EMMAUS HOMES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

Emmaus

Contents

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Independent Auditors' Report

Board of Directors
Emmaus Homes, Inc.
St. Charles, Missouri

Report On The Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Emmaus Homes, Inc. and its subsidiaries, Emmaus Resident Trust Foundation, L.L.C. and Emmaus Properties, L.L.C., not-for-profit organizations, (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility For The Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, 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.

RubinBrown LLP

November 19, 2020

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

	June 30, 2020	2019
Current Assets		
Cash and cash equivalents	$ 2,739,315	$ 1,777,915
Cash held for clients	692,352	285,488
Accounts receivable (net of allowance for doubtful accounts of $33,078 in 2020 and $32,919 in 2019)	2,673,936	3,138,166
Grants receivable	102,801	180,925
Unconditional promises to give	141,308	174,747
Unconditional promises to give restricted for endowment	5,216	780,000
Prepaid expenses	344,767	374,515
Investments	5,473	6,425
Total Current Assets	6,705,168	6,718,181
Other Assets		
Investments restricted/designated for endowment	14,972,621	17,079,681
Annuities receivable	12,343	26,746
Other assets	299,625	303,084
Property and equipment	3,797,501	4,240,392
Property held for sale	573,705	1,531,690
Beneficial interests in perpetual trusts	3,947,155	3,873,137
Total Other Assets	23,602,950	27,054,730
Total Assets	$ 30,308,118	$ 33,772,911

Liabilities And Net Assets

	2020	2019
Current Liabilities		
Current maturities of long-term debt	$ 19,661	$ 273,958
Current maturities of capital lease obligations	123,672	112,541
Accounts payable	543,349	490,012
Accrued wages	1,824,668	1,728,560
Accrued self-insurance liability	191,800	235,200
Amounts held for clients	692,352	285,488
Total Current Liabilities	3,395,502	3,125,759
Other Long-Term Liabilities	216,191	214,274
Long-Term Debt	449,948	213,696
Capital Lease Obligations - Long-Term	157,357	281,039
Total Liabilities	4,218,998	3,834,768
Net Assets		
Without donor restrictions:		
Operations	3,448,351	3,196,223
Investment in property and equipment	3,518,537	4,788,817
Board-designated endowment	7,777,355	9,887,327
Total Without Donor Restrictions	14,744,243	17,872,367
With donor restrictions	11,344,877	12,065,776
Total Net Assets	26,089,120	29,938,143
Total Liabilities And Net Assets	$ 30,308,118	$ 33,772,911

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Years Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Program Revenue						
Program service fees	$ 26,733,756	$ —	$ 26,733,756	$ 27,559,579	$ —	$ 27,559,579
Governmental program grants	457,458	—	457,458	454,609	—	454,609
Total Program Revenue	27,191,214	—	27,191,214	28,014,188	—	28,014,188
Other Revenue And Support						
Contributions	451,767	43,786	495,553	429,517	67,709	497,226
Special events, net	—	1,521	1,521	26,443	—	26,443
Bequests	472,166	25,867	498,033	261,277	838,080	1,099,357
United Way	82,701	82,702	165,403	—	170,573	170,573
Grant income - nongovernment	107,487	35,563	143,050	102,857	26,583	129,440
Grants and awards for capital projects	138,464	—	138,464	—	—	—
Gift annuities	11,981	(4,263)	7,718	—	(10,795)	(10,795)
Other income	29,523	—	29,523	8,940	—	8,940
Investment income designated/appropriated from endowments	137,985	760,100	898,085	395,190	541,944	937,134
Total Other Revenue and Support	1,432,074	945,276	2,377,350	1,224,224	1,634,094	2,858,318
Net Assets Released From Restrictions	938,442	(938,442)	—	1,154,212	(1,154,212)	—
Total Revenues And Support	29,561,730	6,834	29,568,564	30,392,624	479,882	30,872,506
Expenses						
Program Services:						
Residential care	27,476,604	—	27,476,604	27,948,103	—	27,948,103
Educational programs	158,595	—	158,595	190,421	—	190,421
Management	3,745,972	—	3,745,972	3,367,031	—	3,367,031
Fundraising	437,141	—	437,141	384,764	—	384,764
Total Expenses	31,818,312	—	31,818,312	31,890,319	—	31,890,319
Decrease In Net Assets From Operations	(2,256,582)	6,834	(2,249,748)	(1,497,695)	479,882	(1,017,813)
Other Income (Loss)						
Gain on sale of property held for sale	170,475	—	170,475	—	—	—
Impairment loss on property held for sale	(948,503)	—	(948,503)	—	—	—
Change in value of beneficial interests in perpetual trusts	—	74,018	74,018	—	53,534	53,534
Investment income (loss) in excess of amount designated/appropriated from endowments	(93,514)	(801,751)	(895,265)	41,941	(387,324)	(345,383)
Total Other Income (Loss)	(871,542)	(727,733)	(1,599,275)	41,941	(333,790)	(291,849)
Increase (Decrease) In Net Assets	(3,128,124)	(720,899)	(3,849,023)	(1,455,754)	146,092	(1,309,662)
Net Assets - Beginning Of Year	17,872,367	12,065,776	29,938,143	19,328,121	11,919,684	31,247,805
Net Assets - End Of Year	$ 14,744,243	$ 11,344,877	$ 26,089,120	$ 17,872,367	$ 12,065,776	$ 29,938,143

See the notes to consolidated financial statements.

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2020

	Residential Care Programs	Educational Programs	Total Programs	Management	Fundraising	Total
Salaries	$ 20,165,160	$ 113,925	$ 20,279,085	$ 2,170,602	$ 251,511	$ 22,701,198
Contracted personnel	2,950	—	2,950	246	—	3,196
Fringe benefits and payroll taxes	3,523,444	21,657	3,545,101	387,269	46,306	3,978,676
Other personnel costs	544,311	2,664	546,975	183,594	10,257	740,826
Audit fees	—	—	—	47,750	—	47,750
Bad debt expense	—	—	—	159	—	159
Communications	279,605	—	279,605	43,644	36,989	360,238
Contract services	395,784	—	395,784	170,944	—	566,728
Equipment expense	13,942	—	13,942	3,729	—	17,671
Food	33,378	—	33,378	—	—	33,378
Information technology services	102,238	249	102,487	56,752	9,173	168,412
Insurance	339,284	1,549	340,833	92,396	6,312	439,541
Interest	46,896	—	46,896	4,857	—	51,753
Legal fees	—	—	—	47,884	802	48,686
Maintenance and repair	375,001	—	375,001	135,733	3,002	513,736
Materials and supplies	201,914	8,930	210,844	23,492	8,839	243,175
Miscellaneous	47,997	42	48,039	20,948	13,261	82,248
Rent	294,298	—	294,298	407	20	294,725
Professional fees	9,780	8,550	18,330	139,312	10,368	168,010
Staff training	88,837	—	88,837	27,818	10,473	127,128
Staff travel	137,310	957	138,267	6,901	4,064	149,232
Transportation	288,524	72	288,596	18,374	5,732	312,702
Utilities	51,904	—	51,904	50,650	2,897	105,451
Total Expenses Before Depreciation And Amortization	26,942,557	158,595	27,101,152	3,633,461	420,006	31,154,619
Depreciation and amortization	534,047	—	534,047	112,511	17,135	663,693
Total Expenses	$ 27,476,604	$ 158,595	$ 27,635,199	$ 3,745,972	$ 437,141	$ 31,818,312

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2019

	Residential Care Programs	Educational Programs	Total Programs	Management	Fundraising	Total
Salaries	$ 20,668,598	$ 132,884	$ 20,801,482	$ 1,984,032	$ 259,584	$ 23,045,098
Contracted personnel	5,665	—	5,665	26,051	—	31,716
Fringe benefits and payroll taxes	3,511,093	23,877	3,534,970	365,989	40,122	3,941,081
Other personnel costs	465,624	2,453	468,077	153,432	5,296	626,805
Audit fees	—	—	—	50,150	—	50,150
Bad debt expense	—	—	—	613	—	613
Communications	308,766	333	309,099	59,884	23,543	392,526
Contract services	241,685	—	241,685	123,750	—	365,435
Equipment expense	14,723	—	14,723	1,609	43	16,375
Food	41,163	649	41,812	—	—	41,812
Information technology services	121,148	—	121,148	55,679	8,515	185,342
Insurance	301,835	1,528	303,363	80,871	4,148	388,382
Interest	49,175	—	49,175	4,875	—	54,050
Legal fees	—	—	—	23,141	2,112	25,253
Licensure	—	—	—	7,875	—	7,875
Maintenance and repair	272,133	—	272,133	31,708	2,071	305,912
Materials and supplies	172,511	10,882	183,393	25,758	2,913	212,064
Miscellaneous	60,938	—	60,938	24,922	4,493	90,353
Rent	279,643	—	279,643	1,014	—	280,657
Professional fees	6,136	12,137	18,273	90,321	125	108,719
Staff training	104,899	418	105,317	47,219	2,655	155,191
Staff travel	180,126	1,760	181,886	14,698	4,899	201,483
Transportation	361,339	—	361,339	19,634	2,952	383,925
Utilities	93,344	3,500	96,844	53,839	2,133	152,816
Total Expenses Before Depreciation And Amortization	27,260,544	190,421	27,450,965	3,247,064	365,604	31,063,633
Depreciation and amortization	687,559	—	687,559	119,967	19,160	826,686
Total Expenses	$ 27,948,103	$ 190,421	$ 28,138,524	$ 3,367,031	$ 384,764	$ 31,890,319

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended June 30, 2020	2019
Cash Flows From Operating Activities		
Decrease in net assets	$ (3,849,023)	$ (1,309,662)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation and amortization	663,693	826,686
(Gain) loss on disposal of property and equipment	(18,749)	265
Gain on sale of property held for sale	(170,475)	—
Impairment loss on property held for sale	948,503	—
Endowment contributions	(29,879)	(812,893)
Realized gains on investments	(680,146)	(1,293,570)
Unrealized losses on investments	867,378	906,810
Change in value of perpetual trusts	(74,018)	(53,534)
Contributed property and equipment	(116,601)	—
Changes in assets and liabilities:		
Accounts and grants receivable	542,354	(354,985)
Unconditional promises to give	33,439	235,723
Prepaid expenses and other assets	33,207	(66,130)
Annuities receivable	14,403	10,795
Accounts payable	53,337	3,398
Accrued wages	96,108	394,332
Accrued self-insurance liability	(43,400)	(105,800)
Amounts held for clients	406,864	17,597
Other liabilities	1,917	15,147
Net Cash Used In Operating Activities	(1,321,088)	(1,585,821)
Cash Flows From Investing Activities		
Proceeds from sale of investments	4,949,974	6,133,073
Purchases of investments	(4,856,019)	(1,518,982)
Net purchases (sales) of money market funds	1,826,825	(3,843,820)
Purchases of property and equipment	(114,773)	(246,732)
Proceeds from sale of property and equipment	29,321	35,589
Proceeds from sale of property held for sale	179,957	—
Net Cash Provided By Investing Activities	2,015,285	559,128
Cash Flows From Financing Activities		
Borrowings on line of credit	1,500,000	300,000
Repayments on line of credit	(1,500,000)	(300,000)
Borrowings on long-term debt	—	225,000
Principal payments on long-term debt	(18,045)	(16,240)
Principal payments on capital leases	(112,551)	(102,376)
Endowment contributions	804,663	32,893
Net Cash Provided By Financing Activities	674,067	139,277
Net Increase (Decrease) In Cash, Cash Equivalents And Restricted Cash	1,368,264	(887,416)
Cash, Cash Equivalents And Restricted Cash - Beginning Of Year	2,063,403	2,950,819
Cash, Cash Equivalents And Restricted Cash - End Of Year	$ 3,431,667	$ 2,063,403
Supplemental Disclosure Of Cash Flow Information		
Property and equipment acquired through capital leases	$ —	$ 100,761
Interest paid	51,793	53,952

1. Organization And Operations

Organization

Emmaus Homes, Inc. (Emmaus) is organized as a benevolent nonprofit corporation under the laws of the State of Missouri. Emmaus' articles of incorporation provide for management of its property and affairs by a self-perpetuating Board of Directors. Emmaus is affiliated with the United Church of Christ through the Council for Health and Human Services Ministries.

Emmaus is the sole member of two Missouri limited liability companies that manage its long-term assets. The Emmaus Resident Trust Foundation, L.L.C. (the Foundation) holds and manages Emmaus long-term investment assets while Emmaus Properties, L.L.C. (Properties) holds and manages Emmaus' real property. Both the Foundation and Properties are disregarded entities for income tax purposes.

The accompanying consolidated financial statements include the accounts of Emmaus and its wholly-owned subsidiaries, the Foundation and Properties (collectively, the Organization).

Nature Of Business

Compelled by faith in Jesus Christ, the mission of the Organization is to enrich the lives of individuals of all beliefs, with cognitive or developmental disabilities, by fostering independence, inclusion, and self-advocacy.

The Organization provides for the care and habilitation of more than 240 adults with cognitive and other developmental disabilities. Services are provided in group homes and individualized supported living arrangements in four counties in Eastern Missouri. Services are provided without regard to race, color, religion, national origin, sex, veteran status, or disability. The Organization's corporate office is located in St. Charles, Missouri.

Description Of Program Services And Supporting Activities

The Organization's programs and services are designed to achieve the highest quality of life possible, to inspire growth and learning in the most normative environment possible, to encourage independence in choice of lifestyle and personal growth, and to facilitate participation in all decisions affecting a person's quality of life including the right to decide to attend or not attend religious programs and services.

These services are provided through the Organization's Residential Care and Educational Programs, and through the following supporting activities:

Management

Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Organization's program strategy, secure proper administrative functioning of the Board of Directors, maintain competent legal services for the program administration of the Organization, and manage the information technology, financial and budgetary responsibilities of the Organization.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations to support operating activities.

2. Summary Of Significant Accounting Policies

Principles Of Consolidation

The accompanying consolidated financial statements include the accounts of Emmaus and its wholly-owned subsidiaries, the Foundation and Properties. All significant inter-entity accounts, balances and transactions have been eliminated in consolidation.

Basis Of Accounting

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

New Accounting Standards Implementation

During 2020, the Organization adopted the following Financial Accounting Standards Board (FASB) Accounting Standards Updates (ASU):

ASU 2014-09 - *Revenue from Contracts with Customers (Topic 606)*: This clarifies the principles for recognizing revenue and develops a common revenue standard. ASU 2014-09 requires new disclosures about contracts with customers, significant judgements in determining the satisfaction of performance obligations in contracts, and assets recognized from costs to obtain or fulfill contracts. Implementation did not have a material effect on the Organization's consolidated financial statements.

ASU 2018-08 - *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*: This provides enhanced guidance to assist entities in evaluating whether transactions should be accounted for as contributions or reciprocal transactions. Implementation did not have a material effect on the Organization's consolidated financial statements.

ASU 2016-18 - *Statement of Cash Flows (Topic 230): Restricted Cash*: The objective of this change is to reduce diversity that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. This amendment requires that amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

The Organization's implementation of this new accounting guidance resulted in certain presentation changes on the consolidated statement of cash flows. The effect of these changes has been applied retrospectively. For the year ended June 30, 2020, cash flows from operating activities increased $406,864. For the year ended June 30, 2019, cash flows from operating activities increased $17,597.

Basis Of Presentation

Financial statement presentation follows guidance set forth by generally accepted accounting principles for not-for-profit organizations, which requires the Organization to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets consist of the following:

Net Assets Without Donor Restrictions

Net assets without donor restrictions include net assets and contributions not subject to donor-imposed stipulations. Net assets without donor restrictions include investments designated by the Board of Directors (the Board) for endowment.

Net Assets With Donor Restrictions

Net assets with donor restrictions include net assets and contributions subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time, while others are to be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Estimates And Assumptions

Management uses estimates and assumptions in preparing its consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Operating And Nonoperating Activity

Operating results in the consolidated statement of activities reflect all transactions except the change in value of beneficial interests in perpetual trusts and investment income (loss) in excess of amount appropriated for operations.

Cash, Cash Equivalents And Restricted Cash

The Organization considers all highly liquid financial instruments, excluding amounts categorized as Board-designated assets, purchased with a maturity of three months or less to be cash equivalents.

The Organization invests its excess cash in debt instruments and securities with financial institutions with strong credit ratings and has established guidelines relative to diversification and maturities that are designed to maintain safety and liquidity. Cash balances that exceed Federal Deposit Insurance Corporation (FDIC) limits are invested in money market funds that invest exclusively in short-term U.S. government securities, including repurchase agreements secured by U.S. government securities. At June 30, 2020, the cash, cash equivalents and restricted cash balance in excess of FDIC insurance limits was approximately $2,845,000.

The following is a reconciliation between cash, cash equivalents and restricted cash reported within the consolidated statement of financial position and the total cash, cash equivalents and restricted cash on the consolidated statement of cash flows as of June 30:

	2020	2019
Cash and cash equivalents	$ 2,739,315	$ 1,777,915
Cash held for clients	692,352	285,488
Total Cash, Cash Equivalents And Restricted Cash	$ 3,431,667	$ 2,063,403

Cash Held For Clients

The cash held for clients is held by the Organization for the clients and a corresponding liability is recorded. These funds are maintained in a separate bank account at a federally insured financial institution.

Accounts And Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Those balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance for uncollectible grants receivable is considered necessary by management.

Promises To Give

Promises to give are reported at the amount management expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year end, all balances that are determined to be uncollectible.

Investments

Investments are reported at fair value. Investments for which quoted market prices are not available are carried at estimated realizable values as determined by the investment manager and reviewed by management. Gains and losses on sales of investments are determined on a specific cost-identification method. Unrealized gains and losses are determined based on year-end fair value fluctuations.

The Organization invests in series funds that invest in various investment securities as well as other investments. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position.

Property And Equipment

Property and equipment is carried at cost, less accumulated depreciation computed on the straight-line method over estimated useful lives ranging from 3 to 35 years. Leasehold improvements are amortized over the shorter of the term of the lease or the estimated useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Expenditures of at least $5,000 for additions and improvements, that increase the useful lives of the respective assets, are capitalized.

The Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of any asset may not be recoverable from the estimated future cash flows expected to result for its use and eventual disposition. During 2020, an impairment loss of $948,503 has been recognized on property classified as held for sale. No impairment loss was recognized in 2019.

Revenue and Revenue Recognition

Program Service Fees

Within program service fees on the consolidated statement of activities, the Organization has the following revenue streams:

	2020	2019
Residential habilitation	$ 26,586,326	$ 27,281,630
Room and board	49,362	179,626
Representative payee fees	98,068	98,323
Total Program Service Fees	$ 26,733,756	$ 27,559,579

Residential Habilitation

The Organization recognizes revenue associated with the residential habilitation of individuals eligible for services through the Medicaid Home and Community Based Waiver Program. Residential Habilitation services include individual supported and shared living, transportation, and professional assessment and monitoring by registered nurses. Reimbursement rates for these services are based on the needs of the individual being served and are approved annually by the Department of Mental Health. Payments for these services are billed monthly and are typically paid within thirty days. The performance obligation of delivering residential habilitation services is simultaneously received and consumed by the individuals; therefore; the revenue is recognized ratably as services are rendered.

Room And Board

Individuals have the choice to receive these services at the home in which they reside. Some individuals reside in homes in which the Organization is financially responsible for all occupancy and meal costs. Monthly room and board fees are collected at the beginning of each month from these individuals. Performance obligation of providing access to housing and meals is satisfied ratably over the period in which that individual choses to receive services in homes under this arrangement.

Representative Payee Fees

The Organization recognizes revenue from individuals who have elected to receive Social Security representative payee services. The fee for this service is determined annually by the Social Security Administration. The performance obligation is met monthly by completing all fiduciary and reporting responsibilities associated with administering that individual's monthly entitlement.

Overall economic conditions can impact the nature, timing, and uncertainty of the Organization's revenues and cash flows.

The opening and closing balances of receivables from contracts with clients for the year ended June 30, 2020 were $2,462,387 and $2,850,426, respectively. The opening and closing balances of receivables from contracts with clients for the year ended June 30, 2019 were $2,850,426 and $2,739,809, respectively.

Governmental Program Grants

A portion of the Organization's revenue is derived from cost-reimbursable state and county contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures would be reported as refundable advances in the consolidated statement of financial position. At June 30, 2020, the Organization had no cost-reimbursable contracts and grants that have not yet been recognized. At June 30, 2020 and 2019, accounts receivable and grants receivable on the consolidated statement of financial position include $102,801 and $180,925, respectively, of qualifying expenditures that have been incurred but not yet reimbursed.

Public Support

Unconditional promises to give are recognized as support in the period in which the promises are received and are recorded at the present value of the estimated future cash flow. Conditional promises to give, that is, those with a measurable performance or other barrier, are recognized as support when the conditions upon which they depend are met.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. As permitted under generally accepted accounting principles, the Organization reports contributions with donor restrictions as without donor restrictions in the current year when the Organization meets the donor restrictions in the same period as recognition of the contributions.

Donated Materials And Services

Donated materials are recorded at fair value at the date of donation.

The Organization periodically receives inkind donations, including client recreational items, facility supplies, property and equipment, and special event resources. The fair value of donated materials and property and equipment was $151,954 and $15,585 in 2020 and 2019, respectively.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services that meet the criteria for recognition are recorded at fair value at the date of donation.

The Organization generates numerous volunteer hours each year that add a dimension to the quality of life for individuals served by the Organization over and above the amount provided by salaried personnel. These donated services have not been recognized as contributions in the consolidated financial statements since the aforementioned recognition criteria, as stated by generally accepted accounting principles, were not met.

Functional Expense Allocations

The consolidated statement of functional expenses presents expenses by functional and natural classification. When expense allocations are necessary, expenses are charged to program services and supporting activities based on an appropriate allocation method, including inputs such as time and effort, census counts and square footage. Salaries have been allocated on the basis of estimates of time and effort. Fringe benefits have been allocated using a stand-alone joint cost method, the basis being payroll cost by functional department. Depreciation and amortization, occupancy, and insurance costs are allocated on a square footage basis by function. Management expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Tax Status

Emmaus is exempt from federal income taxes on related, exempt income under Section 501(c)(3) of the Internal Revenue Code (IRC).

As single member LLCs of Emmaus, the Foundation and Properties are considered disregarded entities for income tax purposes, and thus are also tax exempt under Section 501(c)(3) of the IRC.

The Organization's federal tax returns for tax years 2016 and later remain subject to examination by taxing authorities.

Subsequent Events

Management evaluates subsequent events through the date the consolidated financial statements are available for issue, which is the date of the Independent Auditors' Report.

3. Unconditional Promises To Give

Promises to be received in future periods are collectible in less than one year and consist of:

	2020	2019
United Way	$ 82,704	$ 85,284
Employee giving campaign	21,727	22,821
Grateful family campaign	15,276	28,703
Estate gifts	—	29,530
Other	21,601	8,409
Unconditional promises to give	141,308	174,747
Unconditional promises to give restricted for endowment	5,216	780,000
	$ 146,524	$ 954,747

Unconditional promises to give restricted for endowment is comprised of an estate gift. Estate gifts are recorded by the Organization upon being notified of the bequest's existence and when the amount available for distribution can be accurately estimated.

4. Investments And Assets Restricted/Designated For Endowment

Investments consist of the following:

	2020		2019	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Money market funds	$ 2,021,576	$ 2,021,576	$ 3,861,463	$ 3,861,463
Fixed income securities:				
Short-term inflation protected bond mutual fund	549,886	575,658	1,198,980	1,226,835
Fixed income series funds	3,404,958	3,851,029	2,305,463	2,729,930
	3,954,844	4,426,687	3,504,443	3,956,765
Equity securities:				
Domestic equity series funds	3,495,954	3,876,449	2,942,757	3,692,996
Global equity series funds	3,555,484	4,006,719	2,959,532	3,661,051
Liquid equity surrogates series funds	—	—	1,751,885	1,907,406
Infrastructure mutual fund	293,125	255,199	—	—
Real estate mutual fund	314,465	268,101	—	—
Global real estate mutual fund	145,000	117,890	—	—
	7,804,028	8,524,358	7,654,174	9,261,453
Real estate investment trust	5,761	5,473	6,763	6,425
	$ 13,786,209	$ 14,978,094	$ 15,026,843	$ 17,086,106

These amounts are reported in the consolidated statement of financial position as follows:

	2020	2019
Investments	$ 5,473	$ 6,425
Assets restricted/designated for endowment	14,972,621	17,079,681
	$ 14,978,094	$ 17,086,106

Investment income for the years ended June 30, 2020 and 2019 is comprised of the following:

	2020	2019
Unrealized losses	$ (867,378)	$ (906,810)
Realized gains	680,146	1,293,570
Distributions from trusts	137,985	127,634
Interest and dividend income	82,103	122,925
Less: Investment fees	(30,036)	(45,568)
	$ 2,820	$ 591,751

Investment income is reported in the consolidated statement of activities as follows:

	2020	2019
Appropriations from board-designated endowment	$ —	$ 267,556
Distributions from trusts	137,985	127,634
	137,985	395,190
Appropriations from donor-restricted endowments	760,100	541,944
Investment income designated/appropriated from endowments	898,085	937,134
Investment income (loss) in excess of amount designated/appropriated from endowments	(895,265)	(345,383)
	$ 2,820	$ 591,751

The amount reported as investment income designated for operations is based on an amount appropriated by the Organization's Board of Directors. From time to time, the amount appropriated for operations may be in excess of the actual investment return.

As discussed in Note 10, investments are pledged as collateral against the line of credit.

5. Irrevocable Charitable Trusts

The Organization is the beneficiary of various irrevocable deferred gifts administered by a third party. The present value of these contracts has been reflected in the consolidated financial statements as annuities receivable and as net assets with donor restrictions due to time restrictions. These receivables are carried at the present value of the estimated future receivable upon maturity. When the contracts mature, the current value will be reclassified as net assets with or without donor restrictions based on the donors' restrictions.

The following is a summary of changes in annuity receivables:

	2020	2019
Beginning balance	$ 26,746	$ 37,541
Maturity of gift annuities	(10,140)	—
Change in present value of receivable	(4,263)	(10,795)
Ending balance	$ 12,343	$ 26,746

6. Beneficial Interests In Perpetual Trusts

The Organization is the beneficiary of several perpetual split interest trusts. The Organization records these trusts at fair market value in the amount of split interest as designated by the donors, ranging from 4.76% to 100%.

On February 5, 1971 the Wulfekammer Staake Bode Charitable Trust was established for the primary benefit of the Organization. U.S. Bank and two management persons of the Organization serve as co-trustees. Ten percent of net income of the trust estate during the previous calendar year is retained and reinvested into the principle of the trust; the remaining ninety percent is distributed quarterly to the organization. When the principle of the trust estate as of the first day of any calendar year has increased in value to twice its starting value, the Organization receives a 25% distribution of the trust estate value. The remaining value of the trust principle becomes the new starting value of which is measured for future distributions. Income and principle distributions from the trust are without donor restrictions.

Various terms included in the trust documents require distributions to be made each year based upon income earned and/or a percentage of assets remaining. The Organization received $137,985 in distributions and recognized investment appreciation of $74,018 for the year ended June 30, 2020. The Organization received $127,634 in distributions, and recognized investment appreciation of $53,534, for the year ended June 30, 2019. The Organization's interest in these perpetual trusts amounted to $3,947,155 and $3,873,137 at June 30, 2020 and 2019, respectively. See Note 13 for fair value disclosures.

7. Property And Equipment

Property and equipment consists of:

	2020	2019
Land, buildings and leasehold improvements	$ 3,856,859	$ 3,856,859
Furniture and equipment	1,496,943	1,435,773
Vehicles	2,580,350	2,622,748
Construction in process	—	32,252
	7,934,152	7,947,632
Less: Accumulated depreciation and amortization	4,136,651	3,707,240
	$ 3,797,501	$ 4,240,392

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 totaled $663,693 and $826,686, respectively.

As of June 30, 2018, management identified idle property comprised of property in Marthasville, Missouri for which utilization had ceased and depreciation was discontinued. As of June 30, 2018, the property was not classified as held for sale as it was not actively marketed for sale. As of June 30, 2019, the property previously identified as idle, as well as the remaining assets of the Marthasville campus, net of accumulated depreciation of $4,688,561 (Marthasville Property), were actively marketed for sale and thus are classified as held for sale, in the net amount of $1,531,690, for the year ended June 30, 2019.

During 2020, the Organization sold approximately 45 acres of the approximately 669 acre Marthasville Property, resulting in a gain on sale of $170,475. In addition, during 2020, an impairment loss of $948,503 was recognized on approximately 72 acres of property containing most of the buildings and improvements, based upon the contracted sale price of the related buildings and improvements (see below). As of June 30, 2020, the Marthasville Property held for sale, net of accumulated depreciation amounted to $573,705.

Subsequent to June 30, 2020, the Organization began marketing the remaining Marthasville Property as separate parcels totaling approximately 624 acres. The Organization entered into multiple contracts to sell approximately 448 acres, which are expected to close by December 31, 2020. These sales will result in a cumulative gain on sale of approximately $1,850,000.

8. Long-Term Debt

The Organization's outstanding debt balance consists of three bank borrowings that were used to partially finance the purchase of three residential homes (the Homes); the Homes are used to support the operating activities of the Organization's Residential Care Programs.

Two of the bank borrowings, which matured during the fiscal year ended June 30, 2020, were structured as 5-year loans with fixed interest rates of 4.50%, and required monthly principal and interest payments totaling $1,998 until maturity, based on a 20-year amortization schedule and one final lump sum payment due at maturity. During 2020, the terms of the loans were amended such that the maturity dates were extended to March 2025 and required monthly principal and interest payments increased to $2,009 until maturity. Both loans are secured by the respective property as well as an assignment of the rent associated with each property.

One of the bank borrowings, totaling $225,000, is structured as a 5-year loan with a fixed interest rate of 5.50% and requires monthly principal and interest payments totaling $1,558 until maturity in September 2023 and one final lump sum payment due at maturity. The loan is secured by the property as well as an assignment of the rent associated with the property.

The balances outstanding on these loans at June 30, 2020 and 2019 total $469,609 and $487,654, respectively.

The scheduled maturities of the long-term debt at June 30, 2020 are as follows:

Year	Amount
2021	$ 19,661
2022	20,643
2023	21,683
2024	206,154
2025	201,468
	$ 469,609

In addition to bank borrowings, the purchase of the Homes was partially financed by long-term funding agreements with the DDRB of St. Charles County ("DDRB"). Under these funding agreements, the DDRB provided $102,031 that may remain outstanding during the term of the Organization's continued ownership and use of the Homes to support adults with developmental disabilities. The balance related to these funding agreements at June 30, 2020 and 2019 was $102,031, which is included in other long-term liabilities in the consolidated statements of financial position.

9. Capital Lease Obligations

The Organization leases certain vehicles and office equipment under noncancellable capital leases. The assets acquired under the leases have been capitalized and the related obligations included in long-term debt in the consolidated financial statements. The capital lease obligations are payable in monthly installments with final payments on dates ranging from June 2021 through September 2023.

The future remaining minimum lease payments as of June 30, 2020 are due as follows:

Year	Amount
2021	$ 141,544
2022	110,037
2023	49,732
2024	8,436
Total minimum lease payments	309,749
Amount representing interest	(28,720)
Present value of net minimum lease payments	281,029
Current maturities	(123,672)
Long-term capital lease obligations	$ 157,357

Total assets under capital leases included in property and equipment on the consolidated statements of financial position consist of:

	2020	2019
Vehicles	$ 523,515	$ 523,515
Office equipment	87,674	87,674
Accumulated amortization	(340,183)	(220,352)
	$ 271,006	$ 390,837

Amortization expense for assets under capital leases was $119,831 and $114,824 for the years ended June 30, 2020 and 2019, respectively.

10. Line Of Credit

The Organization has a line-of-credit agreement in the amount of $1,000,000 with U.S. Bank. The line of credit was renewed during the year under similar terms and expires in March 2021. Borrowing under the line of credit bears interest at a rate equal to the LIBOR monthly rate plus 2% (2.18% at June 30, 2020). There was no outstanding balance on this line of credit at June 30, 2020 or 2019.

The line of credit is secured by all investments and contains a financial covenant. The Organization is in compliance with this covenant at June 30, 2020.

11. Self-Insured Medical Benefits

The Organization has established a self-insurance plan covering certain medical benefits for substantially all of its employees. Medical claims are subject to per participant and aggregate limits, with the excess liability coverage provided by an independent insurer. After meeting a preset claim limit for a participant, the Organization is reimbursed for the excess cost of claims paid for a participant during the annual term of the insurance policy. The amount expensed by the Organization for these medical benefits is $1,750,460 and $1,760,745 for the years ended June 30, 2020 and 2019, respectively. This expense is included in fringe benefits in the consolidated statements of functional expenses. Based on known facts and historical trends, the accrued self-insurance liability as of June 30, 2020 and 2019 is $191,800 and $235,200, respectively. Management believes that such accruals are adequate and the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial position of the Organization.

12. Net Assets

Net assets with donor restrictions as of June 30 are as follows:

	2020	2019
Time Restricted:		
United Way	$ 82,702	$ 85,286
Annuities	12,343	26,746
Beneficial interest in perpetual trusts	457,828	409,757
Other	48,526	81,108
Total Time Restricted	601,399	602,897
Purpose Restricted:		
Endowment income	1,371,578	2,175,025
Other	53,669	27,145
Total Purpose Restricted	1,425,247	2,202,170
Assets Held in Perpetuity:		
Investments	5,823,688	5,017,329
Unconditional promise to give	5,216	780,000
Beneficial interests in perpetual trusts	3,489,327	3,463,380
Total Assets Held in Perpetuity	9,318,231	9,260,709
	$ 11,344,877	$ 12,065,776

Net assets were released from net assets with donor restrictions as follows:

		2020		2019
Time Restricted:				
United Way	$	85,286	$	172,772
Annuities		10,140		—
Other		65,832		318,659
Total Time Restricted		161,258		491,431
Purpose Restricted:				
Endowment income		760,100		541,944
Capital items		—		54,218
Other		17,084		66,619
Total Purpose Restricted		777,184		662,781
	$	938,442	$	1,154,212

Endowment

The Organization's endowment consists of various funds established for a variety of purposes. Its endowment includes both endowment funds with donor restrictions and funds designated by the Board of Directors to function as endowments. As required by accounting standards, assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation Of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as endowment with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund with donor restrictions that is not classified in endowment principal is classified as endowment earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following facts in making a determination to appropriate or accumulate endowment funds with donor restrictions:

(1) The duration and preservation of the fund;
(2) The purposes of the Organization and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the Organization; and
(7) The investment policies of the Organization.

Endowment Asset Composition By Type Of Fund As Of June 30:

	2020			
	Without Donor Restrictions	With Donor Restrictions Earnings	With Donor Restrictions Principal	Total
Endowment funds with donor restrictions	$ —	$ 1,371,578	$ 5,823,688	$ 7,195,266
Board designated endowment funds	7,777,355	—	—	7,777,355
	$ 7,777,355	$ 1,371,578	$ 5,823,688	$ 14,972,621

	2019			
	Without Donor Restrictions	With Donor Restrictions Earnings	With Donor Restrictions Principal	Total
Endowment funds with donor restrictions	$ —	$ 2,175,025	$ 5,017,329	$ 7,192,354
Board designated endowment funds	9,887,327	—	—	9,887,327
	$ 9,887,327	$ 2,175,025	$ 5,017,329	$ 17,079,681

Changes In Endowment Assets For The Years Ended June 30:

	Without Donor Restrictions	With Donor Restrictions		
		Earnings	Principal	Total
Endowment assets, July 1, 2018	$ 9,887,327	$ 2,567,827	$ 4,978,958	$ 17,434,112
Investment income, net	267,556	149,142	5,478	422,176
Contributions	—	—	32,893	32,893
Appropriation for current operations	(267,556)	(541,944)	—	(809,500)
Endowment assets, June 30, 2019	9,887,327	2,175,025	5,017,329	17,079,681
Investment income, net	(109,972)	(43,347)	1,696	(151,623)
Contributions	—	—	804,663	804,663
Excess spending withdrawals	(2,000,000)	—	—	(2,000,000)
Appropriation for current operations	—	(760,100)	—	(760,100)
Endowment assets, June 30, 2020	$ 7,777,355	$ 1,371,578	$ 5,823,688	$ 14,972,621

Funds With Deficiencies

From time to time, the fair value of assets associated with the individual endowment funds with donor restrictions may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. If such deficiencies exist, the Organization would continue appropriation for certain purposes which are deemed prudent by the Board of Directors. There were no such deficiencies as of June 30, 2020 or 2019.

Return Objectives And Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those funds with donor restrictions that the Organization must hold in perpetuity or for a donor specified period, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the appropriate index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

During the year ended June 30, 2019, the Board of Directors converted $4,000,000 of endowment assets to a short-term investment strategy to allow for possible excess spending during the three-year period ending June 30, 2021 (Note 18). $2,000,000 of excess spending withdrawals were taken in 2020.

Spending Policy And How The Investment Objectives Relate To Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 20 quarters through the March 31 preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new contributions and investment return.

13. Fair Value Measurements

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the years ended June 30, 2020 and 2019. Assets measured and reported at fair value are classified and disclosed in one of the following three categories:

Level 1 Quoted prices that are readily available in active markets/exchanges for identical investments and derivatives. The types of investments and derivatives that are classified at this level generally include money market funds and exchange-traded equities.

Level 2 Pricing inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar investments in active markets/exchanges or prices quoted for identical or similar investments in markets that are not active, and fair value is determined using inputs that are derived principally from or corroborated by observable model data by correlation or other means.

Level 3 Significant pricing inputs that are unobservable for the investment and includes investments for which there is little, if any, market activity for the investment. The inputs into determination of fair value require significant management judgment and estimation. The types of investments that are classified at this level include beneficial interests in perpetual trusts held by others.

Inputs refer broadly to the assumptions that market participants would use in pricing the investments, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the investment or derivative based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the investment or derivative. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment or derivative.

The Organization's assets that are measured at fair value are reported in the consolidated statement of financial position as either "investments," "assets restricted/designated for endowment" or "beneficial interests in perpetual trusts" at both June 30, 2020 and 2019.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2020 and 2019:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 2,021,576	$ —	$ —	$ 2,021,576
Short-term inflation protected bond mutual fund	575,658	—	—	575,658
Infrastructure mutual fund	255,199	—	—	255,199
Real estate mutual fund	268,101	—	—	268,101
Global real estate mutual fund	117,890	—	—	117,890
Real estate investment trust	—	—	5,473	5,473
Beneficial interests in perpetual trusts	—	—	3,947,155	3,947,155
	$ 3,238,424	$ —	$ 3,952,628	7,191,052
Investments measured at net asset value (a)				11,734,197
				$ 18,925,249

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 3,861,463	$ —	$ —	$ 3,861,463
Short-term inflation protected bond mutual fund	1,226,835	—	—	1,226,835
Real estate investment trust	—	—	6,425	6,425
Beneficial interests in perpetual trusts	—	—	3,873,137	3,873,137
	$ 5,088,298	$ —	$ 3,879,562	8,967,860
Investments measured at net asset value (a)				11,991,383
				$ 20,959,243

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2020 and 2019:

	Real Estate Investment Trust	Beneficial Interests In Perpetual Trusts	Total
Balance - July 1, 2018	$ 35,505	$ 3,819,603	$ 3,855,108
Proceeds on share redemption	(27,734)	—	(27,734)
Realized and unrealized loss on investment	(1,346)	—	(1,346)
Change in value of beneficial interests in perpetual trusts	—	53,534	53,534
Balance - June 30, 2019	6,425	3,873,137	3,879,562
Proceeds on share redemption	(302)	—	(302)
Realized and unrealized loss on investment	(650)	—	(650)
Change in value of beneficial interests in perpetual trusts	—	74,018	74,018
Balance - June 30, 2020	$ 5,473	$ 3,947,155	$ 3,952,628

During the year ended June 30, 2019, a significant transfer was made from investments measured at Net Asset Value to Level 1. There were no significant transfers between Levels 1, 2 or 3 during the year ended June 30, 2020.

As of June 30, 2020 and 2019, the Level 3 investments listed in the fair value hierarchy tables use the following valuation techniques and inputs:

Alternative Investments - Real Estate Investment Trust

Alternative investments consist of an investment in a Real Estate Investment Trust (REIT). The fair value of this investment is classified as Level 3. The values for underlying investments are fair value estimates determined by the REIT in accordance with U.S. generally accepted accounting principles.

Beneficial Interests In Perpetual Trusts

Beneficial interests in perpetual trusts held by others are valued using the fair value of the assets in the trust as a practical expedient unless facts and circumstances indicate that the fair value of the assets in the trust differs from the fair value of the beneficial interests. Perpetual trusts held by others are classified within Level 3 of the fair value hierarchy.

The following table summarizes the Organization's investments that calculate net asset value per share (or its equivalent):

	Fair Value		Unfunded	Redemption	Redemption
	2020	**2019**	**Commitments**	**Frequency**	**Notice Period**
Fixed income series funds (a)	$ 3,851,029	$ 2,729,930	$ —	semi-monthly	5-30 days
Domestic equity series funds (b)	3,876,449	3,692,996	—	semi-monthly	5-30 days
Global equity series funds (c)	4,006,719	3,661,051	—	semi-monthly	5-30 days
Liquid equity surrogates series funds (d)	—	1,907,406	—	monthly	15-30 days
	$ 11,734,197	$ 11,991,383			

a. This series primarily invests in corporate bonds, asset backed securities, and government bonds. The principal purpose of the Fixed Income Series is to provide relative protection of principal and a predictable source of income. Additionally, the series may invest in "extended" sectors of the fixed income market (high yield, non-dollar, and convertible securities). The fair values of the investments in this class have been estimated using the net asset value per share of the investments. There are no obligations to make any additional contributions to the series.

b. This series primarily invests in equity positions in domestic corporations traded on any national exchange or NASDAQ. Investments in common stock, listed limited partnerships, preferred stock, ETFs, ETNs, securities convertible into common or preferred stock, bonds, American Depository Receipts, debentures and warrants are allowed. The series is also permitted to invest in mutual funds and other commingled investment vehicles. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. There are no obligations to make any additional contributions to the series.

c. This series primarily invests in equity positions in both U.S. and non-U.S.-based corporations traded on any global exchange. Investments in common stock, listed limited partnerships, preferred stock, ETFs, ETNs, securities convertible into common or preferred stock, bonds, American Depository Receipts, debentures and warrants are allowed. Additionally, Investments in Global Depository Receipts and European Depository Receipts are allowed. The series is also permitted to invest in mutual funds. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. There are no obligations to make any additional contributions to the series.

d. This series investment strategy is intended to complement a traditional stock and/or bond portfolio for those investors who wish to increase portfolio diversification and lower volatility while maintaining a relatively high degree of liquidity. Investments may include, but are not limited to, Master Limited Partnerships, risk parity strategies, global equities, frontier emerging market equities, emerging market bonds, and high yield bonds. Investments in this series are expected to have varying degrees of equity market risk exposure, with less-than-market beta and volatility. The series is permitted to invest in separate accounts, mutual funds and other commingled investment vehicles that invest in the types of securities identified above that ordinarily provide liquidity within 90 days or less. There are no obligations to make any additional contributions to the series. This investment was redeemed in 2020.

During 2020 and 2019, there were no changes in the methods or assumptions utilized to derive the fair values of the Organization's assets.

14. Funding Concentration

The Organization receives funding for a majority of its clients from the Missouri Department of Mental Health (DMH) under the Medicaid Home and Community Based Services Waiver Program (Medicaid HCBS Waiver Program). DMH pays the Organization for providing services associated with the residential habilitation of these individuals. The amounts received from the above sources account for approximately 97% of Total Program Revenue and 91% of Total Revenues and Support for the year ended June 30, 2020. The amounts received from the above sources accounted for approximately 97% of Total Program Revenue and 89% of Total Revenues and Support for the year ended June 30, 2019.

Since the Organization receives a substantial amount of its support from state and local government agencies, a reduction in the level of this support, if this were to occur, may have an adverse effect on the Organization's programs and activities.

As of June 30, 2020 and 2019, substantially all of the accounts receivable balance represented amounts due from state governmental agencies.

15. Pension Plans

The Organization's employees may be eligible to receive pension benefits under one of two pension plans currently in effect. The first is a defined contribution plan, administered through the United Church of Christ, which provides benefits for employees serving in a ministerial capacity for the Organization. Contributions for ministers are made quarterly at a rate of 14% of the employees' total compensation.

The second plan is a 403(b) retirement plan sponsored by the Organization that provides coverage for its remaining employees. Employees are eligible to participate in salary reduction contributions on their dates of hire. Employees who have completed one year of consecutive service are eligible to receive employer-matching contributions. The Organization's contributions plus any earnings they generate are vested 100% after three years of service.

Pension expense for the years ended June 30, 2020 and 2019 for both plans totaled $275,340 and $252,448, respectively. This amount is included in fringe benefits in the consolidated financial statements.

Additionally, the Organization has entered into agreements with certain current management employees of the Organization providing retirement benefits under nonqualified, deferred compensation plans. The asset and corresponding liability at June 30, 2020 and 2019 in the amounts of $114,160 and $112,243, respectively, are reported as other assets and other liabilities in the consolidated statement of financial position. There were no contributions to these plans in 2020. The contributions to these plans amounted to $8,750 in 2019.

16. Commitments

The Organization leases various residential space, office space, vehicles and equipment under operating leases expiring on various dates through 2022. Rent expense for the years ended June 30, 2020 and 2019 was $347,046 and $342,451, respectively. Aggregate minimum rental commitments under operating leases at June 30, 2020 are as follows:

Year	Amount
2021	$ 160,781
2022	11,183
	$ 171,964

Additionally, the Organization is the guarantor on several leases for residential space entered into by individuals supported by the Organization. The aggregate amount guaranteed by the Organization at June 30, 2020 totaled approximately $4,755,000. These leases expire on various dates through fiscal year 2029.

The Organization has identified asbestos in certain buildings located on the Marthasville Property. The Organization has no plans to renovate these buildings and currently anticipates that any future costs of remediating the asbestos will be assumed as part of a sale transaction for the Marthasville Property. No liability has been recognized for any future costs of remediation due to the uncertainty and indeterminate settlement date of any such liability.

The Organization had recorded a liability related to the future remediation of a waste holding reservoir located on the Marthasville campus. The remediation included the disposal of a significant portion of existing wastewater, collapsing the reservoir walls, land reclamations and disconnecting the flow of wastewater. During 2019, a revised contract was signed for the remediation and, as such, the estimated liability of $45,500 was included in accounts payable on the consolidated statement of financial position at June 30, 2019. The remediation was completed during 2020.

17. Contingencies

The Organization is subject to legal claims arising out of the normal course of conducting its operations. Management does not expect that these matters will have a material adverse effect on the consolidated financial statements of the Organization.

In December 2019, a novel strain of coronavirus, known as COVID-19, was reported in Wuhan, China and has since extensively impacted the global health and economic environment. In March 2020, the World Health Organization characterized COVID-19 as a pandemic, and the President declared the COVID-19 outbreak in the United States as a national emergency. In compliance with government mandates, since March 2020, the Organization has had to modify its operations and programming, which could affect the Organization's support and revenue. Keeping the Organization's clients safe during the pandemic has been the Organization's highest priority. As a result, additional costs have been incurred such as additional staff overtime and related incentive pay, personal protective equipment and additional sanitation supplies for clients' homes.

The continued outbreak of the COVID-19 virus is also likely to have a further negative impact in 2021 on the economy, which in the future, might impact the Organization's ability to fundraise. All of these factors could have a significant impact on the Organization's financial results in 2021 and beyond. Given the dynamic nature of this outbreak; however, the extent to which the COVID-19 virus will impact the Organization's results will depend on future developments, which remain highly uncertain and cannot be predicted at this time.

Subsequent to June 30, 2020, the Organization was eligible for two grants through the Coronavirus Relief Fund as created in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These funds were designed to assist healthcare providers with lost revenue and increased costs to prepare for and respond to the coronavirus. The Organization applied for and was awarded its maximum allocation under each grant:

- U.S. Department of Health and Human Services Provider Relief Fund - $551,192
- State of Missouri CARES Act Fund - $582,798

18. Liquidity And Availability Of Financial Assets

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position, comprise the following at June 30:

	2020	2019
Cash and cash equivalents	$ 2,739,315	$ 1,777,915
Accounts receivable, net of allowance	2,673,936	3,138,166
Grants receivable	102,801	180,925
Unconditional promises to give	141,308	174,747
Less: amounts with donor restrictions	(62,828)	(41,496)
Current assets available for general expenditures	5,594,532	5,230,257
Distributions from beneficial interests in perpetual trusts	128,500	125,000
Endowment spending-rate distributions and appropriations	2,256,900	3,060,100
	$ 7,979,932	$ 8,415,357

The primary revenue source for the Organization is funding provided by DMH under the Medicaid HCBS Waiver Program which funds residential habilitation services for the Organization's clients (see Note 14). The State of Missouri does not currently fund its Medicaid Waiver Program at a level that supports the existing economic conditions in the labor markets where the Organization operates. To help fund this revenue shortfall, the Organization engages in a variety of fundraising activities and maintains an endowment to generate investment income. In addition, the Organization plans for the use of a significant portion of its operating cash reserves to fund competitive wage rate increases that exceed the anticipated level of annual operating revenue. (See the Statement of Cash Flows.)

The Organization's endowment consists of both funds with donor restrictions and board-designated funds. The significant portion of the income from the endowment with donor restrictions does not contain restrictions for specific purposes, and is available to fund general operating activities. The original principal amount of the endowment with donor restrictions is not available for general expenditures. The board-designated endowment was established in prior years when annual operating activities generated a cash flow surplus and no anticipated future short-term spending of the surplus existed. In August 2018, in response to projected future funding shortfalls, the Board of Directors made the decision to convert $4,000,000 of the board-designated endowment to a short-term investment strategy. (See Notes 4 and 12 for additional information about the Organization's endowment funds.)

As part of the Organization's liquidity management, cash in excess of daily requirements is automatically invested in a short-term fund that invests primarily in securities issued by the U.S. Government. In addition, the Organization maintains a $1,000,000 line of credit to support short-term fluctuations in working capital needs. (See Note 10 for additional information about the Organization's line of credit.)

During the Organization's annual budgeting process for the fiscal year ending June 30, 2021, the Board of Directors approved an annual operating cash flow deficit, which reflects the DMH funding shortfall discussed above. The Organization plans to fund this deficit through a combination of operating cash reserves and the board-designated endowment.

In September 2020, the Organization was notified of an estate gift that named the Foundation as the primary and residuary beneficiary. The estate gift consists of cash, equities, and in-kind assets valued at approximately $2,800,000. Cash and equities from this gift of approximately $2,500,000 will remain in the Foundation and be invested in accordance with the Organization's investment policy. The in-kind asset of real estate valued at approximately $300,000 will be transferred to Properties and will be leased to clients served by the Organization in its residential programs.