EMMAUS HOMES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

Emmaus

Contents

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

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

Opinion

We have audited the 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 statement of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

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

Responsibilities Of Management For The Consolidated Financial Statements

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

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

Auditors' Responsibilities For The Audit Of The Consolidated Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

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

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

RubinBrown LLP

October 24, 2022

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

	June 30, 2022	June 30, 2021
Current Assets		
Cash and cash equivalents	$ 8,141,213	$ 9,256,538
Cash held for clients	557,708	974,677
Accounts receivable (net of allowance for doubtful accounts of $36,666 in 2022 and $27,736 in 2021)	2,267,871	2,410,441
Grants receivable	94,020	102,940
Unconditional promises to give	144,919	1,214,316
Prepaid expenses	202,596	249,814
Investments	5,128	4,590
Total Current Assets	11,413,455	14,213,316
Other Assets		
Investments restricted/designated for endowment	20,287,357	23,153,868
Annuities receivable	75,259	12,365
Other assets	104,364	180,040
Property and equipment	3,190,516	3,573,728
Beneficial interests in perpetual trusts	3,490,852	4,232,721
Total Other Assets	27,148,348	31,152,722
Total Assets	$ 38,561,803	$ 45,366,038

Liabilities And Net Assets

	2022	2021
Current Liabilities		
Current maturities of long-term debt	$ 21,733	$ 20,672
Current maturities of capital lease obligations	51,852	88,247
Accounts payable	455,805	558,087
Accrued wages	2,174,933	1,998,242
Accrued self-insurance liability	184,400	287,600
Amounts held for clients	557,708	974,677
Total Current Liabilities	3,446,431	3,927,525
Other Long-Term Liabilities	102,031	553,042
Long-Term Debt	407,621	5,668,304
Capital Lease Obligations - Long-Term	20,086	56,153
Total Liabilities	3,976,169	10,205,024
Net Assets		
Without donor restrictions:		
Operations	7,979,625	3,613,016
Investment in property and equipment	2,587,193	2,877,321
Board-designated endowment	13,262,322	14,324,531
Total Without Donor Restrictions	23,829,140	20,814,868
With donor restrictions	10,756,494	14,346,146
Total Net Assets	34,585,634	35,161,014
Total Liabilities And Net Assets	$ 38,561,803	$ 45,366,038

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Years Ended June 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Program Revenue						
Program service fees	$ 25,092,603	$ —	$ 25,092,603	$ 24,022,837	$ —	$ 24,022,837
Governmental program grants	464,561	—	464,561	415,786	—	415,786
CARES Act government grants	67,135	—	67,135	1,299,389	—	1,299,389
Total Program Revenue	25,624,299	—	25,624,299	25,738,012	—	25,738,012
Other Revenue, Support, Gains And Losses						
Contributions	586,473	24,469	610,942	482,573	9,880	492,453
Special events, net	20,745	—	20,745	23,032	—	23,032
Bequests	472,585	16,280	488,865	2,466,808	1,093,189	3,559,997
United Way	116,429	116,430	232,859	113,497	113,498	226,995
Grant income - nongovernment	78,988	16,161	95,149	62,541	36,500	99,041
Gift annuities	—	62,894	62,894	—	22	22
Other income	5,025	—	5,025	125,844	—	125,844
Investment income designated/appropriated from endowments	880,500	—	880,500	1,387,490	—	1,387,490
Gain on sale of property held for sale	—	—	—	2,924,439	—	2,924,439
Total Other Revenue, Support, Gains And Losses	2,160,745	236,234	2,396,979	7,586,224	1,253,089	8,839,313
Net Assets Released From Restrictions	1,936,556	(1,936,556)	—	171,457	(171,457)	—
Total Revenues, Support, Gains And Losses	29,721,600	(1,700,322)	28,021,278	33,495,693	1,081,632	34,577,325
Expenses						
Program Services:						
Residential care	25,556,347	—	25,556,347	24,983,201	—	24,983,201
Management	3,149,701	—	3,149,701	3,275,534	—	3,275,534
Fundraising	415,802	—	415,802	402,644	—	402,644
Total Expenses	29,121,850	—	29,121,850	28,661,379	—	28,661,379
Increase (Decrease) In Net Assets From Operations	599,750	(1,700,322)	(1,100,572)	4,834,314	1,081,632	5,915,946
Other Income, Gains And (Losses)						
Gain on forgiveness of Paycheck Protection Program Loan	5,284,644	—	5,284,644	—	—	—
Change in value of beneficial interests in perpetual trusts	—	(741,869)	(741,869)	—	285,566	285,566
Investment income (loss) in excess of amount designated/appropriated from endowments	(2,870,122)	(1,147,461)	(4,017,583)	1,236,311	1,634,071	2,870,382
Total Other Income, Gains And (Losses)	2,414,522	(1,889,330)	525,192	1,236,311	1,919,637	3,155,948
Increase (Decrease) In Net Assets	3,014,272	(3,589,652)	(575,380)	6,070,625	3,001,269	9,071,894
Net Assets - Beginning Of Year	20,814,868	14,346,146	35,161,014	14,744,243	11,344,877	26,089,120
Net Assets - End Of Year	$ 23,829,140	$ 10,756,494	$ 34,585,634	$ 20,814,868	$ 14,346,146	$ 35,161,014

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2022

	Residential Care Programs	Management	Fundraising	Total
Salaries	$ 18,832,802	$ 1,854,076	$ 267,009	$ 20,953,887
Fringe benefits and payroll taxes	3,544,604	355,603	53,194	3,953,401
Other personnel costs	475,709	186,453	5,196	667,358
Audit fees	—	48,450	—	48,450
Bad debt expense	—	8,929	—	8,929
Communications	261,112	41,074	12,794	314,980
Contract services	601,508	141,828	—	743,336
Equipment expense	21,046	—	—	21,046
Food	1,374	—	—	1,374
Information technology services	101,905	80,306	9,962	192,173
Insurance	333,207	32,378	5,757	371,342
Interest	30,080	35,055	—	65,135
Legal fees	—	16,402	1,476	17,878
Licensure	995	—	—	995
Maintenance and repair	233,465	35,189	2,966	271,620
Materials and supplies	122,778	15,287	637	138,702
Miscellaneous	31,933	18,823	7,371	58,127
Rent	250,584	291	37	250,912
Professional fees	17,744	79,084	9,682	106,510
Staff training	76,930	33,598	8,448	118,976
Staff travel	96,757	10,312	1,602	108,671
Transportation	176,074	22,299	11,120	209,493
Utilities	39,038	20,474	2,535	62,047
Total Expenses Before Depreciation And Amortization	25,249,645	3,035,911	399,786	28,685,342
Depreciation and amortization	306,702	113,790	16,016	436,508
Total Expenses	$ 25,556,347	$ 3,149,701	$ 415,802	$ 29,121,850

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	435,697	114,438	17,135	567,270
Total Expenses	$ 24,983,201	$ 3,275,534	$ 402,644	$ 28,661,379

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended June 30, 2022	2021
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ (575,380)	$ 9,071,894
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	436,508	567,270
(Gain) loss on disposal of property and equipment	6,559	(116,424)
Gain on forgiveness of Paycheck Protection Program Loan	(5,284,644)	—
Gain on sale of property held for sale	—	(2,924,439)
Endowment contributions	(16,280)	—
Realized (gains) losses on investments	77,186	(1,704,166)
Unrealized (gains) losses on investments	3,467,879	(1,861,754)
Change in value of perpetual trusts	741,869	(285,566)
Contributed investments	—	(1,579,159)
Contributed property and equipment	—	(302,452)
Changes in assets and liabilities:		
Accounts and grants receivable	151,490	263,356
Unconditional promises to give	1,069,397	(1,067,792)
Prepaid expenses and other assets	122,894	214,538
Annuities receivable	(62,894)	(22)
Accounts payable	(56,638)	14,738
Accrued wages	176,691	173,574
Accrued self-insurance liability	(103,200)	95,800
Amounts held for clients	(416,969)	282,325
Other liabilities	(451,011)	336,851
Net Cash Provided By (Used In) Operating Activities	(716,543)	1,178,572
Cash Flows From Investing Activities		
Proceeds from sale of investments	25,210,849	8,622,478
Purchases of investments	(27,090,918)	(11,722,337)
Net purchases of money market funds	1,200,977	64,574
Purchases of property and equipment	(97,560)	(141,862)
Proceeds from sale of property and equipment	37,705	152,056
Proceeds from sale of property held for sale	—	3,563,329
Net Cash Provided By (Used In) Investing Activities	(738,947)	538,238
Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program loan	—	5,239,000
Principal payments on long-term debt	(20,622)	(19,633)
Principal payments on capital leases	(72,462)	(136,629)
Proceeds from endowment contributions	16,280	—
Net Cash Provided By (Used In) Financing Activities	(76,804)	5,082,738
Net Increase (Decrease) In Cash, Cash Equivalents And Restricted Cash	(1,532,294)	6,799,548
Cash, Cash Equivalents And Restricted Cash - Beginning Of Year	10,231,215	3,431,667
Cash, Cash Equivalents And Restricted Cash - End Of Year	$ 8,698,921	$ 10,231,215
Supplemental Disclosure Of Cash Flow Information		
Interest paid	$ 52,082	$ 43,418

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 200 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 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 gain on forgiveness of Paycheck Protection Program Loan, 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, 2022, the cash, cash equivalents and restricted cash balance in excess of FDIC insurance limits was approximately $8,370,000.

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:

	2022	**2021**
Cash and cash equivalents	$ 8,141,213	$ 9,256,538
Cash held for clients	557,708	974,677
Total cash, cash equivalents and restricted cash	$ 8,698,921	$ 10,231,215

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.

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 2022 or 2021.

Long-Term Debt - Paycheck Protection Program Loan

The Organization had a loan that was 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 considered the PPP loan to be debt, subject to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 470, *Debt*. The Organization did 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 remains 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 was forgiven and legal release was received, the Organization reduced the liability by the amount forgiven and recorded a gain on extinguishment.

Revenue And Revenue Recognition

Program Service Fees

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

	2022	2021
Residential habilitation	$ 24,951,376	$ 23,873,462
Accessible housing rental income	52,976	52,300
Representative payee fees	88,251	97,075
Total Program Service Fees	$ 25,092,603	$ 24,022,837

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 Missouri Department of Mental Health (DMH). 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 some of the Organization's 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 for the year ended June 30, 2022 were $2,191,292 and $2,167,808, respectively. The opening and closing balances of receivables for the year ended June 30, 2021 were $2,462,387 and $2,191,292, 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 recognized as revenue the amounts received from the U.S. Department of Health and Human Services Provider Relief Fund as it incurred losses that the CARES Act is intended to compensate. Funds received during 2022 and 2021 amounted to $67,135 and $551,192, respectively.

At June 30, 2022 and 2021, the Organization had no cost-reimbursable contracts and grants that have not yet been recognized. At June 30, 2022 and 2021, accounts receivable and grants receivable on the consolidated statement of financial position include $94,020 and $102,940, 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 $23,049 and $306,734 in 2022 and 2021, 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 2018 and later remain subject to examination by taxing authorities.

New Accounting Standard Implemented

During 2022, the Organization adopted Accounting Standard Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which enhances disclosures about contributions of nonfinancial assets. This implementation did not have a material effect on the Organization's consolidated financial statements.

Reclassifications

Certain 2021 balances have been reclassified, where appropriate, to conform with the 2022 consolidated financial statement presentation.

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:

	2022	2021
United Way	$ 116,430	$ 113,496
Employee giving campaign	14,469	7,250
Estate gifts	—	1,093,189
Other	14,020	381
	$ 144,919	$ 1,214,316

4. Investments And Assets Restricted/Designated For Endowment

Investments consist of the following:

	2022		2021	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Money market funds	$ 791,138	$ 791,138	$ 1,946,463	$ 1,946,463
Fixed income securities:				
Investment grade taxable bonds	5,618,178	5,184,743	—	—
International developed bonds	482,993	438,728	—	—
	6,101,171	5,623,471	—	—
Fixed income funds:				
Short-term inflation protected bond mutual fund	—	—	818,695	865,711
Fixed income fund	—	—	6,370,000	6,350,683
	—	—	7,188,695	7,216,394
Equity securities:				
U.S. large-cap	6,215,824	5,261,815	—	—
U.S. mid-cap	3,299,117	2,624,653	—	—
U.S. small-cap	2,108,572	1,650,827	—	—
International - developed	3,339,201	2,744,691	—	—
Emerging markets	953,078	736,258	—	—
Hedge funds	747,000	654,328	—	—
Global equity series funds	—	—	4,011,469	5,709,409
Fidelity 500 index fund	—	—	5,042,399	6,180,749
Infrastructure mutual fund	—	—	437,279	439,843
Real estate mutual fund	—	—	394,583	454,898
Global real estate mutual fund	—	—	221,259	221,456
Small-cap value fund	—	—	495,043	609,296
Mid-cap growth fund	—	—	361,890	375,360
	16,662,792	13,672,572	10,963,922	13,991,011
Real estate investment trusts	206,412	205,304	5,739	4,590
	$ 23,761,513	$ 20,292,485	$ 20,104,819	$ 23,158,458

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

	2022	2021
Investments	$ 5,128	$ 4,590
Assets restricted/designated for endowment	20,287,357	23,153,868
	$ 20,292,485	$ 23,158,458

Investment income for the years ended June 30, 2022 and 2021 is comprised of the following:

	2022	2021
Unrealized gains (losses)	$ (3,467,879)	$ 1,861,754
Realized gains (losses)	(77,186)	1,704,166
Distributions from trusts	116,500	630,590
Interest and dividend income	368,558	98,950
Less: Investment fees	(77,076)	(37,588)
	$ (3,137,083)	$ 4,257,872

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

	2022	2021
Appropriation for current operations	$ 764,000	$ 756,900
Distributions from trusts	116,500	630,590
	880,500	1,387,490
Investment income (loss) in excess of amount designated/appropriated from endowments	(4,017,583)	2,870,382
	$ (3,137,083)	$ 4,257,872

The amount reported as investment income designated for operations is based on an amount appropriated by the Organization's Board in accordance with their investment spending policy. 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:

	2022	2021
Beginning balance	$ 12,365	$ 12,343
Change in present value of receivable	62,894	22
Ending balance	$ 75,259	$ 12,365

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 $116,500 in distributions and recognized investment depreciation of $741,869 for the year ended June 30, 2022. The Organization received $630,590 in distributions, and recognized investment appreciation of $285,566, for the year ended June 30, 2021. The Organization's interest in these perpetual trusts amounted to $3,490,852 and $4,232,721 at June 30, 2022 and 2021, respectively. See Note 13 for fair value disclosures.

7. Property And Equipment

Property and equipment consists of:

	2022	2021
Land, buildings and leasehold improvements	$ 4,207,037	$ 4,197,047
Furniture and equipment	1,042,519	1,386,677
Vehicles	2,152,779	2,174,923
	7,402,335	7,758,647
Less: Accumulated depreciation and amortization	4,211,819	4,184,919
	$ 3,190,516	$ 3,573,728

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 totaled $436,508 and $567,270, respectively.

During 2021, the Organization sold property located in Marthasville, Missouri, resulting in a gain on sale of $2,924,439. As of June 30, 2022 and 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 in 2021 only. 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, 2022 and 2021 total $429,354 and $449,976, 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 were deferred until February 2022, at which time monthly interest-only payments were to begin. Any unpaid principal and accrued interest was to be due upon maturity of the loan in April 2026, if the loan was not forgiven under the terms of the PPP. This unsecured loan bore interest at a fixed rate of 1% and could have been prepaid at any time prior to the maturity date, without penalty. At June 30, 2021, the outstanding balance of the loan was $5,239,000. During 2022, the Organization met the conditions necessary in order for the loan to be forgiven and received approval of this forgiveness from the SBA. As such, the Organization recognized forgiveness of PPP loan principal and interest of $5,284,644 on the consolidated statement of activities.

The scheduled maturities of the long-term debt at June 30, 2022 are as follows:

Year	Amount
2023	$ 21,733
2024	206,154
2025	201,467
	$ 429,354

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, 2022 and 2021 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 2023 through April 2025.

The future remaining minimum lease payments as of June 30, 2022 are due as follows:

Year	**Amount**
2023	$ 58,384
2024	17,088
2025	7,210
Total minimum lease payments	82,682
Amount representing interest	(10,744)
Present value of net minimum lease payments	71,938
Current maturities	(51,852)
Long-term capital lease obligations	$ 20,086

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

	2022	**2021**
Vehicles	$ 368,395	$ 390,539
Office equipment	16,795	87,674
Accumulated amortization	(308,762)	(341,906)
	$ 76,428	$ 136,307

Amortization expense for assets under capital leases was $74,376 and $114,828 for the years ended June 30, 2022 and 2021, 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 is renewed annually with the current line of credit expiring in March 2023. Borrowing under the line of credit bears interest at a rate equal to one-month Term SOFR rate (1.52% at June 30, 2022) plus 2.10%. Prior to this extension, the line of credit bore interest at a rate equal to the LIBOR monthly rate plus 2%, 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, 2022 or 2021.

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, 2022.

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 $1,906,667 and $2,529,819 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 is $184,400 and $287,600, 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:

	2022	2021
Time Restricted:		
United Way	$ 116,430	$ 113,496
Annuities	75,259	12,365
Beneficial interest in perpetual trusts	—	76,956
Bequests	—	1,093,189
Other	24,469	10,250
Total Time Restricted	216,158	1,306,256
Purpose Restricted:		
Endowment income	1,170,839	2,963,585
Other	24,449	54,788
Total Purpose Restricted	1,195,288	3,018,373
Assets Held in Perpetuity:		
Investments	5,854,196	5,865,752
Beneficial interests in perpetual trusts	3,490,852	4,155,765
Total Assets Held in Perpetuity	9,345,048	10,021,517
	$ 10,756,494	$ 14,346,146

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

	2022	2021
Time Restricted:		
United Way	$ 113,496	$ 82,702
Bequests	1,093,189	—
Other	10,250	53,742
Total Time Restricted	1,216,935	136,444
Purpose Restricted:		
Endowment income	673,121	—
Other	46,500	35,013
Total Purpose Restricted	719,621	35,013
	$ 1,936,556	$ 171,457

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:

2022

	Without Donor Restrictions	With Donor Restrictions Earnings	With Donor Restrictions Principal	Total
Endowment funds with donor restrictions	$ —	$ 1,170,839	$ 5,854,196	$ 7,025,035
Board designated endowment funds	13,262,322	—	—	13,262,322
	$ 13,262,322	$ 1,170,839	$ 5,854,196	$ 20,287,357

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

Changes In Endowment Assets For The Years Ended June 30:

	Without Donor Restrictions	With Donor Restrictions Earnings	With Donor Restrictions Principal	Total
Endowment assets, July 1, 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
Investment income (loss), net	(2,113,350)	(1,119,625)	(27,836)	(3,260,811)
Proceeds from endowment contributions	—	—	16,280	16,280
Transfers to board designated endowment funds	1,142,020	—	—	1,142,020
Appropriation for current operations	(90,879)	(673,121)	—	(764,000)
Endowment assets, June 30, 2022	$ 13,262,322	$ 1,170,839	$ 5,854,196	$ 20,287,357

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, 2022 or 2021.

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. During 2022, the Board approved reinvesting the remaining $2,000,000 in accordance with the Organization's Investment Policy Statement. The amount was fully re-invested as of June 30, 2022.

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, 2022 and 2021. 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. The types of investments that are classified at this level include investment grade taxable bonds and international developed bonds.

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 and real estate investment trusts.

There are three general valuation techniques that may be used to measure fair value, as described above:

- *Market approach* - Uses prices and other relevant information generated by market transactions involving identical or comparable asset or liabilities.

- *Cost approach* - Based on the amount that currently would be required to replace the service capacity of an asset.

- *Income approach* - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts.

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, 2022 and 2021.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2022 and 2021:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 791,138	$ —	$ —	$ 791,138
Investment grade taxable bonds	—	5,184,743	—	5,184,743
International developed bonds	—	438,728	—	438,728
U.S. large-cap	5,261,815	—	—	5,261,815
U.S. mid-cap	2,624,653	—	—	2,624,653
U.S. small-cap	1,650,827	—	—	1,650,827
International developed	2,744,691	—	—	2,744,691
Emerging markets	736,258	—	—	736,258
Hedge funds	654,328	—	—	654,328
Real estate investment trust	—	—	205,304	205,304
Beneficial interests in perpetual trusts	—	—	3,490,852	3,490,852
	$ 14,463,710	$ 5,623,471	$ 3,696,156	$ 23,783,337

	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

(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.

There were no significant transfers between Levels 1, 2 or 3 during the years ended June 30, 2022 or 2021. During 2022 and 2021, there were no changes in the methods or assumptions utilized to derive the fair values of the Organization's assets.

As of June 30, 2022 and 2021, the Level 2 and 3 investments listed in the fair value hierarchy tables use the following valuation techniques and inputs:

Bonds

The fair value of investments in investment grade taxable and international developed bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

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 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, 2022 and 2021:

	Real Estate Investment Trust	Beneficial Interests In Perpetual Trusts	Total
Balance - July 1, 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
Purchases	200,000	—	200,000
Realized and unrealized gain on investment	714	—	714
Change in value of beneficial interests in perpetual trusts	—	(741,869)	(741,869)
Balance - June 30, 2022	$ 205,304	$ 3,490,852	$ 3,696,156

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

	Fair Value 2022	Fair Value 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equity series funds (a)	$ —	$ 5,709,409	—	semi-monthly	5-30 days

(a) 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.

14. Funding Concentration

The Organization receives funding for a majority of its clients from 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 89% of Total Revenues and Support for the year ended June 30, 2022. The amounts received from the above sources accounted for approximately 92% of Total Program Revenue and 69% of Total Revenues and Support for the year ended June 30, 2021.

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, 2022 and 2021, 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, 2022 and 2021 for both plans totaled $276,073 and $287,380, respectively. This amount is included in fringe benefits in the consolidated financial statements.

16. Commitments

The Organization leases various residential space, office space, vehicles and equipment under operating leases expiring on various dates through 2024. Rent expense for the years ended June 30, 2022 and 2021 was $252,005 and $314,377, respectively. Aggregate minimum rental commitments under operating leases at June 30, 2022 are as follows:

Year	Amount
2023	$ 12,991
2024	1,706
	$ 14,697

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, 2022 totaled approximately $1,707,000. 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.

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:

	2022	**2021**
Cash and cash equivalents	$ 8,141,213	$ 9,256,538
Accounts receivable, net of allowance	2,267,871	2,410,441
Grants receivable	94,020	102,940
Unconditional promises to give	144,919	1,214,316
Less: amounts with donor restrictions	(24,448)	(1,046,377)
Current assets available for general expenditures	10,623,575	11,937,858
Distributions from beneficial interests in perpetual trusts	131,100	111,000
Endowment spending-rate distributions and appropriations	828,500	764,000
	$ 11,583,175	$ 12,812,858

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.

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 Consolidated Statement of Cash Flows) while at the same time continuing its advocacy efforts to increase state funding.