EMMAUS HOMES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

Emmaus

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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, 2021 and 2020, 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, 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.

RubinBrown LLP

October 28, 2021

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

	June 30, 2021	June 30, 2020
Current Assets		
Cash and cash equivalents	$ 9,256,538	$ 2,739,315
Cash held for clients	974,677	692,352
Accounts receivable (net of allowance for doubtful accounts of $27,736 in 2021 and $33,078 in 2020)	2,410,441	2,673,936
Grants receivable	102,940	102,801
Unconditional promises to give	1,214,316	141,308
Unconditional promises to give restricted for endowment	—	5,216
Prepaid expenses	249,814	344,767
Investments	4,590	5,473
Total Current Assets	14,213,316	6,705,168
Other Assets		
Investments restricted/designated for endowment	23,153,868	14,972,621
Annuities receivable	12,365	12,343
Other assets	180,040	299,625
Property and equipment	3,573,728	3,797,501
Property held for sale	—	573,705
Beneficial interests in perpetual trusts	4,232,721	3,947,155
Total Other Assets	31,152,722	23,602,950
Total Assets	$ 45,366,038	$ 30,308,118

Liabilities And Net Assets

	2021	2020
Current Liabilities		
Current maturities of long-term debt	$ 20,672	$ 19,661
Current maturities of capital lease obligations	88,247	123,672
Accounts payable	558,087	543,349
Accrued wages	1,998,242	1,824,668
Accrued self-insurance liability	287,600	191,800
Amounts held for clients	974,677	692,352
Total Current Liabilities	3,927,525	3,395,502
Other Long-Term Liabilities	553,042	216,191
Long-Term Debt	5,668,304	449,948
Capital Lease Obligations - Long-Term	56,153	157,357
Total Liabilities	10,205,024	4,218,998
Net Assets		
Without donor restrictions:		
Operations	3,613,016	3,448,351
Investment in property and equipment	2,877,321	3,518,537
Board-designated endowment	14,324,531	7,777,355
Total Without Donor Restrictions	20,814,868	14,744,243
With donor restrictions	14,346,146	11,344,877
Total Net Assets	35,161,014	26,089,120
Total Liabilities And Net Assets	$ 45,366,038	$ 30,308,118

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Years Ended June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Program Revenue						
Program service fees	$ 24,022,837	$ —	$ 24,022,837	$ 26,733,756	$ —	$ 26,733,756
Governmental program grants	415,786	—	415,786	457,458	—	457,458
CARES Act government grants	1,299,389	—	1,299,389	—	—	—
Total Program Revenue	25,738,012	—	25,738,012	27,191,214	—	27,191,214
Other Revenue, Support, Gains And Losses						
Contributions	482,573	9,880	492,453	451,767	43,786	495,553
Special events, net	23,032	—	23,032	—	1,521	1,521
Bequests	2,466,808	1,093,189	3,559,997	472,166	25,867	498,033
United Way	113,497	113,498	226,995	82,701	82,702	165,403
Grant income - nongovernment	62,541	36,500	99,041	107,487	35,563	143,050
Grants and awards for capital projects	—	—	—	138,464	—	138,464
Gift annuities	—	22	22	11,981	(4,263)	7,718
Other income	125,844	—	125,844	29,523	—	29,523
Investment income designated/appropriated from endowments	1,387,490	—	1,387,490	137,985	760,100	898,085
Impairment loss on property held for sale	—	—	—	(948,503)	—	(948,503)
Gain on sale of property held for sale	2,924,439	—	2,924,439	170,475	—	170,475
Total Other Revenue, Support, Gains And Losses	7,586,224	1,253,089	8,839,313	654,046	945,276	1,599,322
Net Assets Released From Restrictions	171,457	(171,457)	—	938,442	(938,442)	—
Total Revenues, Support, Gains And Losses	33,495,693	1,081,632	34,577,325	28,783,702	6,834	28,790,536
Expenses						
Program Services:						
Residential care	24,983,688	—	24,983,688	27,476,604	—	27,476,604
Educational programs	—	—	—	158,595	—	158,595
Management	3,275,534	—	3,275,534	3,745,972	—	3,745,972
Fundraising	402,157	—	402,157	437,141	—	437,141
Total Expenses	28,661,379	—	28,661,379	31,818,312	—	31,818,312
Increase (Decrease) In Net Assets From Operations	4,834,314	1,081,632	5,915,946	(3,034,610)	6,834	(3,027,776)
Other Income (Loss)						
Change in value of beneficial interests in perpetual trusts	—	285,566	285,566	—	74,018	74,018
Investment income (loss) in excess of amount designated/appropriated from endowments	1,236,311	1,634,071	2,870,382	(93,514)	(801,751)	(895,265)
Total Other Income (Loss)	1,236,311	1,919,637	3,155,948	(93,514)	(727,733)	(821,247)
Increase (Decrease) In Net Assets	6,070,625	3,001,269	9,071,894	(3,128,124)	(720,899)	(3,849,023)
Net Assets - Beginning Of Year	14,744,243	11,344,877	26,089,120	17,872,367	12,065,776	29,938,143
Net Assets - End Of Year	$ 20,814,868	$ 14,346,146	$ 35,161,014	$ 14,744,243	$ 11,344,877	$ 26,089,120

See the notes to consolidated financial statements.

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2021

	Residential Care Programs	Management	Fundraising	Total
Salaries	$ 17,802,069	$ 1,952,368	$ 250,823	$ 20,005,260
Contracted personnel	84	4,450	—	4,534
Fringe benefits and payroll taxes	4,068,652	474,971	59,437	4,603,060
Other personnel costs	436,908	117,515	5,396	559,819
Audit fees	—	47,100	—	47,100
Bad debt expense	—	5,909	—	5,909
Communications	301,470	42,093	16,256	359,819
Contract services	421,430	136,172	—	557,602
Equipment expense	8,490	387	—	8,877
Food	11,793	—	—	11,793
Information technology services	145,060	48,959	13,346	207,365
Insurance	339,983	97,603	6,139	443,725
Interest	38,491	17,980	—	56,471
Legal fees	—	8,058	1,544	9,602
Maintenance and repair	237,679	40,227	2,481	280,387
Materials and supplies	129,357	13,412	1,605	144,374
Miscellaneous	17,826	12,710	6,316	36,852
Rent	291,311	1,106	141	292,558
Professional fees	7,193	78,766	7,337	93,296
Staff training	65,262	5,541	7,268	78,071
Staff travel	36,417	1,227	1,571	39,215
Transportation	135,383	17,616	3,531	156,530
Utilities	52,646	36,926	2,318	91,890
Total Expenses Before Depreciation And Amortization	24,547,504	3,161,096	385,509	28,094,109
Depreciation and amortization	436,184	114,438	16,648	567,270
Total Expenses	$ 24,983,688	$ 3,275,534	$ 402,157	$ 28,661,379

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 STATEMENTS OF CASH FLOWS

	For The Years Ended June 30, 2021	2020
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ 9,071,894	$ (3,849,023)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	567,270	663,693
Gain on disposal of property and equipment	(116,424)	(18,749)
Gain on sale of property held for sale	(2,924,439)	(170,475)
Impairment loss on property held for sale	—	948,503
Endowment contributions	—	(29,879)
Realized gains on investments	(1,704,166)	(680,146)
Unrealized (gains) losses on investments	(1,861,754)	867,378
Change in value of perpetual trusts	(285,566)	(74,018)
Contributed investments	(1,579,159)	—
Contributed property and equipment	(302,452)	(116,601)
Changes in assets and liabilities:		
Accounts and grants receivable	263,356	542,354
Unconditional promises to give	(1,067,792)	33,439
Prepaid expenses and other assets	214,538	33,207
Annuities receivable	(22)	14,403
Accounts payable	14,738	53,337
Accrued wages	173,574	96,108
Accrued self-insurance liability	95,800	(43,400)
Amounts held for clients	282,325	406,864
Other liabilities	336,851	1,917
Net Cash Provided By (Used In) Operating Activities	1,178,572	(1,321,088)
Cash Flows From Investing Activities		
Proceeds from sale of investments	8,622,478	4,949,974
Purchases of investments	(11,722,337)	(4,856,019)
Net purchases of money market funds	64,574	1,826,825
Purchases of property and equipment	(141,862)	(114,773)
Proceeds from sale of property and equipment	152,056	29,321
Proceeds from sale of property held for sale	3,563,329	179,957
Net Cash Provided By Investing Activities	538,238	2,015,285
Cash Flows From Financing Activities		
Borrowings on line of credit	—	1,500,000
Repayments on line of credit	—	(1,500,000)
Proceeds from Paycheck Protection Program loan	5,239,000	—
Principal payments on long-term debt	(19,633)	(18,045)
Principal payments on capital leases	(136,629)	(112,551)
Proceeds from endowment contributions	—	804,663
Net Cash Provided By Financing Activities	5,082,738	674,067
Net Increase In Cash, Cash Equivalents And Restricted Cash	6,799,548	1,368,264
Cash, Cash Equivalents And Restricted Cash - Beginning Of Year	3,431,667	2,063,403
Cash, Cash Equivalents And Restricted Cash - End Of Year	$ 10,231,215	$ 3,431,667
Supplemental Disclosure Of Cash Flow Information		
Interest paid	$ 43,418	$ 51,793

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 (the Board). 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 220 adults with cognitive and other developmental disabilities. Services are provided in 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, 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.

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 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, 2021, the cash, cash equivalents and restricted cash balance in excess of FDIC insurance limits was approximately $8,802,000.

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:

	2021	2020
Cash and cash equivalents	$ 9,256,538	$ 2,739,315
Cash held for clients	974,677	692,352
Total cash, cash equivalents and restricted cash	$ 10,231,215	$ 3,431,667

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 30 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. No impairment loss was recognized in 2021. During 2020, an impairment loss of $948,503 was recognized on property classified as held for sale.

Long-Term Debt - Paycheck Protection Program Loan

The Organization has a loan that is part of the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). The Organization considers the PPP loan to be debt, subject to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 470, *Debt*. The Organization will not impute additional interest at a market rate as transactions where interest rates are prescribed by governmental agencies are not subject to the accounting guidance on imputing interest.

The loan will remain 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. Once the loan is, in part or wholly, forgiven and legal release is received, the Organization will reduce the liability by the amount forgiven and record a gain on extinguishment.

In accordance with the requirements of the CARES Act, the Organization believes that it used the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll costs, mortgage interest, rent and utility costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. Accordingly, the Organization intends to apply for forgiveness of all principal and interest. Notwithstanding the Organization's expected eligibility for forgiveness, no assurance can be given that the Organization will obtain forgiveness of all or any portion of amounts due.

Revenue and Revenue Recognition

Program Service Fees

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

	2021	2020
Residential habilitation	$ 23,873,462	$ 26,586,326
Accessible housing rental income	52,300	49,362
Representative payee fees	97,075	98,068
Total Program Service Fees	$ 24,022,837	$ 26,733,756

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.

Accessible Housing Rental Income

Properties holds and manages four accessible homes in which our clients are served. Rental agreements are executed between the clients residing in these homes and Properties. Monthly rent is collected at the beginning of the month from these clients. Performance obligation of providing access to housing is satisfied ratably over the period in which that individual chooses 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, 2021 were $2,191,292 and $2,462,387, respectively. 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.

Governmental Program Grants

A portion of the Organization's revenue is derived from cost-reimbursable state, county and federal 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.

The Organization will recognize as revenue the amounts received from the U.S. Department of Health and Human Services Provider Relief Fund as it incurs losses that the CARES Act is intended to compensate.

At June 30, 2021, the Organization had no cost-reimbursable contracts and grants that have not yet been recognized. At June 30, 2021 and 2020, accounts receivable and grants receivable on the consolidated statement of financial position include $102,940 and $102,801, 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 in-kind 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 $306,734 and $151,954 in 2021 and 2020, 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.

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 2017 and later remain subject to examination by taxing authorities.

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.

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:

	2021	2020
United Way	$ 113,496	$ 82,704
Employee giving campaign	7,250	21,727
Grateful family campaign	—	15,276
Estate gifts	1,093,189	—
Other	381	21,601
Unconditional promises to give	1,214,316	141,308
Unconditional promises to give restricted for endowment	—	5,216
	$ 1,214,316	$ 146,524

Unconditional promises to give restricted for endowment was 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:

	2021		2020	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Money market funds	$ 1,946,463	$ 1,946,463	$ 2,021,576	$ 2,021,576
Fixed income securities:				
Short-term inflation protected bond mutual fund	818,695	865,711	549,886	575,658
Fixed income fund	6,370,000	6,350,683	—	—
Fixed income series funds	—	—	3,404,958	3,851,029
	7,188,695	7,216,394	3,954,844	4,426,687
Equity securities:				
Domestic equity series funds	—	—	3,495,954	3,876,449
Global equity series funds	4,011,469	5,709,409	3,555,484	4,006,719
Fidelity 500 index fund	5,042,399	6,180,749	—	—
Infrastructure mutual fund	437,279	439,843	293,125	255,199
Real estate mutual fund	394,583	454,898	314,465	268,101
Global real estate mutual fund	221,259	221,456	145,000	117,890
Small-cap value fund	495,043	609,296	—	—
Mid-cap growth fund	361,890	375,360	—	—
	10,963,922	13,991,011	7,804,028	8,524,358
Real estate investment trust	5,739	4,590	5,761	5,473
	$ 20,104,819	$ 23,158,458	$ 13,786,209	$ 14,978,094

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

	2021	**2020**
Investments	$ 4,590	$ 5,473
Assets restricted/designated for endowment	23,153,868	14,972,621
	$ 23,158,458	$ 14,978,094

Investment income for the years ended June 30, 2021 and 2020 is comprised of the following:

	2021	**2020**
Unrealized gains (losses)	$ 1,861,754	$ (867,378)
Realized gains	1,704,166	680,146
Distributions from trusts	630,590	137,985
Interest and dividend income	98,950	82,103
Less: Investment fees	(37,588)	(30,036)
	$ 4,257,872	$ 2,820

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

	2021	2020
Appropriation for current operations	$ 756,900	$ 760,100
Distributions from trusts	630,590	137,985
	1,387,490	898,085
Investment income (loss) in excess of amount designated/appropriated from endowments	2,870,382	(895,265)
	$ 4,257,872	$ 2,820

The amount reported as investment income designated for operations is based on an amount appropriated by the Organization's Board. 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:

	2021	2020
Beginning balance	$ 12,343	$ 26,746
Maturity of gift annuities	—	(10,140)
Change in present value of receivable	22	(4,263)
Ending balance	$ 12,365	$ 12,343

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 $630,590 in distributions and recognized investment appreciation of $285,566 for the year ended June 30, 2021. The Organization received $137,985 in distributions, and recognized investment appreciation of $74,018, for the year ended June 30, 2020. The Organization's interest in these perpetual trusts amounted to $4,232,721 and $3,947,155 at June 30, 2021 and 2020, respectively. See Note 13 for fair value disclosures.

7. Property And Equipment

Property and equipment consists of:

	2021	2020
Land, buildings and leasehold improvements	$ 4,197,047	$ 3,856,859
Furniture and equipment	1,386,677	1,496,943
Vehicles	2,174,923	2,580,350
	7,758,647	7,934,152
Less: Accumulated depreciation and amortization	4,184,919	4,136,651
	$ 3,573,728	$ 3,797,501

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 totaled $567,270 and $663,693, respectively.

During 2019, property located in Marthasville, Missouri, which had previously been identified as idle, as well as the remaining assets of the Marthasville campus (the Marthasville Property) were listed as held for sale. 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 contracts entered into subsequent to June 30, 2020. As of June 30, 2020, the Marthasville Property held for sale, net of accumulated depreciation, amounted to $573,705. During 2021, the Organization sold the remaining Marthasville Property, resulting in a gain on sale of $2,924,439. As of June 30, 2021, no property is classified as held for sale.

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) and a Paycheck Protection Program (PPP) loan. 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, 2021 and 2020 total $449,976 and $469,609, respectively.

As further described in Note 2, in April 2021, the Organization received proceeds of $5,239,000 under a promissory note entered into between the Organization and Bank of Franklin County pursuant to the PPP established under the CARES Act and administered by the SBA. Payments on the PPP loan are deferred until February 2022, at which time monthly interest-only payments shall begin. Any unpaid principal and accrued interest shall be due upon maturity of the loan in April 2026, if the loan is not forgiven under the terms of the PPP. This unsecured loan bears interest at a fixed rate of 1% and may be prepaid at any time prior to the maturity date, without penalty. At June 30, 2021, the outstanding balance of the loan is $5,239,000.

The scheduled maturities of the long-term debt at June 30, 2021 are as follows:

Year	**Amount**
2022	$ 20,672
2023	21,683
2024	206,154
2025	201,467
2026	5,239,000
	$ 5,688,976

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 in St. Charles County to support adults with developmental disabilities. The balance related to these funding agreements at June 30, 2021 and 2020 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 May 2022 through September 2023.

The future remaining minimum lease payments as of June 30, 2021 are due as follows:

Year	Amount
2022	$ 96,909
2023	52,695
2024	8,437
Total minimum lease payments	158,041
Amount representing interest	(13,641)
Present value of net minimum lease payments	144,400
Current maturities	(88,247)
Long-term capital lease obligations	$ 56,153

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

	2021	2020
Vehicles	$ 390,539	$ 523,515
Office equipment	87,674	87,674
Accumulated amortization	(341,906)	(340,183)
	$ 136,307	$ 271,006

Amortization expense for assets under capital leases was $114,828 and $119,831 for the years ended June 30, 2021 and 2020, 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 2022. Borrowing under the line of credit bears interest at a rate equal to the LIBOR monthly rate plus 2% (2.10% at June 30, 2021), or Term SOFR plus an adjustment to be determined by U.S. Bank, if the LIBOR monthly rate is unavailable. There was no outstanding balance on this line of credit at June 30, 2021 or 2020.

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, 2021.

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 $2,529,819 and $1,750,460 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 is $287,600 and $191,800, 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:

	2021	2020
Time Restricted:		
United Way	$ 113,498	$ 82,702
Annuities	12,365	12,343
Beneficial interest in perpetual trusts	76,956	457,828
Bequests	1,093,189	—
Other	10,250	48,526
Total Time Restricted	1,306,258	601,399
Purpose Restricted:		
Endowment income	2,963,585	1,371,578
Other	54,786	53,669
Total Purpose Restricted	3,018,371	1,425,247
Assets Held in Perpetuity:		
Investments	5,865,752	5,823,688
Unconditional promise to give	—	5,216
Beneficial interests in perpetual trusts	4,155,765	3,489,327
Total Assets Held in Perpetuity	10,021,517	9,318,231
	$ 14,346,146	$ 11,344,877

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

	2021	2020
Time Restricted:		
United Way	$ 82,702	$ 85,286
Annuities	—	10,140
Other	53,742	65,832
Total Time Restricted	136,444	161,258
Purpose Restricted:		
Endowment income	—	760,100
Other	35,013	17,084
Total Purpose Restricted	35,013	777,184
	$ 171,457	$ 938,442

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 to function as endowments. As required by accounting standards, assets associated with endowment funds, including funds designated by the Board 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 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:

	2021			
	Without Donor Restrictions	With Donor Restrictions Earnings	With Donor Restrictions Principal	Total
Endowment funds with donor restrictions	$ —	$ 2,963,585	$ 5,865,752	$ 8,829,337
Board designated endowment funds	14,324,531	—	—	14,324,531
	$ 14,324,531	$ 2,963,585	$ 5,865,752	$ 23,153,868

	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

Changes In Endowment Assets For The Years Ended June 30:

	Without Donor Restrictions	With Donor Restrictions		Total
		Earnings	Principal	
Endowment assets, July 1, 2019	$ 9,887,327	$ 2,175,025	$ 5,017,329	$ 17,079,681
Investment income, net	(109,972)	(43,347)	1,696	(151,623)
Proceeds from endowment 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
Investment income, net	1,976,083	1,592,007	42,064	3,610,154
Transfers to board designated endowment funds	5,327,993	—	—	5,327,993
Appropriation for current operations	(756,900)	—	—	(756,900)
Endowment assets, June 30, 2021	$ 14,324,531	$ 2,963,585	$ 5,865,752	$ 23,153,868

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. There were no such deficiencies as of June 30, 2021 or 2020.

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, 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 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. Subsequent to year end, the Board approved reinvesting the remaining $2,000,000 in accordance with the Organization's Investment Policy Statement.

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, 2021 and 2020. 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, 2021 and 2020.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2021 and 2020:

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 1,946,463	$ —	$ —	$ 1,946,463
Short-term inflation protected bond mutual fund	865,711	—	—	865,711
Fixed income fund	6,350,683	—	—	6,350,683
Fidelity 500 index fund	6,180,749	—	—	6,180,749
Infrastructure mutual fund	439,843	—	—	439,843
Real estate mutual fund	454,898	—	—	454,898
Global real estate mutual fund	221,456	—	—	221,456
Small-cap value fund	609,296	—	—	609,296
Mid-cap growth fund	375,360	—	—	375,360
Real estate investment trust	—	—	4,590	4,590
Beneficial interests in perpetual trusts	—	—	4,232,721	4,232,721
	$ 17,444,459	$ —	$ 4,237,311	21,681,770
Investments measured at net asset value (a)				5,709,409
				$ 27,391,179

	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

(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, 2021 and 2020:

	Real Estate Investment Trust	Beneficial Interests In Perpetual Trusts	Total
Balance - July 1, 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
Realized and unrealized loss on investment	(883)	—	(883)
Change in value of beneficial interests in perpetual trusts	—	285,566	285,566
Balance - June 30, 2021	$ 4,590	$ 4,232,721	$ 4,237,311

There were no significant transfers between Levels 1, 2 or 3 during the years ended June 30, 2021 or 2020.

As of June 30, 2021 and 2020, 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 2021	Fair Value 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed income series funds (a)	$ —	$ 3,851,029	$ —	semi-monthly	5-30 days
Domestic equity series funds (b)	—	3,876,449	—	semi-monthly	5-30 days
Global equity series funds (c)	5,709,409	4,006,719	—	semi-monthly	5-30 days
	$ 5,709,409	$ 11,734,197			

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. This investment was redeemed in 2021.

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. This investment was redeemed in 2021.

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.

During 2021 and 2020, 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 92% of Total Program Revenue and 75% of Total Revenues and Support for the year ended June 30, 2021. The amounts received from the above sources accounted for approximately 97% of Total Program Revenue and 90% of Total Revenues and Support for the year ended June 30, 2020.

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, 2021 and 2020, 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, 2021 and 2020 for both plans totaled $287,380 and $275,340, respectively. This amount is included in fringe benefits in the consolidated financial statements.

Additionally, the Organization had 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 in the amount of $114,160 were reported as other assets and other liabilities in the consolidated statement of financial position. During the year ended June 30, 2021, the deferred compensation plans were closed and the remaining assets were distributed. There were no contributions to these plans in 2021 or 2020.

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, 2021 and 2020 was $314,377 and $347,046, respectively. Aggregate minimum rental commitments under operating leases at June 30, 2021 are as follows:

Year	Amount
2022	$ 20,660

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, 2021 totaled approximately $3,327,000. These leases expire on various dates through fiscal year 2029.

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.

Since March 2020, the Organization has been responding to the global pandemic known as COVID-19, the disease caused by a novel strain of the coronavirus. The Organization has been complying with local and federal mandates and relying on trusted guidance from the Centers for Disease Control. The pandemic has resulted in a nearly 30% loss of the Organization's workforce. In order to continue to provide for the safety of clients, the Organization has incurred additional expenses resulting from the consolidation of client homes, extensive overtime, incentive pay and the purchase of personal protective equipment and sanitation supplies for clients.

As a result of COVID-19, the Organization permanently suspended its educational program. The employees who had been managing this program were reassigned to the Organization's core residential services.

To fund these additional costs, the Organization received two grants through the Coronavirus Relief Fund as created in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, $551,192 from the U.S. Department of Health and Human Services Provider Relief Fund and $748,197 from the State of Missouri CARES Act Fund. These funds were designed to assist healthcare providers with lost revenue and increased costs to prepare for and respond to the coronavirus.

The future impact of the continued outbreak of COVID-19 on the economy is unknown, and in the future, might have an impact on the Organization's ability to fundraise. All of these factors could have a significant impact on the Organization's financial results in 2022 and beyond. Given the dynamic nature of this outbreak; however, the extent to which the COVID-19 will impact the Organization's results will depend on future developments, which remain highly uncertain and cannot be predicted at this time.

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:

	2021	2020
Cash and cash equivalents	$ 9,256,538	$ 2,739,315
Accounts receivable, net of allowance	2,410,441	2,673,936
Grants receivable	102,940	102,801
Unconditional promises to give	1,214,316	141,308
Less: amounts with donor restrictions	(1,046,377)	(62,828)
Current assets available for general expenditures	11,937,858	5,594,532
Distributions from beneficial interests in perpetual trusts	111,000	128,500
Endowment spending-rate distributions and appropriations	764,000	2,256,900
	$ 12,812,858	$ 7,979,932

The primary revenue source for the Organization is funding provided by DMH under Medicaid HCBS Waiver Program which funds residential 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, in 2020, the Organization used $2,000,000 of investment assets in excess of the investment spending policy to subsidize direct support wages.

The economic climate, including a rising minimum wage and a disrupted labor market, means that the Organization cannot attract and retain an adequate number of Direct Support Professionals (DSPs), which comprise approximately 80% of the Organization's workforce. The workforce crisis has resulted in a nearly 30% reduction of the Direct Support headcount. This has resulted in unstaffed hours up to 40% in some regions of the Organization's service area, which requires staffing by overtime, and supplemented by management personnel. In response to this demand, the Organization has temporarily suspended accepting new referrals to its services.

Subsequent to year end, Missouri increased funding for these services with one-time funding through the American Rescue Plan Act of 2021 (ARPA). In response to market demands and an attempt to attract more qualified workers, the Organization increased the base wage for DSPs by 25%. Even with this increase in funding, Missouri is only funding approximately 80% of the increase in the base wage. The results of this base wage increase on the Organization's ability to attract DSPs continue to be evaluated.

The Organization continues to advocate for adequate Medicaid reimbursement rates that are sufficient to meet the labor demands for this service, along with other statewide providers.

Until the labor concerns are resolved, the Organization plans the use of a significant portion of its operating cash reserves to fund competitive wages that exceed the anticipated level of annual operating revenue (See the Statement of Cash Flows).