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**EMMAUS HOMES, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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## 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, 2024 and 2023, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (only for the 2024 audit). 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* (only for the 2024 audit), 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.

**Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.

*RubinBrown LLP*

November 21, 2024

# EMMAUS HOMES, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets	June 30,	
	2024	2023
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,103,095	\$ 4,931,306
Cash held for clients	367,480	452,807
Accounts receivable (net of allowance for current expected losses of \$77,174 in 2024 and \$50,698 in 2023)	4,700,993	3,314,715
Grants receivable	121,599	82,168
Unconditional promises to give, net	156,813	155,423
Prepaid expenses	281,704	203,705
Investments	4,522	5,042
<b>Total Current Assets</b>	<b>9,736,206</b>	<b>9,145,166</b>
<b>Other Assets</b>		
Unconditional promises to give, net	48,567	55,300
Investments restricted/designated for endowment	23,296,138	21,782,182
Annuities receivable	78,906	79,512
Other assets	79,382	82,100
Property and equipment	4,497,350	3,102,389
Right-of-use assets	618,615	66,059
Beneficial interests in perpetual trusts	4,095,565	3,737,241
<b>Total Other Assets</b>	<b>32,714,523</b>	<b>28,904,783</b>
<b>Total Assets</b>	<b>\$ 42,450,729</b>	<b>\$ 38,049,949</b>
<b>Liabilities And Net Assets</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 201,584	\$ 206,228
Current portion of lease liabilities	122,421	44,649
Accounts payable	476,121	286,007
Accrued wages	2,607,494	2,060,368
Accrued self-insurance liability	120,500	183,900
Amounts held for clients	367,480	452,807
<b>Total Current Liabilities</b>	<b>3,895,600</b>	<b>3,233,959</b>
<b>Other Long-Term Liabilities</b>	102,031	102,031
<b>Long-Term Debt</b>	—	201,468
<b>Long-Term Lease Liabilities</b>	449,415	15,699
<b>Total Liabilities</b>	<b>4,447,046</b>	<b>3,553,157</b>
<b>Net Assets</b>		
Without donor restrictions:		
Operations	6,084,044	6,072,584
Investment in property and equipment	4,240,514	2,598,373
Board-designated endowment	16,214,932	14,727,991
<b>Total Without Donor Restrictions</b>	<b>26,539,490</b>	<b>23,398,948</b>
With donor restrictions	11,464,193	11,097,844
<b>Total Net Assets</b>	<b>38,003,683</b>	<b>34,496,792</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 42,450,729</b>	<b>\$ 38,049,949</b>

# EMMAUS HOMES, INC.

## CONSOLIDATED STATEMENTS OF ACTIVITIES

For The Years Ended June 30,

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Program Revenue</b>						
Program service fees	\$ 37,170,487	\$ —	\$ 37,170,487	\$ 29,776,533	\$ —	\$ 29,776,533
Governmental program grants	249,548	—	249,548	429,491	—	429,491
<b>Total Program Revenue</b>	<b>37,420,035</b>	<b>—</b>	<b>37,420,035</b>	<b>30,206,024</b>	<b>—</b>	<b>30,206,024</b>
<b>Other Revenue, Support, Gains And Losses</b>						
Contributions	561,862	16,027	577,889	379,265	82,386	461,651
Contributions - noncash	300	—	300	1,420	—	1,420
Special events, net	52,754	1,000	53,754	51,609	—	51,609
Bequests	—	—	—	949,835	—	949,835
United Way	115,270	115,266	230,536	119,455	119,454	238,909
Grant income - nongovernment	50,135	10,000	60,135	54,297	15,267	69,564
Grants and awards for capital projects	626,943	—	626,943	—	—	—
Grants and awards for capital projects - noncash	319,660	—	319,660	—	—	—
Gift annuities	—	(606)	(606)	—	4,253	4,253
Other income	53,353	—	53,353	27,314	—	27,314
Investment income designated/appropriated from endowments	951,328	—	951,328	956,798	—	956,798
Gain (loss) on disposal of property and equipment	11,921	—	11,921	(32,656)	—	(32,656)
<b>Total Other Revenue, Support, Gains And Losses</b>	<b>2,743,526</b>	<b>141,687</b>	<b>2,885,213</b>	<b>2,507,337</b>	<b>221,360</b>	<b>2,728,697</b>
<b>Net Assets Released From Restrictions</b>	<b>854,875</b>	<b>(854,875)</b>	<b>—</b>	<b>944,287</b>	<b>(944,287)</b>	<b>—</b>
<b>Total Revenues, Support, Gains And Losses</b>	<b>41,018,436</b>	<b>(713,188)</b>	<b>40,305,248</b>	<b>33,657,648</b>	<b>(722,927)</b>	<b>32,934,721</b>
<b>Expenses</b>						
Program Services:						
Residential care	34,529,264	—	34,529,264	31,127,539	—	31,127,539
Management	3,863,082	—	3,863,082	3,373,582	—	3,373,582
Fundraising	451,332	—	451,332	444,303	—	444,303
<b>Total Expenses</b>	<b>38,843,678</b>	<b>—</b>	<b>38,843,678</b>	<b>34,945,424</b>	<b>—</b>	<b>34,945,424</b>
<b>Increase (Decrease) In Net Assets From Operations</b>	<b>2,174,758</b>	<b>(713,188)</b>	<b>1,461,570</b>	<b>(1,287,776)</b>	<b>(722,927)</b>	<b>(2,010,703)</b>
<b>Other Income And Gains</b>						
Change in value of beneficial interests in perpetual trusts	—	358,324	358,324	—	246,389	246,389
Investment income in excess of amount designated/appropriated from endowments	965,784	721,213	1,686,997	857,584	817,888	1,675,472
<b>Total Other Income And Gains</b>	<b>965,784</b>	<b>1,079,537</b>	<b>2,045,321</b>	<b>857,584</b>	<b>1,064,277</b>	<b>1,921,861</b>
<b>Increase (Decrease) In Net Assets</b>	<b>3,140,542</b>	<b>366,349</b>	<b>3,506,891</b>	<b>(430,192)</b>	<b>341,350</b>	<b>(88,842)</b>
<b>Net Assets - Beginning Of Year</b>	<b>23,398,948</b>	<b>11,097,844</b>	<b>34,496,792</b>	<b>23,829,140</b>	<b>10,756,494</b>	<b>34,585,634</b>
<b>Net Assets - End Of Year</b>	<b>\$ 26,539,490</b>	<b>\$ 11,464,193</b>	<b>\$ 38,003,683</b>	<b>\$ 23,398,948</b>	<b>\$ 11,097,844</b>	<b>\$ 34,496,792</b>

# EMMAUS HOMES, INC.

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2024

	Residential			
	Care Programs	Management	Fundraising	Total
Salaries	\$ 26,507,832	\$ 2,365,738	\$ 287,031	\$ 29,160,601
Fringe benefits and payroll taxes	3,832,892	352,625	47,315	4,232,832
Other personnel costs	466,787	144,444	6,892	618,123
Bad debt expense	—	26,476	—	26,476
Communications	275,944	46,913	14,955	337,812
Contract services	1,392,651	201,243	—	1,593,894
Information technology services	153,890	115,122	19,918	288,930
Insurance	403,097	34,481	6,510	444,088
Interest	32,725	26,158	2,770	61,653
Maintenance and repair	187,304	34,288	3,296	224,888
Materials and supplies	124,751	39,492	1,594	165,837
Miscellaneous	70,935	49,223	10,630	130,788
Rent	139,598	1,409	15	141,022
Professional fees	337	200,735	634	201,706
Staff training	122,820	28,403	6,674	157,897
Staff travel	211,455	15,731	16,515	243,701
Transportation	289,117	11,035	8,118	308,270
Utilities	35,826	19,953	2,542	58,321
Total Expenses Before Depreciation And Amortization	34,247,961	3,713,469	435,409	38,396,839
Depreciation and amortization	281,303	149,613	15,923	446,839
Total Expenses	\$ 34,529,264	\$ 3,863,082	\$ 451,332	\$ 38,843,678



## EMMAUS HOMES, INC.

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2023

	Residential			
	Care Programs	Management	Fundraising	Total
Salaries	\$ 23,689,012	\$ 2,074,789	\$ 269,152	\$ 26,032,953
Fringe benefits and payroll taxes	3,997,780	351,782	52,531	4,402,093
Other personnel costs	500,091	128,167	6,000	634,258
Bad debt expense	—	14,032	—	14,032
Communications	257,917	42,094	25,038	325,049
Contract services	933,738	171,399	—	1,105,137
Information technology services	122,054	119,248	14,509	255,811
Insurance	349,118	36,030	7,392	392,540
Interest	25,347	4,641	—	29,988
Maintenance and repair	179,976	39,748	4,255	223,979
Materials and supplies	107,641	17,618	7,566	132,825
Miscellaneous	55,583	31,013	12,586	99,182
Rent	120,747	114	15	120,876
Professional fees	9,166	137,892	5,700	152,758
Staff training	106,370	37,323	13,052	156,745
Staff travel	146,353	9,309	3,197	158,859
Transportation	243,465	30,256	5,799	279,520
Utilities	37,887	20,610	2,628	61,125
Total Expenses Before Depreciation And Amortization	30,882,245	3,266,065	429,420	34,577,730
Depreciation and amortization	245,294	107,517	14,883	367,694
Total Expenses	\$ 31,127,539	\$ 3,373,582	\$ 444,303	\$ 34,945,424

# EMMAUS HOMES, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended June 30,	
	2024	2023
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ 3,506,891	\$ (88,842)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	446,839	367,694
(Gain) loss on disposal of property and equipment	(11,921)	32,656
Realized losses on investments	99,994	640,942
Unrealized gains on investments	(2,005,193)	(2,549,401)
Change in value of perpetual trusts	(358,324)	(246,389)
Contributed property and equipment	(319,660)	—
Changes in assets and liabilities:		
Accounts and grants receivable	(1,425,709)	(1,034,992)
Unconditional promises to give	5,343	(65,804)
Prepaid expenses and other assets	(75,281)	21,155
Annuities receivable	606	(4,253)
Accounts payable	190,114	(169,796)
Accrued wages	547,126	(114,565)
Accrued self-insurance liability	(63,400)	(500)
Amounts held for clients	(85,327)	(104,902)
Right-of-use assets and lease liabilities	(37,277)	(10,411)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>414,821</b>	<b>(3,327,408)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	5,025,129	7,246,185
Purchases of investments	(4,949,161)	(6,694,417)
Net proceeds from (purchases of) money market funds	315,795	(138,049)
Purchases of property and equipment	(1,395,571)	(324,805)
Proceeds from sale of property and equipment	28,005	500
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(975,803)</b>	<b>89,414</b>
<b>Cash Flows From Financing Activities</b>		
Principal payments on long-term debt	(206,112)	(21,658)
Payments on finance leases	(146,444)	(55,156)
<b>Net Cash Used In Financing Activities</b>	<b>(352,556)</b>	<b>(76,814)</b>
<b>Net Decrease In Cash, Cash Equivalents And Restricted Cash</b>	<b>(913,538)</b>	<b>(3,314,808)</b>
<b>Cash, Cash Equivalents And Restricted Cash - Beginning Of Year</b>	<b>5,384,113</b>	<b>8,698,921</b>
<b>Cash, Cash Equivalents And Restricted Cash - End Of Year</b>	<b>\$ 4,470,575</b>	<b>\$ 5,384,113</b>
<b>Supplemental Disclosure Of Cash Flow Information</b>		
Interest paid	\$ 60,174	\$ 30,036

# EMMAUS HOMES, INC.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 And 2023

### 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 over 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 change in value of beneficial interests in perpetual trusts and investment income 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, 2024, the cash, cash equivalents and restricted cash balance in excess of FDIC insurance limits was approximately \$2,941,000.

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:

	<b>2024</b>	<b>2023</b>
Cash and cash equivalents	\$ 4,103,095	\$ 4,931,306
Cash held for clients	367,480	452,807
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 4,470,575</b>	<b>\$ 5,384,113</b>

### **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**

As of July 1, 2023, the Organization adopted ASC Topic 326, *Financial Instruments - Credit Losses*, using the modified-retrospective approach. The standard replaces the previous incurred loss model and requires entities to record an estimate of expected losses on financial assets for the remaining estimated life of the asset. The estimate includes consideration of historical expense, current conditions, and reasonable and supportable forecasts. The adoption did not have a material impact on the Organization's consolidated financial statements.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for expected credit losses through a charge to earnings and a credit to a valuation allowance. To estimate the expected credit losses, receivables have been grouped based on credit risk characteristics including the age of the receivable, payer and type of underlying revenue transaction. The allowance is determined by applying an expected credit loss percentage to the carrying value of the assets by categories. The percentages, which are updated at least annually, are based on historical experience and may be adjusted to the extent that future results are expected to differ from past experience. Given that the Organization extends credit terms on a short-term basis, changes to the credit loss percentages due to future events are expected to be rare. Additionally, the allowance is also adjusted due to the changes in the collectability assessment of individual payers.

The allowance for current expected credit losses was \$77,174 and \$50,698 at June 30, 2024 and 2023, respectively. Changes in the valuation allowance have not been material to the consolidated financial statements. 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 2024 or 2023.

**Leases**

As further described in Note 9, the Organization maintains leases of vehicles, office equipment and storage space. Lease right-of-use (ROU) assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. On lease commencement, the ROU assets equal the lease liability, plus any lease payments made at or before the commencement date, less any lease incentives received. The Organization's leases generally have terms of one to five years. The Organization does not record ROU assets or lease liabilities for leases with an initial expected lease term of 12 months or less. For operating leases, lease expense for minimum lease payments is recognized on a straight-line basis over the term of the lease.

The lease terms utilized in determining ROU assets and lease liabilities include the noncancellable portion of the underlying leases along with renewal periods, only if it is reasonably certain that the option will be exercised. When determining if a renewal option is reasonably certain of being exercised, the factors considered, include but are not limited to, the cost of moving to another location, the cost of disruption of operations, the purpose or location of the lease asset and the terms associated with extending the lease. These leases may have additional renewal options; however, the Organization has not included the renewal periods in the term when determining the ROU asset and lease liability as management is not reasonably certain if such renewals will be exercised. Accordingly, only the initial terms are included in the lease terms when calculating the ROU assets and lease liabilities. The Organization has not included any termination penalties in its lease payments, nor shortened any lease terms related to options to terminate a lease.

As most leases do not provide an implicit discount rate, the Organization estimates an incremental borrowing rate based on the information available at the lease commencement date to determine the present value of the lease payments. The estimated incremental borrowing rate represents the estimated rate of interest that would have been charged to borrow an amount equal to the lease payments on a collateralized basis for a similar period of time.

The Organization's operating leases may contain fixed rent escalations over the lease term, and the Organization recognizes expense for these leases on a straight-line basis over the lease term of the respective ROU asset. The Organization recognizes the related lease expense on a straight-line basis and records the difference between the recognized lease expense and amounts payable under the lease as part of the ROU asset.

The Organization does not separate non-lease components of a contract from the lease components to which they relate for all classes of lease assets.



**Revenue And Revenue Recognition****Program Service Fees**

Revenue is measured based on consideration specified in a contract with a customer. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

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

	<u>2024</u>	<u>2023</u>
Residential habilitation	\$ 35,886,791	\$ 29,223,713
Accessible housing rental income	50,576	41,300
Home modification	110,001	—
Representative payee fees	88,141	90,859
Value based payment incentive fees	1,034,978	420,661
<b>Total Program Service Fees</b>	<b>\$ 37,170,487</b>	<b>\$ 29,776,533</b>

**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.

**Home Modification**

The Organization creates accessible homes (by installing ramps, widening doorways, adjusting lighting, etc.) and provides adaptive equipment (transfer devices, shower chairs, lifts, or assistive technology) to increase independence for people throughout their lifetime. The performance obligation of delivering these services is simultaneously received and consumed by the individuals; therefore, the revenue is recognized ratably as services are rendered.

**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.

**Value Based Payment Incentive Fees**

The Organization recognizes revenue from DMH for achieving Value Based Payment incentives. DMH has established a priority of coordinating quality care funding strategies that improve individual outcomes and reward providers who facilitate quality outcomes. The performance obligations are met by achieving predetermined performance benchmarks established by DMH.

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

The opening and closing balances of program service receivables for the year ended June 30, 2024 were \$3,171,330 and \$4,467,055, respectively. The opening and closing balances of program service receivables for the year ended June 30, 2023 were \$2,167,808 and \$3,171,330, 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.

## EMMAUS HOMES, INC.

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### Notes To Consolidated Financial Statements (Continued)

At June 30, 2024 and 2023, the Organization had no cost-reimbursable contracts and grants that have not yet been recognized. At June 30, 2024 and 2023, grants receivable on the consolidated statement of financial position include \$121,599 and \$82,168, 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

The Organization periodically receives in-kind donations, including client recreational items, facility supplies, property and equipment, and special event resources. The Organization received the following in-kind donations during the years ending June 30:

	<u>2024</u>	<u>2023</u>
Vehicles	\$ 319,660	\$ —
Other	300	1,420
	<u>\$ 319,960</u>	<u>\$ 1,420</u>

In-kind donations are recorded at fair value at the date of donation. Contributed property and equipment are valued based on current prices for new property and equipment if purchased from manufacturers and distributors or estimated resale prices.

## **EMMAUS HOMES, INC.**

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### Notes To Consolidated Financial Statements (*Continued*)

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. No donated services were recognized in 2024 or 2023.

All in-kind donations were utilized by the Organization's programs and supporting services and had no donor-imposed restrictions.

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 2020 and later remain subject to examination by taxing authorities.

## EMMAUS HOMES, INC.

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### Notes To Consolidated Financial Statements (Continued)

#### 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 as follows:

	<u>2024</u>	<u>2023</u>
Less than one year:		
United Way	\$ 115,266	\$ 119,454
Employee giving campaign	15,327	15,436
Other	26,220	20,533
	<u>156,813</u>	<u>155,423</u>
One to five years:		
Other	60,000	70,000
Discount on long term promises to give	(11,433)	(14,700)
	<u>\$ 205,380</u>	<u>\$ 210,723</u>

### 4. Investments And Assets Restricted/Designated For Endowment

Investments consist of the following:

	<u>2024</u>	<u>2023</u>
Money market funds	\$ 561,334	\$ 928,575
Fixed income securities	6,550,561	6,632,205
Equity securities	15,693,234	14,026,317
Commodities	301,990	—
Real estate investment trusts	193,541	200,127
	<u>\$ 23,300,660</u>	<u>\$ 21,787,224</u>

**EMMAUS HOMES, INC.**Notes To Consolidated Financial Statements *(Continued)*

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

	<u>2024</u>	<u>2023</u>
Investments	\$ 4,522	\$ 5,042
Assets restricted/designated for endowment	23,296,138	21,782,182
	<u>\$ 23,300,660</u>	<u>\$ 21,787,224</u>

Investment income for the years ended June 30, 2024 and 2023 is comprised of the following:

	<u>2024</u>	<u>2023</u>
Unrealized gains	\$ 2,005,193	\$ 2,549,401
Realized losses	(99,994)	(640,942)
Distributions from trusts	96,328	128,298
Interest and dividend income	711,771	666,017
Less: Investment fees	(74,973)	(70,504)
	<u>\$ 2,638,325</u>	<u>\$ 2,632,270</u>

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

	<u>2024</u>	<u>2023</u>
Appropriation for current operations	\$ 855,000	\$ 828,500
Distributions from trusts	96,328	128,298
	<u>951,328</u>	<u>956,798</u>
Investment income in excess of amount designated/appropriated from endowments	1,686,997	1,675,472
	<u>\$ 2,638,325</u>	<u>\$ 2,632,270</u>

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

**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:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 79,512	\$ 75,259
Change in present value of receivable	(606)	4,253
Ending balance	<u>\$ 78,906</u>	<u>\$ 79,512</u>

**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 principal of the trust; the remaining ninety percent is distributed quarterly to the organization. When the principal 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 principal becomes the new starting value of which is measured for future distributions. Income and principal distributions from the trust are without donor restrictions.

## EMMAUS HOMES, INC.

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### Notes To Consolidated Financial Statements (Continued)

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 \$96,328 in distributions and recognized investment appreciation of \$358,324 for the year ended June 30, 2024. The Organization received \$128,298 in distributions, and recognized investment appreciation of \$246,389, for the year ended June 30, 2023. The Organization's interest in these perpetual trusts amounted to \$4,095,565 and \$3,737,241 at June 30, 2024 and 2023, respectively. See Note 13 for fair value disclosures.

## 7. Property And Equipment

Property and equipment consists of:

	<u>2024</u>	<u>2023</u>
Land, buildings and leasehold improvements	\$ 5,041,054	\$ 4,022,743
Furniture and equipment	1,260,534	1,066,534
Vehicles	2,444,298	1,950,215
Construction in process	4,302	39,484
	<u>8,750,188</u>	<u>7,078,976</u>
Less: Accumulated depreciation and amortization	4,252,838	3,976,587
	<u>\$ 4,497,350</u>	<u>\$ 3,102,389</u>

## 8. Long-Term Debt

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

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



## EMMAUS HOMES, INC.

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### Notes To Consolidated Financial Statements (*Continued*)

One of the bank borrowings, totaling \$225,000, was structured as a 5-year loan with a fixed interest rate of 5.50% and required monthly principal and interest payments totaling \$1,558 until maturity in September 2023 and one final lump sum payment due at maturity. The loan was secured by the property as well as an assignment of the rent associated with the property. During 2024, this loan was repaid in full.

The balances outstanding on these loans at June 30, 2024 and 2023 total \$201,584 and \$407,696, respectively.

The scheduled maturities of the long-term debt at June 30, 2024 are as follows:

<u>Year</u>	<u>Amount</u>
<u>2025</u>	<u>\$ 201,584</u>

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, 2024 and 2023 was \$102,031, which is included in other long-term liabilities in the consolidated statements of financial position.

## 9. Leases

The Organization has finance leases for vehicles and office equipment and an operating lease for storage space that expire at various dates through 2029. Some leases include options to renew or terminate the leases that can be exercised at the Organization’s discretion.

**EMMAUS HOMES, INC.**Notes To Consolidated Financial Statements (*Continued*)

The components of lease expense are as follows for the years ended June 30, 2024 and 2023:

<b>Finance Lease Costs</b>	<b>Classification</b>	<b>2024</b>	<b>2023</b>
Amortization of ROU assets	Depreciation and amortization	\$ 102,097	\$ 31,990
Interest	Interest	53,352	6,975
		<u>\$ 155,449</u>	<u>\$ 38,965</u>
<b>Operating Lease Costs</b>	<b>Classification</b>	<b>2024</b>	<b>2023</b>
Operating lease costs	Depreciation and amortization	\$ 26,989	\$ 15,743
	Interest	1,673	1,814
		<u>\$ 28,662</u>	<u>\$ 17,557</u>

The ROU assets and lease liabilities at June 30, 2024 and 2023 are included within the consolidated statement of financial position as follows:

	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
ROU assets - operating lease	\$ 11,245	\$ 38,234
ROU assets - finance leases	607,370	27,825
	<u>\$ 618,615</u>	<u>\$ 66,059</u>
<b>Liabilities</b>		
Current liabilities:		
Operating lease liabilities	\$ 9,464	\$ 27,127
Finance lease liabilities	112,957	17,522
Non-current liabilities		
Operating lease liabilities	—	9,464
Finance lease liabilities	449,415	6,235
	<u>\$ 571,836</u>	<u>\$ 60,348</u>

## EMMAUS HOMES, INC.

### Notes To Consolidated Financial Statements (Continued)

Supplemental cash flow and other information related to leases are as follows:

<b>Cash Flow Information:</b>	<b>2024</b>	<b>2023</b>
Cash paid for operating leases included in operating activities	\$ 28,800	\$ 19,200
Cash paid for finance leases included in financing activities	146,444	55,156
ROU assets obtained in exchange for new finance lease obligations	695,209	—
<b>Other Information:</b>		
Weighted-average remaining term - operating leases	0.33	1.33
Weighted-average remaining term - finance leases	4.21	1.04
Weighted-average discount rate - operating leases	6.88%	6.88%
Weighted-average discount rate - finance leases	11.18%	5.78%

The reconciliation of the undiscounted cash flows for each of the next five years of the lease liabilities recorded on the consolidated statement of financial position is as follows:

<b>Years</b>	<b>Operating Lease</b>	<b>Finance Leases</b>
2025	\$ 9,600	\$ 171,233
2026	—	164,023
2027	—	164,023
2028	—	164,023
2029	—	48,001
Total minimum lease payments	9,600	711,303
Less: Amount of lease payments representing interest	136	148,931
Present value of future minimum lease payments	9,464	562,372
Less: Current portion	9,464	112,957
	\$ —	\$ 449,415

## 10. Line Of Credit

The Organization had a line-of-credit agreement in the amount of \$1,000,000 with U.S. Bank. Borrowing under the line of credit bore interest at a rate equal to one-month Term SOFR rate plus 2.10% (1.52% at June 30, 2022) and was secured by all investments. The line of credit expired in March 2023 and was not renewed.

During 2023, the Organization entered into a revolving line of credit agreement with PNC Bank for borrowings of up to \$1,000,000. Borrowing under the line of credit bears interest at a rate equal to one-month Term SOFR rate plus 1.75% (7.08% at June 30, 2024) per annum and is secured by all personal property of the Organization. The line of credit matures on December 12, 2024, and is payable on demand. There were no draws on this line of credit during the years ended June 30, 2024 or 2023. No amount remained outstanding as of June 30, 2024 or 2023.

## **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 \$1,599,461 and \$2,042,439 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023 is \$120,500 and \$183,900, 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.

## EMMAUS HOMES, INC.

### Notes To Consolidated Financial Statements (Continued)

## 12. Net Assets

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

	<u>2024</u>	<u>2023</u>
Time Restricted:		
United Way	\$ 115,266	\$ 119,454
Annuities	78,906	79,512
Beneficial interests in perpetual trusts	52,145	—
Other	74,894	92,386
Total Time Restricted	<u>321,211</u>	<u>291,352</u>
Purpose Restricted:		
Endowment income	1,180,201	1,175,699
Other	18,356	15,060
Total Purpose Restricted	<u>1,198,557</u>	<u>1,190,759</u>
Assets Held in Perpetuity:		
Investments	5,901,005	5,878,492
Beneficial interests in perpetual trusts	4,043,420	3,737,241
Total Assets Held in Perpetuity	<u>9,944,425</u>	<u>9,615,733</u>
	<u>\$ 11,464,193</u>	<u>\$ 11,097,844</u>

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

	<u>2024</u>	<u>2023</u>
Time Restricted:		
United Way	\$ 119,454	\$ 116,430
Other	33,819	14,470
Total Time Restricted	<u>153,273</u>	<u>130,900</u>
Purpose Restricted:		
Endowment income	694,198	788,732
Other	7,404	24,655
Total Purpose Restricted	<u>701,602</u>	<u>813,387</u>
	<u>\$ 854,875</u>	<u>\$ 944,287</u>

### 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.

## EMMAUS HOMES, INC.

### Notes To Consolidated Financial Statements (Continued)

#### 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:

	2024			
	Without Donor Restrictions	With Donor Restrictions		Total
		Earnings	Principal	
Endowment funds with donor restrictions	\$ —	\$ 1,180,201	\$ 5,901,005	\$ 7,081,206
Board designated endowment funds	16,214,932	—	—	16,214,932
	\$ 16,214,932	\$ 1,180,201	\$ 5,901,005	\$ 23,296,138

  

	2023			
	Without Donor Restrictions	With Donor Restrictions		Total
		Earnings	Principal	
Endowment funds with donor restrictions	\$ —	\$ 1,175,699	\$ 5,878,492	\$ 7,054,191
Board designated endowment funds	14,727,991	—	—	14,727,991
	\$ 14,727,991	\$ 1,175,699	\$ 5,878,492	\$ 21,782,182

## EMMAUS HOMES, INC.

### Notes To Consolidated Financial Statements *(Continued)*

#### Changes In Endowment Assets For The Years Ended June 30:

	Without Donor	With Donor Restrictions		Total
	Restrictions	Earnings	Principal	
Endowment assets, July 1, 2022	\$ 13,262,322	\$ 1,170,839	\$ 5,854,196	\$ 20,287,357
Investment income, net	1,495,376	793,592	24,296	2,313,264
Transfers to board designated endowment funds	10,061	—	—	10,061
Appropriation for current operations	(39,768)	(788,732)	—	(828,500)
Endowment assets, June 30, 2023	14,727,991	1,175,699	5,878,492	21,782,182
Investment income, net	1,647,743	698,700	22,513	2,368,956
Appropriation for current operations	(160,802)	(694,198)	—	(855,000)
Endowment assets, June 30, 2024	\$ 16,214,932	\$ 1,180,201	\$ 5,901,005	\$ 23,296,138

#### 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, 2024 or 2023.

#### 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.

### **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, 2024 and 2023. 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 equity securities.

*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 fixed income securities.



*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.

## EMMAUS HOMES, INC.

### Notes To Consolidated Financial Statements *(Continued)*

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, 2024 and 2023.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2024 and 2023:

	2024			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 561,334	\$ —	\$ —	\$ 561,334
Fixed income securities:				
Investment grade taxable bonds	—	5,864,046	—	5,864,046
International developed bonds	—	228,783	—	228,783
Global high yield taxable bonds	—	457,732	—	457,732
Equity securities:				
U.S. large-cap	6,932,747	—	—	6,932,747
U.S. mid-cap	2,594,990	—	—	2,594,990
U.S. small-cap	1,947,323	—	—	1,947,323
International developed	2,242,242	—	—	2,242,242
Emerging markets	1,137,304	—	—	1,137,304
Hedge funds	838,628	—	—	838,628
Commodities	301,990	—	—	301,990
Real estate investment trusts	—	—	193,541	193,541
Beneficial interests in perpetual trusts	—	—	4,095,565	4,095,565
	\$ 16,556,558	\$ 6,550,561	\$ 4,289,106	\$ 27,396,225

## EMMAUS HOMES, INC.

### Notes To Consolidated Financial Statements (Continued)

	2023			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 928,575	\$ —	\$ —	\$ 928,575
Fixed income securities:				
Investment grade taxable bonds	—	5,854,421	—	5,854,421
International developed bonds	—	338,269	—	338,269
Global high yield taxable bonds	—	439,515	—	439,515
Equity securities:				
U.S. large-cap	5,934,600	—	—	5,934,600
U.S. mid-cap	2,401,658	—	—	2,401,658
U.S. small-cap	1,900,111	—	—	1,900,111
International developed	2,369,833	—	—	2,369,833
Emerging markets	768,450	—	—	768,450
Hedge funds	651,665	—	—	651,665
Real estate investment trusts	—	—	200,127	200,127
Beneficial interests in perpetual trusts	—	—	3,737,241	3,737,241
	\$ 14,954,892	\$ 6,632,205	\$ 3,937,368	\$ 25,524,465

There were no significant transfers between Levels 1, 2 or 3 during the years ended June 30, 2024 or 2023. During 2024 and 2023, there were no changes in the methods or assumptions utilized to derive the fair values of the Organization's assets.

As of June 30, 2024 and 2023, the Level 2 and 3 investments listed in the fair value hierarchy tables use the following valuation techniques and inputs:

#### Fixed Income Securities

The fair value of investments in investment grade taxable, international developed and global high yield taxable 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 Trusts

Alternative investments consist of investments in Real Estate Investment Trusts (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.

## EMMAUS HOMES, INC.

### Notes To Consolidated Financial Statements (Continued)

#### 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, 2024 and 2023:

	Real Estate Investment Trust	Beneficial Interests In Perpetual Trusts	Total
Balance - July 1, 2022	\$ 205,304	\$ 3,490,852	\$ 3,696,156
Realized and unrealized loss on investment	(5,177)	—	(5,177)
Change in value of beneficial interests in perpetual trusts	—	246,389	246,389
Balance - June 30, 2023	200,127	3,737,241	3,937,368
Realized and unrealized loss on investment	(6,586)	—	(6,586)
Change in value of beneficial interests in perpetual trusts	—	358,324	358,324
Balance - June 30, 2024	\$ 193,541	\$ 4,095,565	\$ 4,289,106

#### 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 99% of total program revenue and 92% of total revenues and support for the year ended June 30, 2024. The amounts received from the above sources accounted for approximately 98% of total program revenue and 90% of total revenues and support for the year ended June 30, 2023.

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, 2024 and 2023, 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, 2024 and 2023 for both plans totaled \$277,021 and \$242,422, respectively. This amount is included in fringe benefits in the consolidated financial statements.

## **16. Commitments**

The Organization is the guarantor on leases for residential space entered into by individuals supported by the Organization. The aggregate amount guaranteed by the Organization at June 30, 2024 totaled approximately \$1,740,000. 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:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 4,103,095	\$ 4,931,306
Accounts receivable, net of allowance	4,700,993	3,314,715
Grants receivable	121,599	82,168
Unconditional promises to give	156,813	155,423
Less: amounts with donor restrictions	(18,356)	(15,060)
Current assets available for general expenditures	9,064,144	8,468,552
Distributions from beneficial interests in perpetual trusts	124,100	125,200
Endowment spending-rate distributions and appropriations	921,500	855,000
	<u>\$ 10,109,744</u>	<u>\$ 9,448,752</u>

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.

**Independent Auditors' Report  
On Internal Control Over Financial  
Reporting And On Compliance And Other  
Matters Based On An Audit Of Financial  
Statements Performed In Accordance  
With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 21, 2024.

**Report On Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## EMMAUS HOMES, INC.

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### Notes To Consolidated Financial Statements (*Continued*)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Report On Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose Of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RubinBrown LLP*

November 21, 2024