in banks	\$ 716,620	\$ 765,426
Cash in money market investments	77,793	-
Cash on hand	<u>1,000</u>	<u>1,167</u>
	<u>\$ 795,413</u>	<u>\$ 766,593</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 \$820,000 and \$1,411,000 at December 31, 2021 and 2020, respectively.

CERTIFICATES OF DEPOSIT

Certificates of deposit are short term investments with original maturities greater than three months. A summary of certificates of deposit at December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Maturing August 2022	\$ 250,008	\$ -
Maturing March 2022	101,038	-
Maturing March 2021	-	702,879
Maturing December 2021	<u>-</u>	<u>100,997</u>
Total	<u>\$ 351,046</u>	<u>\$ 803,876</u>

ACCOUNTS RECEIVABLE

Accounts receivable includes income earned for services provided as of December 31, 2021 and 2020 and are summarized as follows:

	<u>2021</u>	<u>2020</u>
HCS program	\$ 176,120	\$ 231,918
ICFID program	91,087	110,504
CLASS program	56,749	57,019
Private pay and other	<u>9,020</u>	<u>10,462</u>
	332,976	409,903
Allowance for uncollectible accounts	<u>(15,000)</u>	<u>(15,500)</u>
	<u>\$ 317,976</u>	<u>\$ 394,403</u>

INVESTMENTS

VLI carries its investments at fair value. These investments consist of mutual funds, fixed income funds, exchange traded funds and common stocks.

Level 1 Fair Value Measurements

All of the Organizations investments are considered Level 1 securities. The fair value of the investments are based on the closing price reported on the active market where the individual securities are traded.

VITA LIVING, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

INVESTMENTS - CONTINUED

A detail of investments at December 31, 2021 follows:

	<u>Cost</u>	<u>FMV</u>
Fixed income and other funds		
Callable or maturing within one year:		
iShares Iboxx Investment Grade	\$ 142,149	\$ 142,062
iShares High Yield Corporate Bond Fund	47,586	47,508
iShares Mbs ETF	3,770	3,760
iShares U.S. Preferred Stock ETF	8,173	8,201
SPDR Series Trust Portfolio	5,979	5,964
Vanguard Long Term Bond ETF	9,815	9,880
Vanguard Intermediate Term Bond ETF	10,633	10,515
Vanguard Short Term Bond	41,230	40,900
Other:		
Alps ETF Trust Alerian	<u>9,664</u>	<u>8,643</u>
Total securities callable or maturing within one year	<u>278,999</u>	<u>277,433</u>
Callable or maturing after one year:		
Corporate bonds:		
Bearing interest at 2.95%; maturing 2026	53,644	52,693
Bearing interest at 1.3%; maturing 2028	49,125	47,917
Bearing interest at 3.25%; maturing 2029	54,355	53,310
Bearing interest at 2.687% to 2.58%; maturing 2032	<u>103,799</u>	<u>101,384</u>
Total securities callable or maturing after one year	<u>260,923</u>	<u>255,304</u>
Total fixed income funds and other funds	<u>539,922</u>	<u>532,737</u>
Equity securities:		
Common stocks:		
Consumer Discretionary	120,209	125,758
Consumer Staples	63,388	68,842
Healthcare	102,977	108,744
Materials	29,195	32,158
Energy	24,206	25,132
Industrials	92,242	91,935
Information Technology	121,886	130,897
Real Estate	27,372	30,433
Utilities	8,157	8,042
Communications Services	38,041	37,198
Financials	<u>89,788</u>	<u>86,345</u>
Total common stocks	<u>717,461</u>	<u>745,484</u>
Total Investments	<u>\$ 1,257,383</u>	<u>\$ 1,278,221</u>

Investment return for the year ended December 31, 2021 consists of the following:

Interest and dividends	\$ 8,124
Realized loss	(7,459)
Unrealized gain	20,155
Fees	<u>(2,431)</u>
	<u>\$ 18,389</u>

VITA LIVING, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

CONTRIBUTIONS RECEIVABLE

The total contributions receivable at December 31, 2021 of \$1,150 is expected to be collected in 2022. Contributions receivable at December 31, 2020 of \$8,100 was collected in 2021.

PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 1,469,135	\$ 1,341,802
Equipment	682,330	624,696
Leasehold improvement construction in progress	<u>64,619</u>	<u>23,142</u>
	2,216,084	1,989,640
Less accumulated depreciation and amortization	<u>(1,278,306)</u>	<u>(1,029,806)</u>
Net property and equipment	<u>\$ 937,778</u>	<u>\$ 959,834</u>

Depreciation and amortization expense for 2021 and 2020 amounted to \$258,774 and \$239,235, 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. 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, 2021 and 2020, 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:

	Year Ended December 31, 2021			
	<u>Program</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 3,303,503	\$ 168,938	\$ 359,782	\$ 3,832,223
Employee benefits and payroll taxes	423,389	21,388	75,137	519,914
Lease expense	564,612	1,222	101,132	666,966
Contracted client services	553,429	-	-	553,429
Food and dietary supplies	254,304	-	-	254,304
Maintenance and repairs	212,405	-	70,186	282,591
Depreciation and amortization	237,517	-	21,257	258,774
Utilities	126,863	600	11,897	139,360
Insurance	109,268	-	12,021	121,289
Professional fees	71,858	105,088	27,239	204,185
Transportation	26,841	15	1,141	27,997
Housekeeping	70,914	-	-	70,914
Office and postage	6,007	30,508	11,701	48,216
Dues and licenses	34,652	5,153	465	40,270
Client activities	15,585	-	-	15,585
Medical and dental expenses	15,506	-	-	15,506
Bad debts	12,744	-	-	12,744
Other miscellaneous	4,325	5,096	26,413	35,834
	<u>\$ 6,043,722</u>	<u>\$ 338,008</u>	<u>\$ 718,371</u>	<u>\$ 7,100,101</u>

	Year Ended December 31, 2020			
	<u>Program</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
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>

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, certificates of deposit, and interest, operational and pledge receivables. 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>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 795,413	\$ 766,593
Certificates of deposit maturing within one year	351,046	803,876
Investments	1,278,221	-
Accounts receivable, net	317,976	394,403
Accrued interest receivable	1,875	-
Contributions receivable, net	<u>1,150</u>	<u>8,100</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,745,681</u>	<u>\$ 1,972,972</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, 2021 consist of the following:

2022	\$ 633,603
2023	679,816
2024	634,603
2025	685,237
2026	687,271
Thereafter	<u>1,592,601</u>
	<u>\$ 4,913,131</u>

Lease expense for 2021 and 2020 amounted to \$666,966 and \$646,300, 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.

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 2021 and 2020 amounted to \$382,605 and \$358,212, 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 \$115,490 and \$97,641 for the years ended December 31, 2021 and 2020, respectively. VLF also contributed \$360,000 during each of the years ended December 31, 2021 and 2020 toward VLI's residential operating activities.

For the year ended December 31, 2020, VLI made a donation in the amount of \$82,300 to VLF in furtherance of the housing initiative.

The marketable investments and other assets of VLF were held as collateral on the VLI \$500,000 line of credit in 2020.

VLI uses catering services from a company that is partially owned by an officer of the Organization. During 2021 and 2020, VLI paid \$149,245 and \$125,726, respectively, for the catering services performed by this company. At December 31, 2021 and 2020, \$4,062 and \$3,509, 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 \$42,220 and \$2,607 for the years ended December 31, 2021 and 2020, 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 \$53,904 and \$52,963 to the plan for the years ended December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Plan assets	\$ <u>103,927</u>	\$ <u>72,127</u>
Plan liabilities	\$ <u>103,732</u>	\$ <u>72,646</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, 2021 and 2020, 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.

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

Investments - VLI considers the estimated fair value of these financial instruments to equal the quoted market value as indicated in the statement of financial position.

Concentration of Risks - The ability of the issuers of certain financial instruments held by VLI to meet their obligation may be affected by economic developments, including those particular to a specific industry or region.

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, 2021 or 2020. The Federal tax returns of VLI for the last three years are subject to examination by the Internal Revenue Service.

VITA LIVING, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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.

RISKS AND UNCERTAINTIES

The continuing COVID-19 pandemic, the geopolitical situation in Eastern Europe and supply chain disruptions have affected the United States economy and led to a steep rise in inflation. The extent to which these factors 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 these factors may have on operations.

SUBSEQUENT EVENTS

During the spring of 2022, certain economic factors have caused the stock market to experience a significant amount of volatility. Accordingly, the fair value of VLI's investments have decreased approximately \$220,000. Management believes this is a temporary condition that will be resolved in the near future.

Subsequent events have been evaluated through June 15, 2022, 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.