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Ada S. McKinley Community Services, Inc. and  
Subsidiary

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**Consolidated Financial Report  
with Additional Information  
June 30, 2021**

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## Independent Auditor's Report

To the Board of Directors  
Ada S. McKinley Community Services, Inc.  
and Subsidiary

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ada S. McKinley Community Services, Inc. and Subsidiary (the "Organizations"), which comprise the consolidated statement of financial position as of June 30, 2021 and 2020 and the related consolidated statements of activities and changes in net assets (deficiency in net assets), functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Samaritas, Inc. was not audited under *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ada S. McKinley Community Services, Inc. and Subsidiary as of June 30, 2021 and 2020 and the changes in their net assets (deficiency in net assets), functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As described in Note 2 to the consolidated financial statements, the Organizations adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

To the Board of Directors  
Ada S. McKinley Community Services, Inc.  
and Subsidiary

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021 on our consideration of Ada S. McKinley Community Services, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Ada S. McKinley Community Services, Inc. and Subsidiary's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

December 17, 2021

## Ada S. McKinley Community Services, Inc. and Subsidiary

### Consolidated Statement of Financial Position

June 30, 2021 and 2020

	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8,666,892	\$ 7,384,518
Funds held in trust	546,704	232,839
Receivables - Net (Notes 2 and 3)	4,773,483	5,833,344
Prepaid expenses	183,461	211,470
Total current assets	14,170,540	13,662,171
Investments (Notes 4 and 5)	1,111,902	863,740
<b>Other Assets</b>		
Deposits held in escrow (Note 7)	207,723	172,466
Other assets	159,647	151,547
Assets Held for Resale - Net (Notes 5 and 18)	19,211	19,211
Property and Equipment - Net (Note 6)	6,326,122	6,662,590
Advances to Affiliates (Note 17)	423,268	286,304
Total assets	<b>\$ 22,418,413</b>	<b>\$ 21,818,029</b>
<b>Liabilities and Net Assets (Deficiency in Net Assets)</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,385,984	\$ 1,637,436
Deferred revenue	432,930	250,565
Accrued liabilities and other:		
Accrued wages and related taxes	2,537,057	1,990,946
Accrued interest	13,684	13,706
Settlements payable and other liabilities (Note 10)	1,806,989	1,025,070
Current portion of notes payable (Note 9)	4,689,696	2,229,350
Current portion of pension benefit obligation (Note 11)	1,173,792	1,170,570
Total current liabilities	12,040,132	8,317,643
Notes Payable (Note 9)	2,592,817	5,298,628
Pension Benefit Obligation (Note 11)	3,638,516	8,707,488
Total liabilities	18,271,465	22,323,759
<b>Net Assets (Deficiency in Net Assets)</b>		
Without donor restrictions	3,022,272	(1,378,137)
With donor restrictions (Notes 13 and 14)	1,124,676	872,407
Total net assets (deficiency in net assets)	4,146,948	(505,730)
Total liabilities and net assets (deficiency in net assets)	<b>\$ 22,418,413</b>	<b>\$ 21,818,029</b>

## Ada S. McKinley Community Services, Inc. and Subsidiary

# Consolidated Statement of Activities and Changes in Net Assets (Deficiency in Net Assets)

Years Ended June 30, 2021 and 2020

	2021	2020
<b>Changes in Net Assets without Donor Restrictions</b>		
Revenue and other support:		
Fees and grants from governmental agencies (Note 15)	\$ 28,998,004	\$ 28,788,476
Contract revenue (Note 2)	13,512,508	11,804,096
Contributions	331,272	301,538
Other revenue	616,194	573,217
Total revenue and other support	43,457,978	41,467,327
Expenses:		
Program services:		
Child Day Care Services - Head Start	8,530,584	8,804,498
Counseling	2,890,140	3,322,809
Employment	13,236,628	14,463,656
Foster Family Care	5,420,507	4,038,503
Residential services - ICFDD	4,212,681	3,915,863
Residential services - CILA	3,526,495	2,307,523
Home based services	75,533	-
Educational services	956,090	867,014
Total program services	38,848,658	37,719,866
Support services:		
Management and general	5,030,159	3,911,450
Fundraising	376,900	418,001
Total support services	5,407,059	4,329,451
Total expenses	44,255,717	42,049,317
<b>Decrease in Net Assets without Donor Restrictions - Before other items</b>	(797,739)	(581,990)
<b>Other Items</b>		
Adjustment to GAAP pension expense from funded pension amount	(234,951)	(196,983)
Pension-related change other than net periodic costs	5,300,701	(3,839,705)
Discontinued operations (Note 18)	(8,513)	(7,375)
Gain on disposal of fixed assets	140,911	-
<b>Increase (Decrease) in Net Assets without Donor Restrictions</b>	4,400,409	(4,626,053)
<b>Changes in Net Assets with Donor Restrictions</b>		
Realized and change in unrealized gain (loss) on investments - Net	199,054	(40,246)
Investment income	53,215	40,263
<b>Increase in Net Assets with Donor Restrictions</b>	252,269	17
<b>Increase (Decrease) in Net Assets</b>	4,652,678	(4,626,036)
<b>Net Assets (Deficiency in Net Assets) - Beginning of year</b>	(505,730)	4,120,306
<b>Net Assets (Deficiency in Net Assets) - End of year</b>	<b>\$ 4,146,948</b>	<b>\$ (505,730)</b>

## Ada S. McKinley Community Services, Inc. and Subsidiary

# Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services								Support Services				Total
	Child Day Care Services - Head Start	Counseling	Employment	Foster Family Care	Residential Services - ICFDD	Residential Services - CILA	Home Based Services	Educational Services	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 2,254,357	\$ 1,813,847	\$ 1,697,695	\$ 2,490,558	\$ 2,368,461	\$ 2,473,804	\$ 51,209	\$ 527,268	\$13,677,199	\$ 2,555,863	\$ 96,686	\$ 2,652,549	\$16,329,748
Employee benefits	384,673	301,711	303,528	467,313	450,007	407,397	12,477	88,201	2,415,307	402,326	6,287	408,613	2,823,920
Payroll taxes	147,074	119,377	109,134	180,971	195,586	199,065	3,914	30,621	985,742	177,666	4,355	182,021	1,167,763
Total salaries and related expenses	2,786,104	2,234,935	2,110,357	3,138,842	3,014,054	3,080,266	67,600	646,090	17,078,248	3,135,855	107,328	3,243,183	20,321,431
Professional fees - Contract services	4,744,408	404,822	1,036,431	496,017	197,306	68,625	3,781	60,819	7,012,209	810,183	258,549	1,068,732	8,080,941
Supplies	160,103	20,873	1,221,769	79,439	324,519	182,661	849	69,675	2,059,888	260,024	726	260,750	2,320,638
Telephone	146,240	65,262	87,236	49,353	33,907	36,631	74	28,445	447,148	84,058	252	84,310	531,458
Postage and shipping	172	814	874,710	2,656	496	86	-	1,003	879,937	44,572	4,799	49,371	929,308
Occupancy	614,704	133,616	569,317	141,325	319,404	60,314	775	55,497	1,894,952	376,607	447	377,054	2,272,006
Outside printing and artwork	-	3,448	22	100,000	377	-	-	3,853	107,700	21,161	450	21,611	129,311
Local transportation	7,489	2,547	159,700	69,880	14,491	21,549	5	3,516	279,177	12,406	7	12,413	291,590
Educational conferences and agency meetings	23,621	1,357	39,547	3,554	1,105	1,757	17	6,131	77,089	34,477	-	34,477	111,566
Subscriptions and reference publications	-	-	13	-	-	-	-	-	13	510	-	510	523
Special assistance to individuals	3,195	2,493	6,795,943	1,174,154	11,778	8,046	-	53,840	8,049,449	1,027	-	1,027	8,050,476
Equipment rental and maintenance	11,189	5,583	132,608	105,235	24,315	34,521	-	22,254	335,705	58,834	-	58,834	394,539
Membership dues	14,800	1,409	6,285	1,314	345	-	-	1,558	25,711	6,047	-	6,047	31,758
Bad debt expense	-	262	46,378	9,888	4,529	413	2,432	-	63,902	-	-	-	63,902
Miscellaneous	4,860	8,890	8,486	905	205,847	983	-	617	230,588	22,417	4,342	26,759	257,347
Depreciation	13,699	3,829	147,826	47,945	60,208	30,643	-	2,792	306,942	161,981	-	161,981	468,923
Total functional expenses	<u>\$ 8,530,584</u>	<u>\$ 2,890,140</u>	<u>\$13,236,628</u>	<u>\$ 5,420,507</u>	<u>\$ 4,212,681</u>	<u>\$ 3,526,495</u>	<u>\$ 75,533</u>	<u>\$ 956,090</u>	<u>\$38,848,658</u>	<u>\$ 5,030,159</u>	<u>\$ 376,900</u>	<u>\$ 5,407,059</u>	<u>\$44,255,717</u>

## Ada S. McKinley Community Services, Inc. and Subsidiary

# Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services							Support Services				Total
	Child Day Care Services - Head Start	Counseling	Employment	Foster Family Care	Residential Services - ICFDD	Residential Services - CILA	Educational Services	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 2,935,222	\$ 1,937,751	\$ 2,746,732	\$ 2,231,950	\$ 1,983,661	\$ 1,529,935	\$ 465,586	\$ 13,830,837	\$ 1,901,589	\$ 107,491	\$ 2,009,080	\$ 15,839,917
Employee benefits	403,919	283,598	556,906	338,347	337,399	223,246	69,859	2,213,274	329,341	14,729	344,070	2,557,344
Payroll taxes	247,515	181,819	257,344	220,780	218,395	160,024	38,983	1,324,860	179,370	11,361	190,731	1,515,591
<b>Total salaries and related expenses</b>	<b>3,586,656</b>	<b>2,403,168</b>	<b>3,560,982</b>	<b>2,791,077</b>	<b>2,539,455</b>	<b>1,913,205</b>	<b>574,428</b>	<b>17,368,971</b>	<b>2,410,300</b>	<b>133,581</b>	<b>2,543,881</b>	<b>19,912,852</b>
Professional fees - Contract services	3,440,507	584,728	828,295	203,246	203,340	28,642	33,100	5,321,858	627,167	197,718	824,885	6,146,743
Supplies	994,228	17,837	1,140,084	65,852	319,598	180,917	81,079	2,799,595	188,239	262	188,501	2,988,096
Telephone	39,671	47,894	85,281	31,291	19,835	16,775	21,490	262,237	48,997	54	49,051	311,288
Postage and shipping	416	1,643	628,328	3,206	674	253	705	635,225	12,461	35	12,496	647,721
Occupancy	589,145	108,887	312,462	99,132	405,490	28,256	52,299	1,595,671	248,211	932	249,143	1,844,814
Outside printing and artwork	845	6,551	28,792	187	133	-	7,328	43,836	26,891	5,974	32,865	76,701
Local transportation	13,214	9,241	647,839	96,351	21,901	21,781	8,031	818,358	18,527	1,776	20,303	838,661
Educational conferences and agency meetings	9,908	9,744	24,948	10,018	3,214	2,425	5,149	65,406	25,105	120	25,225	90,631
Subscriptions and reference publications	-	-	-	-	-	24	-	24	-	-	-	24
Special assistance to individuals	14,564	4,989	6,649,873	599,911	27,273	6,675	62,103	7,365,388	-	67,824	67,824	7,433,212
Equipment rental and maintenance	91,204	20,259	172,591	64,033	30,358	62,039	16,960	457,444	47,576	-	47,576	505,020
Membership dues	4,250	17,167	9,184	219	-	-	180	31,000	9,429	399	9,828	40,828
Bad debt expense	424	18,107	192,256	23,078	139,327	7,600	-	380,792	-	-	-	380,792
Miscellaneous	319	62,583	4,392	(280)	141,695	6,878	928	216,515	76,561	9,326	85,887	302,402
Depreciation	19,147	10,011	178,349	51,182	63,570	32,053	3,234	357,546	171,986	-	171,986	529,532
<b>Total functional expenses</b>	<b>\$ 8,804,498</b>	<b>\$ 3,322,809</b>	<b>\$ 14,463,656</b>	<b>\$ 4,038,503</b>	<b>\$ 3,915,863</b>	<b>\$ 2,307,523</b>	<b>\$ 867,014</b>	<b>\$ 37,719,866</b>	<b>\$ 3,911,450</b>	<b>\$ 418,001</b>	<b>\$ 4,329,451</b>	<b>\$ 42,049,317</b>



## Ada S. McKinley Community Services, Inc. and Subsidiary

### Consolidated Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 4,652,678	\$ (4,626,036)
Adjustments to reconcile increase (decrease) in net assets to net cash, cash equivalents, and restricted cash from operating activities:		
Realized and change in unrealized (gain) loss on investments	(199,054)	40,246
Bad debt expense	63,902	380,792
Depreciation	468,923	529,532
Gain on sale of property	(140,911)	-
Amortization of debt issuance cost	-	2,383
Net periodic benefit cost	1,359,951	1,171,983
Pension-related change other than periodic pension expense	(5,300,701)	3,839,705
Changes in operating assets and liabilities that provided (used) cash, cash equivalents, and restricted cash:		
Accounts receivable	956,891	8,308
Change in advances/due to affiliates	(136,964)	(188,349)
Other receivables	39,068	94,326
Other assets	19,909	(108,087)
Accounts payable and accrued expenses	(251,474)	(224,406)
Accrued wages and related expenses	546,111	367,995
Settlements payable and other liabilities	781,919	150,721
Deferred revenue	182,365	200,216
Pension benefit obligation	(1,125,000)	(975,000)
Net cash, cash equivalents, and restricted cash provided by operating activities	1,917,613	664,329
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(200,115)	(345,960)
Proceeds from sale of property and equipment	208,571	126,912
Purchases of investments	(49,108)	(40,367)
Net cash, cash equivalents, and restricted cash used in investing activities	(40,652)	(259,415)
<b>Cash Flows from Financing Activities</b>		
Proceeds from Paycheck Protection Program loan	-	4,428,600
Repayments of mortgage notes payable	(245,465)	(230,470)
Net cash, cash equivalents, and restricted cash (used in) provided by financing activities	(245,465)	4,198,130
<b>Net Increase in Cash, Cash Equivalents, and Restricted Cash</b>	1,631,496	4,603,044
<b>Cash, Cash Equivalents, and Restricted Cash - Beginning of year</b>	7,789,823	3,186,779
<b>Cash, Cash Equivalents, and Restricted Cash - End of year</b>	<b>\$ 9,421,319</b>	<b>\$ 7,789,823</b>
<b>Consolidated Statement of Financial Position Classification of Cash, Cash Equivalents, and Restricted Cash</b>		
Cash and cash equivalents	\$ 8,666,892	\$ 7,384,518
Funds held in trust	546,704	232,839
Deposits held in escrow	207,723	172,466
Total cash, cash equivalents, and restricted cash	<b>\$ 9,421,319</b>	<b>\$ 7,789,823</b>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	\$ 135,160	\$ 167,353

**Note 1 - Nature of Business**

Ada S. McKinley Community Services, Inc. (McKinley) is an Illinois not-for-profit corporation established to maintain a full range of educational, residential, vocational, recreational, and welfare services; to improve the environmental conditions of the areas in which it operates; to serve people without regard to race, creed, or national origin; and to seek to encourage the highest standards of responsible citizenship among all residents of its service areas.

During 1980, McKinley incorporated Samaritas, Inc. (Samaritas) under the Illinois General Not For Profit Corporation Act. The purpose of Samaritas is “to own, acquire, buy, sell, mortgage, lease, and manage real estate and other related property and to maintain, operate, and manage the same as a not-for-profit organization.” Samaritas is exempt from income taxes under Section 501(c)(2) of the Internal Revenue Code. McKinley is the sole member of the corporation. Samaritas has been consolidated into these consolidated financial statements.

***Affiliates***

**McKinley II, Inc.**

During 1995, McKinley incorporated McKinley II, Inc. (affiliate) under the Illinois General Not For Profit Corporation Act. The purpose of the affiliate is to comply with the U.S. Department of Housing and Urban Development’s (HUD) requirements for participation in its Section 811 project (the development of adult residential facilities for individuals with a developmental disability). HUD required McKinley to establish a single-purpose, not-for-profit corporation (McKinley II, Inc.), which serves as sole owner and borrower for the project.

**McKinley III, Inc.**

During 1996, McKinley incorporated McKinley III, Inc. (affiliate) under the Illinois General Not For Profit Corporation Act. The purpose of the affiliate is to comply with the U.S. Department of Housing and Urban Development’s requirements for participation in its Section 811 project (the development of adult residential facilities for individuals with a developmental disability). HUD required McKinley to establish a single-purpose, not-for-profit corporation (McKinley III, Inc.), which serves as sole owner and borrower for the project.

**McKinley IV, Inc.**

During 1999, McKinley incorporated McKinley IV, Inc. (affiliate) under the Illinois General Not For Profit Corporation Act. The purpose of the affiliate is to comply with the U.S. Department of Housing and Urban Development’s requirements for participation in its Section 811 project (the development of adult residential facilities for individuals with a developmental disability). HUD required McKinley to establish a single-purpose, not-for-profit corporation (McKinley IV, Inc.), which serves as sole owner and borrower for the project.

The boards of directors of these affiliates are separate from that of McKinley. The operations of the affiliates are not included in these consolidated financial statements. See Note 17 for additional transactions between McKinley and the affiliates.

**Note 2 - Significant Accounting Policies**

***Basis of Presentation***

The consolidated financial statements of Ada S. McKinley Community Services, Inc. and Subsidiary (the "Organizations") have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Net assets of the Organizations are classified based on the presence or absence of donor-imposed restrictions.

**Notes to Consolidated Financial Statements**

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**June 30, 2021 and 2020**

**Note 2 - Significant Accounting Policies (Continued)**

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organizations.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some restrictions are temporary in nature; those restrictions will be met by actions of the Organizations or by the passage of time. When a donor restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets (deficiency in net assets) as net assets released from restrictions. Additionally, net assets subject to donor-imposed stipulations stating that they may be maintained in perpetuity are contributions made toward their endowment.

***Cash Equivalents***

The Organizations consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. They maintain their cash and cash equivalents in bank deposit accounts that at times may exceed federally insured limits. The Organizations have not experienced any losses in such accounts. They believe they are not exposed to any significant credit risk on cash and cash equivalents.

***Funds Held in Trust***

The Organizations maintain various custodial bank accounts for deposits received on behalf of residents. These funds are owed to the members and are available for their benefit and are payable to them on demand. At June 30, 2021 and 2020, the funds totaled \$546,704 and \$232,839, respectively, and the corresponding liability accounts totaled \$546,704 and \$264,356.

***Accounts Receivable***

Accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is established based on a general valuation allowance based on historical loss experience. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

***Investments***

Investments in marketable equity securities with readily determinable fair values are valued at their fair values in the consolidated statement of financial position. Interest and dividend income and unrealized and realized gains are reported as income on the consolidated statement of activities and changes in net assets (deficiency in net assets) and as an increase in net assets. Interest and dividend income is recorded on the accrual basis. Realized gains and losses are recognized on a specific identification basis of cost.

***Property and Equipment***

Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred. The Organizations capitalize expenditures of \$1,000 or more for property, equipment, repairs, and maintenance that improve or extend the life of an existing asset.

The Organizations report gifts of property, plant, and equipment as support without donor restrictions, and such gifts are excluded from the excess of revenue over expenses unless explicit donor stipulations specify how the donated asset must be used. Gifts of property, plant, and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property, plant, and equipment must be maintained. Expirations of donor restrictions are reported when the donated or acquired property, plant, and equipment are placed in service.

**Notes to Consolidated Financial Statements**

**June 30, 2021 and 2020**

**Note 2 - Significant Accounting Policies (Continued)**

***Impairment of Property and Equipment***

The Organizations recognize impairment of long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount.

There was no impairment loss recorded as of June 30, 2021 and 2020.

***Revenue Recognition***

Revenue is recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration to which the Organizations expect to be entitled in exchange for those goods and services. The Organizations maintain legally enforceable contracts with most of their customers that establish general terms. At contract inception, the Organizations assess the goods and services promised in their contracts and identify a performance obligation for each promise that is distinct. The amount of consideration received and revenue recognized is based upon the terms stated in the contracts. The economic factors that impact the nature, timing, and uncertainty of revenue and cash flow do not vary significantly between the Organizations' customers and geographical regions in which they serve.

The Organizations' revenue streams under contracts with customers are composed of environmental services, I-Pass transponder processing and inventory management services, and rehabilitation workshops. These streams are included in contract revenue in the consolidated statement of activities and changes in net assets (deficiency in net assets). Net revenue from customer contracts from environmental services revenue totaled \$11,514,340 and \$10,246,635 for the years ended June 30, 2021 and 2020, respectively. Revenue from customer contracts from I-Pass transponder processing and inventory management services totaled \$1,925,274 and \$1,402,339 for the years ended June 30, 2021 and 2020, respectively. Revenue from customer contracts from rehabilitation workshops totaled \$72,894 and \$155,122 for the years ended June 30, 2021 and 2020, respectively.

For environmental services, the Organizations have performance obligations related to providing cleaning and other custodial services over the agreed-upon contract term. Customers simultaneously receive and consume the benefit of these services as the contract is completed and revenue is recognized based on the right to invoice practical expedient. The transaction price is calculated as the amount of consideration to which the Organizations expect to be entitled and based on fixed monthly fees.

For I-Pass transponder processing and inventory management services, the primary performance obligations are processing of new and replacement transponder orders and testing and disposal of returned transponders. The customer simultaneously receives and consumes the benefit of these services as the contract is completed, and revenue is recognized based on the right to invoice practical expedient. The transaction price is calculated as the amount of consideration to which the Organizations expect to be entitled and is based on fixed per unit fees.

For rehabilitation workshops, the Organizations have performance obligations to provide kitting and assembly services for customer-owned materials. The customer simultaneously receives and consumes the benefit of these services as they are performed, and revenue is recognized based on the right to invoice practical expedient. The transaction price is calculated as the amount of consideration to which the Organizations expect to be entitled and is determined based on fixed per unit fees.

Accounts receivable from contracts with customers as of June 30, 2021, 2020, and 2019 totaled approximately \$1.4 million, \$0.9 million, and \$2.1 million, respectively. No contract assets or contract liabilities resulted from contracts with customers as of June 30, 2021, 2020, and 2019.

**Note 2 - Significant Accounting Policies (Continued)**

***Grant Revenue***

Revenue from grants from governmental agencies designated for use in specific activities is recognized in the period that expenditures have been incurred in compliance with the grantor's restrictions. Grant money received in excess of that earned is recorded as deferred revenue.

***Contributions***

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as contributions without donor restrictions. Other restricted gifts are reported as restricted support and net assets with donor restrictions.

***Donated Services and Assets***

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 McKinley. Volunteers also provided 0 and 65,333 volunteer hours in 2021 and 2020, respectively, performing a variety of tasks to assist McKinley at the employment facilities. McKinley also had volunteers performing a variety of tasks at its day care facilities; those services are not recognized as contributions in the consolidated financial statements since the recognition criteria were not met.

Donated services and materials, which are a normal part of the programs over which McKinley exercises control, are recorded where there is a clearly measurable basis for their valuation (e.g., rent, supplies, etc.).

***Functional Allocation of Expenses***

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of functional expenses. Costs are charged to program services and support services on an actual basis when available. Allocations for personnel expenses are based on estimates of time and effort of personnel involved in each function. Expenses deemed to be indirect, such as professional services, depreciation, insurance, and supplies, are considered to be management and general unless used specifically by a program. Expenses related to occupancy, such as utilities and depreciation, are allocated based on square footage occupied by each function. Other indirect costs are allocated primarily based on ratio of total expenses or ratio of total salaries. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

***Federal Income Taxes***

McKinley is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Samaritas is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(2).

***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Note 2 - Significant Accounting Policies (Continued)**

***Impact of Disease Outbreak***

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. Ada S. McKinley Community Services, Inc. and Subsidiary was deemed an essential service; therefore, there was no significant impact to daily operations. As further disclosed in Note 9, McKinley received Paycheck Protection Program loan funds in the amount of \$4,428,600. In September 2021, McKinley received notification of loan forgiveness for total outstanding balance.

While the Company's results of operations, cash flows, and financial condition were not significantly impacted, the extent of any future impact cannot be reasonably estimated at this time. The Organizations continue to monitor the situation.

***Recently Adopted Accounting Pronouncement***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the previous revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Organizations adopted the ASU effective July 1, 2020. The Organizations used the modified retrospective approach when applying these changes. The adoption of the ASU did not result in any restatement to net assets or changes in net assets.

***Upcoming Accounting Pronouncements***

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organizations' year ending June 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the consolidated financial statements would be to capitalize the value and obligations related to the leases identified in Note 16.

The FASB issued ASU No. 2020-04, *Rate Reference Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, in response to the expected discontinuation of the use of LIBOR by the end of 2021. The ASU simplifies the accounting for changes in reference rate if certain criteria are met for contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued as a result of reference rate reform. The ASU is effective for all entities as of March 12, 2020 (date of issuance) through December 31, 2022. The Organizations have not yet been contacted by the bank to change the rate.

## Ada S. McKinley Community Services, Inc. and Subsidiary

# Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 2 - Significant Accounting Policies (Continued)

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the consolidated financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for Ada S. McKinley Community Services, Inc. and Subsidiary's year ending June 30, 2022 and will be applied using the retrospective method.

#### Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including December 17, 2021, which is the date the consolidated financial statements were available to be issued.

### Note 3 - Accounts Receivable

Accounts receivable include the following as of June 30:

	2021	2020
Illinois Department of Healthcare and Family Services	\$ 227,769	\$ 340,140
Illinois Department of Human Services	357,000	103,410
Illinois Department of Children and Family Services	440,709	598,694
Various rehabilitation workshops, contract revenue	1,429,008	897,371
Other receivables	2,318,997	3,893,729
Total accounts receivable - Net	<u>\$ 4,773,483</u>	<u>\$ 5,833,344</u>

The allowance for doubtful accounts on the accounts receivable balances was \$410,568 and \$364,030 as of June 30, 2021 and 2020, respectively.

### Note 4 - Investments

McKinley's investments are recorded at fair value as of June 30, 2021 and 2020.

The Organizations' investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the consolidated statement of financial position.

Investments consisted of the following at June 30:

	2021	2020
Mutual funds	\$ 953,520	\$ 716,757
Exchange-traded funds	158,382	146,983
Total	<u>\$ 1,111,902</u>	<u>\$ 863,740</u>

Not included in the table above is \$12,600 and \$8,543 of investments that is included in cash and cash equivalents in the consolidated statement of financial position as of June 30, 2021 and 2020, respectively.

**Notes to Consolidated Financial Statements**

**June 30, 2021 and 2020**

**Note 5 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organizations have the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organizations' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Organizations measure their investments at fair value on a recurring basis. The fair value of their investments, as described in Note 4, is based primarily on Level 1 inputs, as described above.

The Organizations currently have no assets or liabilities required to follow the fair value guidance, which utilizes Level 2 inputs.

The Organizations also have assets that, under certain conditions, are subject to measurement at fair value on a nonrecurring basis. These assets include the assets held for sale, which are assessed annually for impairment. The Organizations have estimated the fair values of these assets based primarily on Level 3 inputs, as described above. Significant Level 3 inputs include comparable properties in the same geographic area. The fair value of these assets was \$19,211 at June 30, 2021 and 2020.

**Note 6 - Property and Equipment**

The cost of property and equipment is summarized as follows:

	2021	2020	Depreciable Life - Years
Land	\$ 1,898,758	\$ 1,934,808	-
Buildings and improvements	12,526,482	12,710,962	10-40
Furniture and equipment	2,048,925	2,015,179	3-10
Vehicles	140,774	140,774	5
Leasehold improvements	1,601,069	1,593,669	5
Construction in progress	-	3,400	-
Total cost	18,216,008	18,398,792	
Accumulated depreciation	11,889,886	11,736,202	
Net property and equipment	<u>\$ 6,326,122</u>	<u>\$ 6,662,590</u>	

Depreciation expense was \$468,923 for 2021 and \$529,532 for 2020.



## Ada S. McKinley Community Services, Inc. and Subsidiary

# Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 7 - Deposits Held in Escrow

Approximately \$207,700 and \$172,400 held in various escrow accounts as of June 30, 2021 and 2020, respectively, is restricted to specific expenditures and requires prior approval by the U.S. Department of Housing and Urban Development.

### Note 8 - Line of Credit

McKinley has an available line of credit of \$4,000,000 at June 30, 2021 and 2020, which is used to bridge funding during periods when receipts from funding sources fall below cash disbursement requirements. The line of credit currently has an expiration date of May 31, 2022. Borrowings under the line of credit in 2021 and 2020 are payable on demand at 2.25 and 2.50 percent, respectively, over the 30-day London Interbank Offered Rate (LIBOR); are secured by McKinley's receivables, excluding federal government contracts; and are cross collateralized with the first mortgage on three properties. The effective rate as of June 30, 2021 and 2020 was 2.59 and 2.68 percent, respectively. McKinley must comply with certain financial covenants. As of June 30, 2021 and 2020, the covenant states that the Organizations must have a minimum liquidity of \$2,500,000 measured on a quarterly basis. There were no outstanding borrowings on the line of credit at June 30, 2021 or 2020.

### Note 9 - Long-term Debt

Long-term debt at June 30 is as follows:

	2021	2020
<i>McKinley</i> - Section 202 (Direct Loan Program) award from the Department of Housing and Urban Development, payable in monthly installments of \$13,284, including interest at 9.25 percent based on a 454-month amortization schedule, with the final payment due in October 2024. Under this commitment, McKinley constructed five residential care facilities for the developmentally disabled on Chicago's South Side. The note is collateralized by the mortgaged land and buildings	\$ 449,723	\$ 561,834
<i>Samaritas</i> - Mortgage note payable to bank in monthly installments of \$18,438, including interest at 3.50 percent as of June 30, 2021 and 2020 based on a five-year amortization schedule, with a balloon payment due on May 28, 2025. This note is secured by the mortgaged properties and is guaranteed by Ada S. McKinley Community Services, Inc. The mortgage note payable is subject to a loan covenant requiring minimum liquidity of \$2,500,000 measured on a quarterly basis. The covenant is calculated based on consolidated numbers of Ada S. McKinley Community Services, Inc.	2,404,190	2,537,544

## Ada S. McKinley Community Services, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

#### Note 9 - Long-term Debt (Continued)

	<u>2021</u>	<u>2020</u>
<i>McKinley</i> - McKinley was approved for a loan under the Paycheck Protection Program (PPP) created as a part of the relief efforts related to COVID-19 and administered by the Small Business Administration. McKinley received funds totaling \$4,428,600 on April 16, 2020. The PPP loan accrues interest at 1.00 percent, but payments are not required to be made until August 1, 2021. In September 2021, McKinley received notification of loan forgiveness for total outstanding balance of \$4,428,600. The loan is uncollateralized and is fully guaranteed by the federal government. Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels. The amount of the loan forgiven will be recorded as cancellation of debt income in 2022	\$ 4,428,600	\$ 4,428,600
Total	7,282,513	7,527,978
Less current portion	<u>4,689,696</u>	<u>2,229,350</u>
Long-term portion	<u>\$ 2,592,817</u>	<u>\$ 5,298,628</u>

The balance of the above debt matures as follows:

<u>Years Ending</u>	<u>Amount</u>
2022	\$ 4,689,697
2023	276,914
2024	294,791
2025	<u>2,021,111</u>
Total	<u>\$ 7,282,513</u>

#### Note 10 - Settlement Payable and Other Liabilities

McKinley has agreements with third-party payors that provide for payments to McKinley for services at established rates, but amounts could be different from the third-party payors' payment amounts. Payment arrangements include prospectively determined reimbursed cost rates. Management has recorded settlements payable under certain programs and has included the estimates of these settlements, including estimated retroactive adjustments under reimbursement agreements with third-party payors in revenue. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

	<u>2021</u>	<u>2020</u>
Illinois Department of Children and Family Services	\$ 1,181,098	\$ 637,320
Illinois Department of Public Health	24,456	13,086
Illinois Healthcare and Family Services	9,613	6,290
Custodian fund - Clients	546,704	264,356
Other	<u>45,118</u>	<u>104,018</u>
Total	<u>\$ 1,806,989</u>	<u>\$ 1,025,070</u>

**Notes to Consolidated Financial Statements**

**June 30, 2021 and 2020**

**Note 11 - Pension Plan**

McKinley has a pension plan covering all employees who have attained age 21 and worked at least 1,000 hours of service during a 12-month period and who are not part of the Agency Federal Contract Employees program. The plan provides defined benefits based on years of credited service. McKinley's policy is to fund pension costs in an amount not less than the amount required by the Employee Retirement Income Security Act of 1974 (ERISA). On March 29, 2013, the plan was amended, changing the benefit formula for employees who are not part of the Service Employees International Union Illinois and Indiana chapters to incorporate a cash balance formula for all service beyond that date.

***Obligations and Funded Status***

	Pension Benefits	
	2021	2020
Projected benefit obligation	\$ 36,630,911	\$ 36,196,469
Fair value of plan	31,818,603	26,318,411
Funded status	<u>\$ (4,812,308)</u>	<u>\$ (9,878,058)</u>

Amounts recognized in the consolidated statement of financial position consist of the following:

	Pension Benefits	
	2021	2020
Current liabilities	\$ (1,173,792)	\$ (1,170,570)
Noncurrent liabilities	<u>(3,638,516)</u>	<u>(8,707,488)</u>
Funded status at year end	<u>\$ (4,812,308)</u>	<u>\$ (9,878,058)</u>

Amounts not yet recognized as components of net periodic benefit cost consist of the following:

	Pension Benefits	
	2021	2020
Net loss	\$ 7,517,970	\$ 12,135,336
Prior service cost	-	(44,734)
Total	<u>\$ 7,517,970</u>	<u>\$ 12,090,602</u>

**Notes to Consolidated Financial Statements**

**June 30, 2021 and 2020**

**Note 11 - Pension Plan (Continued)**

The accumulated benefit obligation (which excludes actuarially calculated benefit obligation adjustments due to future compensation) for all defined benefit pension plans was \$36,613,176 and \$35,919,024 at June 30, 2021 and 2020, respectively.

	Pension Benefits	
	2021	2020
<b>Net Periodic Benefit Cost, Employer Contributions, Participant Contributions, and Benefits Paid</b>		
Net periodic benefit cost	\$ 1,049,149	\$ 443,914
Employer contributions	1,125,000	975,000
Benefits paid	(2,656,294)	(3,303,963)
<b>Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income</b>		
Net (gain) loss	\$ (3,799,002)	\$ 5,117,068
Amortization of loss	(1,235,631)	(670,191)
Settlement loss	(310,802)	(728,069)
Amortization of prior service cost	44,734	120,897
Total recognized in pension-related changes other than net periodic costs	<u>\$ (5,300,701)</u>	<u>\$ 3,839,705</u>

**Assumptions**

The following assumptions were used to determine the benefit obligation and the net periodic benefit costs as of June 30:

	Pension Benefits	
	2021	2020
Discount rate - Benefit obligation	2.73 %	2.56 %
Discount rate - Net periodic benefit cost	2.56 %	3.42 %
Expected long-term return on plan assets	4.96 %	5.33 %
Expected rate of compensation increase	2.00 %	2.00 %

The expected return on plan assets is based on McKinley's expectation of the long-term average rate of return of the capital markets in which the plan invests. The average market returns are adjusted, where appropriate, for active asset management returns. The expected return reflects the investment policy target asset mix and considers the historical returns earned for each asset category.

Actuarial assumptions utilized in determining the actuarial present value of accumulated plan benefits were changed since the prior valuation date. The interest and discount rate for the obligation were 2.56 percent. The mortality tables were updated to the Pri-2012 Mortality Table projected to 2021 for employees and healthy annuitants with Mortality Improvement Scale MP-2020.

**Pension Plan Assets**

McKinley's investment policies employ an approach where a mix of equities and fixed-income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The investment portfolio primarily contains a diversified blend of equity and fixed-income investments. Investment and market risks are measured and monitored on an ongoing basis through regular investment portfolio reviews and annual liability measurements. McKinley's actual asset allocations are in line with target allocations in order to stay within a range of allocation for each asset category.

The target allocation of plan assets is 77 percent equity securities, 20 percent debt securities, and 3 percent cash equivalents as of June 30, 2021 and 2020.

## Ada S. McKinley Community Services, Inc. and Subsidiary

# Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 11 - Pension Plan (Continued)

The fair values of the Organizations' pension plan assets at June 30, 2021 and 2020 by major asset classes are as follows:

Asset Classes	Fair Value Measurements at June 30, 2021			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Fixed income:</b>				
Money market funds	\$ -	\$ 406,022	\$ -	\$ 406,022
U.S. government obligations	-	1,621,897	-	1,621,897
Mortgage-backed securities	-	456,427	-	456,427
Collateralized mortgage obligations	-	17,743	-	17,743
Corporate bonds	-	1,770,196	-	1,770,196
Foreign bonds, notes, and debentures	-	164,705	-	164,705
Rights, warrants, and derivatives	-	10,563	-	10,563
<b>Equity:</b>				
<b>Common stock:</b>				
International	816,135	-	-	816,135
United States	6,928,173	-	-	6,928,173
<b>Mutual funds:</b>				
Equity	14,439,416	-	-	14,439,416
Fixed income	4,401,180	-	-	4,401,180
Preferred stock	786,146	-	-	786,146
<b>Total</b>	<b>\$ 27,371,050</b>	<b>\$ 4,447,553</b>	<b>\$ -</b>	<b>\$ 31,818,603</b>

## Ada S. McKinley Community Services, Inc. and Subsidiary

# Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 11 - Pension Plan (Continued)

Asset Classes	Fair Value Measurements at June 30, 2020			
	Quoted Prices in			Total
	Active Markets	Significant Other	Significant	
	for Identical	Observable	Unobservable	
Assets	Inputs	Inputs		
	(Level 1)	(Level 2)	(Level 3)	
Fixed income:				
Money market funds	\$ -	\$ 2,968,779	\$ -	\$ 2,968,779
U.S. government obligations	-	1,497,953	-	1,497,953
Mortgage-backed securities	-	578,982	-	578,982
Collateralized mortgage obligations	-	33,990	-	33,990
Corporate bonds	-	1,838,394	-	1,838,394
Foreign bonds, notes, and debentures	-	185,505	-	185,505
Equity:				
Common stock:				
International	781,388	-	-	781,388
United States	4,434,794	-	-	4,434,794
Mutual funds:				
Equity	9,119,228	-	-	9,119,228
Fixed income	4,192,695	-	-	4,192,695
Preferred stock	686,703	-	-	686,703
Total	\$ 19,214,808	\$ 7,103,603	\$ -	\$ 26,318,411

The tables above present information about the pension plan assets measured at fair value at June 30, 2021 and 2020 and the valuation techniques used by the Organizations to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Plan has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals. The fair values of money market funds; U.S. government obligations; corporate bonds; foreign bonds; notes and debentures; and rights, warrants, and derivatives were determined primarily by Level 2 inputs.

The Organizations estimate fair values for the money market funds; U.S. government obligations; municipal obligations; mortgage-backed securities; collateralized mortgage obligations; corporate bonds; foreign bonds; notes and debentures; and rights, warrants, and derivatives based on similar investments that are traded on the secondary market.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

The plan currently has no assets or liabilities that utilize Level 3 inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organizations' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each plan asset.

**Notes to Consolidated Financial Statements**

**June 30, 2021 and 2020**

**Note 11 - Pension Plan (Continued)**

**Cash Flow**

*Contributions*

The Organizations expect to contribute \$900,000 to the pension plan in 2022.

*Estimated Future Benefit Payments*

Projected benefit payments to retired employees from the plan as of June 30, 2021 are estimated as follows:

<u>Years Ending</u>	<u>Pension Benefits</u>
2022	\$ 4,451,362
2023	1,967,416
2024	2,189,439
2025	1,995,750
2026	2,011,980
2027-2031	9,468,747

**Note 12 - Retirement Plan**

McKinley sponsors a 403(b) plan for substantially all employees. The plan does not require McKinley to make profit-sharing contributions. Accordingly, there were no contributions in 2021 and 2020.

**Note 13 - Net Assets with Donor Restrictions**

Net assets with donor restrictions at June 30, 2021 and 2020 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Donor-restricted endowment (Note 14)	\$ 1,124,676	\$ 872,407

**Note 14 - Donor-restricted Endowment**

McKinley's endowment includes only donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

McKinley's endowment fund provides support for McKinley's mission to assist individuals and families who, because of disabilities or other limiting conditions, need help in finding and pursuing paths leading to healthy, productive, and fulfilling lives.

**Notes to Consolidated Financial Statements**

**June 30, 2021 and 2020**

**Note 14 - Donor-restricted Endowment (Continued)**

***Interpretation of Relevant Law***

The Organizations are subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Organizations had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing their donor-restricted endowment funds, the Organizations consider a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organizations had interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organizations and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organizations
- The investment policies of the Organizations

Endowment Net Asset Composition by Type of Fund  
as of June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ -	\$ 1,000,000	\$ 1,000,000
Accumulated investment gains available for appropriation	-	124,676	124,676
Total	<u>\$ -</u>	<u>\$ 1,124,676</u>	<u>\$ 1,124,676</u>



**Notes to Consolidated Financial Statements**

**June 30, 2021 and 2020**

**Note 14 - Donor-restricted Endowment (Continued)**

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021
Endowment net assets - Beginning of year	\$ 872,407
Investment return:	
Investment income	53,215
Net appreciation (realized and unrealized)	199,054
Total investment return	252,269
Endowment net assets - End of year	<u>\$ 1,124,676</u>

Endowment Net Asset Composition by Type of Fund  
as of June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ -	\$ 872,407	<u>\$ 872,407</u>

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020
Endowment net assets - Beginning of year	\$ 872,390
Investment return:	
Investment income	40,263
Net depreciation (realized and unrealized)	(40,246)
Total investment return	17
Endowment net assets - End of year	<u>\$ 872,407</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organizations to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021.

**Return Objectives and Risk Parameters**

McKinley has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Organizations must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce an average rate of return of approximately 6 percent annually. Actual returns in any given year may vary from this amount.

**Notes to Consolidated Financial Statements**

**June 30, 2021 and 2020**

**Note 14 - Donor-restricted Endowment (Continued)**

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, McKinley 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). McKinley targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

As stated above, the Organizations are restricted from making any distributions until the endowment maintains a balance of \$1 million. This is consistent with McKinley's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

**Note 15 - Fees and Grants from Governmental Agencies**

	2021	2020
U.S. Department of Education	\$ 946,965	\$ 753,067
U.S. Department of Housing and Urban Development	543,160	539,446
Social Security Administration - Rental supplements	665,476	606,854
Illinois Department of Children and Family Services	6,358,571	4,972,445
Illinois Department of Healthcare and Family Services (Public Aid)	4,307,571	4,473,886
Illinois Department of Human Services:		
Mental Health and Developmental Disabilities	6,808,855	8,141,235
Rehabilitation Services	6,700	16,750
State of Illinois - Board of Education - Food reimbursement programs	7,471	142,957
Chicago Public Schools	156,088	931,542
City of Chicago, Illinois	9,197,147	8,210,294
	<u>\$ 28,998,004</u>	<u>\$ 28,788,476</u>

**Note 16 - Operating Leases**

Program facilities and administrative offices are leased at a number of locations under operating lease agreements expiring through 2024.

McKinley also used office and telephone equipment under various operating leases subject to specific lease terms and rentals. Total equipment lease payments charged to operations in 2021 and 2020 were \$220,111 and \$235,442, respectively.

Estimated future minimum base rental payments for equipment and office and program facilities are as follows:

Years Ending June 30	Equipment and Office	Program Facilities	Total
2022	\$ 228,345	\$ 311,653	\$ 539,998
2023	105,019	-	105,019
2024	71,098	-	71,098
2025	40,460	-	40,460
Total	<u>\$ 444,922</u>	<u>\$ 311,653</u>	<u>\$ 756,575</u>

## Ada S. McKinley Community Services, Inc. and Subsidiary

# Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 17 - Related Party Transactions

McKinley provides various services to the affiliates that are described in Note 1. Revenue related to these services is reported in rehabilitation workshops, contract revenue, and other revenue in the consolidated statement of activities and changes in net assets (deficiency in net assets). Receivables related to these various services are periodically evaluated for collectibility based on current financial condition. Provisions for losses on receivables are determined based on current financial condition. The Organizations consider a receivable to be impaired when, based upon current information and events, it is probable that the Organizations will be unable to collect all amounts due to them. The Organizations do not have any receivables considered to be impaired as of June 30, 2021 and 2020. McKinley had the following balances due to/from its affiliates:

	2021	2020
McKinley II, Inc.	\$ 142,022	\$ 113,028
McKinley III, Inc.	129,045	63,605
McKinley IV, Inc.	152,201	109,671
Total advances to affiliates	<u>\$ 423,268</u>	<u>\$ 286,304</u>

The related party transactions McKinley has with its affiliates, McKinley II, Inc.; McKinley III, Inc.; and McKinley IV, Inc., are as follows:

#### ***McKinley II, Inc.***

	2021	2020
Management fee	\$ 10,512	\$ 10,512
Accounting/Bookkeeping	2,775	2,593
Janitorial service	18,699	13,932
Total	<u>\$ 31,986</u>	<u>\$ 27,037</u>

#### ***McKinley III, Inc.***

	2021	2020
Management fee	\$ 5,256	\$ 5,256
Accounting/Bookkeeping	1,424	1,296
Janitorial service	24,215	-
Service coordinator	-	4,084
Total	<u>\$ 30,895</u>	<u>\$ 10,636</u>

#### ***McKinley IV, Inc.***

	2021	2020
Management fee	\$ 14,016	\$ 14,016
Accounting/Bookkeeping	3,538	3,456
Janitorial service	11,311	12,025
Total	<u>\$ 28,865</u>	<u>\$ 29,497</u>

**Notes to Consolidated Financial Statements**

**June 30, 2021 and 2020**

**Note 18 - Assets Held for Resale and Discontinued Operations**

In October 2019, one property was classified as held for sale. The net carrying value of the building (cost less accumulated depreciation) has been classified as assets held for resale as of June 30, 2021 and 2020. While the building is classified as held for sale, any related revenue or expenses are classified as discontinued operations within the consolidated statement of activities and changes in net assets (deficiency in net assets). The discontinued operations are made up of the following expenses as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Expenses:		
Maintenance and utilities	\$ (7,394)	\$ (6,411)
Insurance	(1,119)	(964)
Total	<u>\$ (8,513)</u>	<u>\$ (7,375)</u>

**Note 19 - Liquidity and Availability of Resources**

The Organizations have \$13,440,375 and \$13,217,862 of financial assets available within one year of June 30, 2021 and 2020, respectively, to meet cash needs for general expenditures consisting of cash and cash equivalents of \$8,666,892 and receivables of \$4,773,483 in 2021 and cash and cash equivalents of \$7,384,518 and receivables of \$5,833,344 in 2020. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date. The Organizations have a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet normal operating expenses. The Organizations have a policy to structure their financial assets to be available as their general expenditures, liabilities, and other obligations come due. The Organizations also have the ability to draw on the line of credit disclosed in Note 8 in the event of an unanticipated liquidity need.

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## Additional Information

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## Independent Auditor's Report on Additional Information

To the Board of Directors  
Ada S. McKinley Community Services, Inc.  
and Subsidiary

We have audited the consolidated financial statements of Ada S. McKinley Community Services, Inc. and Subsidiary as of and for the years ended June 30, 2021 and 2020 and have issued our report thereon dated December 17, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the 2021 and 2020 consolidated financial statements as a whole. The additional parent-only statements of Ada S. McKinley Community Services, Inc. are presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the parent company and are not a required part of the consolidated financial statements. These parent-only statements exclude Samaritas, Inc., a subsidiary that is required to be consolidated under accounting principles generally accepted in the United States of America. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 2021 and 2020 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2021 and 2020 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2021 and 2020 consolidated financial statements as a whole.

*Plante & Moran, PLLC*

December 17, 2021

## Ada S. McKinley Community Services, Inc.

### Statement of Financial Position

June 30, 2021 and 2020

	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,636,264	\$ 5,653,136
Funds held in trust	546,704	232,839
Receivables - Net	4,773,483	5,833,344
Prepaid expenses	183,461	211,470
Total current assets	12,139,912	11,930,789
<b>Investments</b>	1,111,902	863,740
<b>Other Assets</b>		
Deposits held in escrow	207,723	172,466
Other assets	159,647	151,547
<b>Property and Equipment - Net</b>	3,243,539	3,398,381
<b>Advances to Affiliates</b>	446,537	286,304
Total assets	<b>\$ 17,309,260</b>	<b>\$ 16,803,227</b>
<b>Liabilities and Net Assets (Deficiency in Net Assets)</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,385,984	\$ 1,637,436
Deferred revenue	432,930	250,565
Accrued liabilities and other:		
Accrued wages and related taxes	2,537,057	1,990,946
Accrued interest	13,284	13,284
Settlements payable and other liabilities	1,806,989	1,025,070
Current portion of notes payable:		
Notes payable	4,551,532	2,095,996
Related party notes payable	20,001	19,204
Current portion of pension benefit obligation	1,173,792	1,170,570
Total current liabilities	11,921,569	8,203,071
<b>Notes Payable - Net of current portion</b>	326,791	2,894,438
<b>Pension Benefit Obligation - Net of current portion</b>	3,638,516	8,707,488
<b>Due to Affiliates</b>	-	75,107
<b>Related Party Notes Payable - Net of current portion</b>	328,029	348,380
Total liabilities	16,214,905	20,228,484
<b>Net Assets (Deficiency in Net Assets)</b>		
Without donor restrictions	(30,321)	(4,297,664)
With donor restrictions	1,124,676	872,407
Total net assets (deficiency in net assets)	1,094,355	(3,425,257)
Total liabilities and net assets (deficiency in net assets)	<b>\$ 17,309,260</b>	<b>\$ 16,803,227</b>

## Ada S. McKinley Community Services, Inc.

# Statement of Activities and Changes in Net Assets (Deficiency in Net Assets)

Years Ended June 30, 2021 and 2020

	2021	2020
<b>Changes in Net Assets without Donor Restrictions</b>		
Revenue, gains, and other support:		
Fees and grants from governmental agencies	\$ 28,998,004	\$ 28,788,476
Contract revenue	13,512,508	11,804,096
Contributions	356,272	301,538
Other revenue	649,792	586,171
Total revenue, gains, and other support	43,516,576	41,480,281
Expenses:		
Program services:		
Child Day Care Services - Head Start	8,530,584	8,804,498
Counseling	2,890,140	3,330,097
Employment	13,302,251	14,517,955
Foster Family Care	5,574,880	4,150,124
Residential services - ICFDD	4,212,691	3,915,863
Residential services - CILA	3,519,751	2,300,493
Home based services	75,533	-
Educational services	956,090	867,014
Total program services	39,061,920	37,886,044
Support services:		
Management and general	5,017,074	3,912,625
Fundraising	376,900	418,001
Total support services	5,393,974	4,330,626
Total expenses	44,455,894	42,216,670
<b>Decrease in Net Assets without Donor Restrictions - Before other items</b>	(939,318)	(736,389)
<b>Other Items</b>		
Adjustment to GAAP pension expense from funded pension amount	(234,951)	(196,983)
Pension-related change other than net periodic costs	5,300,701	(3,839,705)
Gain on disposal of fixed assets	140,911	-
Total other items	5,206,661	(4,036,688)
<b>Increase (Decrease) in Net Assets without Donor Restrictions</b>	4,267,343	(4,773,077)
<b>Changes in Net Assets with Donor Restrictions</b>		
Realized and change in unrealized gain (loss) on investments - Net	199,054	(40,246)
Investment income	53,215	40,263
<b>Increase in Net Assets with Donor Restrictions</b>	252,269	17
<b>Increase (Decrease) in Net Assets</b>	4,519,612	(4,773,060)
<b>Net Assets (Deficiency in Net Assets) - Beginning of year</b>	(3,425,257)	1,347,803
<b>Net Assets (Deficiency in Net Assets) - End of year</b>	<b>\$ 1,094,355</b>	<b>\$ (3,425,257)</b>



Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services								Support Services			Total	
	Child Day Care Services - Head Start	Counseling	Employment	Foster Family Care	Residential Services - ICFDD	Residential Services - CILA	Home Based Services	Educational Services	Total Program Services	Management and General	Fundraising		Total Support Services
Salaries	\$ 2,254,357	\$ 1,813,847	\$ 1,697,695	\$ 2,490,558	\$ 2,368,461	\$ 2,473,804	\$ 51,209	\$ 527,268	\$13,677,199	\$ 2,555,863	\$ 96,686	\$ 2,652,549	\$16,329,748
Employee benefits	384,673	301,711	303,528	467,313	450,007	407,397	12,477	88,201	2,415,307	402,326	6,287	408,613	2,823,920
Payroll taxes	147,074	119,377	109,134	180,971	195,586	199,065	3,914	30,621	985,742	177,666	4,355	182,021	1,167,763
Total salaries and related expenses	2,786,104	2,234,935	2,110,357	3,138,842	3,014,054	3,080,266	67,600	646,090	17,078,248	3,135,855	107,328	3,243,183	20,321,431
Professional fees - Contract services	4,744,408	404,822	1,036,431	496,017	197,306	68,625	3,781	60,819	7,012,209	759,268	258,549	1,017,817	8,030,026
Supplies	160,103	20,873	1,221,769	79,439	324,519	182,661	849	69,675	2,059,888	260,024	726	260,750	2,320,638
Telephone	146,240	65,262	87,236	49,353	33,907	36,631	74	28,445	447,148	84,058	252	84,310	531,458
Postage and shipping	172	814	874,710	2,656	496	86	-	1,003	879,937	44,572	4,799	49,371	929,308
Occupancy	614,704	133,616	638,911	295,698	319,414	78,004	775	55,497	2,136,619	542,658	447	543,105	2,679,724
Equipment rental and maintenance	11,189	5,583	132,608	105,235	24,315	34,521	-	22,254	335,705	58,834	-	58,834	394,539
Outside printing and artwork	-	3,448	22	100,000	377	-	-	3,853	107,700	21,161	450	21,611	129,311
Local transportation	7,489	2,547	159,700	69,880	14,491	21,549	5	3,516	279,177	12,406	7	12,413	291,590
Educational conferences and agency meetings	23,621	1,357	39,547	3,554	1,105	1,757	17	6,131	77,089	34,477	-	34,477	111,566
Subscriptions and reference publications	-	-	13	-	-	-	-	-	13	510	-	510	523
Special assistance to individuals	3,195	2,493	6,795,943	1,174,154	11,778	8,046	-	53,840	8,049,449	1,027	-	1,027	8,050,476
Membership dues	14,800	1,409	6,285	1,314	345	-	-	1,558	25,711	6,047	-	6,047	31,758
Miscellaneous	4,860	8,890	8,486	905	205,847	983	-	617	230,588	47,414	4,342	51,756	282,344
Bad debt expense	-	262	46,378	9,888	4,529	413	2,432	-	63,902	-	-	-	63,902
Depreciation	13,699	3,829	143,855	47,945	60,208	6,209	-	2,792	278,537	8,763	-	8,763	287,300
Total functional expenses	<u>\$ 8,530,584</u>	<u>\$ 2,890,140</u>	<u>\$13,302,251</u>	<u>\$ 5,574,880</u>	<u>\$ 4,212,691</u>	<u>\$ 3,519,751</u>	<u>\$ 75,533</u>	<u>\$ 956,090</u>	<u>\$39,061,920</u>	<u>\$ 5,017,074</u>	<u>\$ 376,900</u>	<u>\$ 5,393,974</u>	<u>\$44,455,894</u>

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services							Support Services				Total
	Child Day Care Services - Head Start	Counseling	Employment	Foster Family Care	Residential Services - ICFDD	Residential Services - CILA	Educational Services	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 2,935,222	\$ 1,937,751	\$ 2,746,732	\$ 2,231,950	\$ 1,983,661	\$ 1,529,935	\$ 465,586	\$ 13,830,837	\$ 1,901,589	\$ 107,491	\$ 2,009,080	\$ 15,839,917
Employee benefits	403,919	283,598	556,906	338,347	337,399	223,246	69,859	2,213,274	329,341	14,729	344,070	2,557,344
Payroll taxes	247,515	181,819	257,344	220,780	218,395	160,024	38,983	1,324,860	179,370	11,361	190,731	1,515,591
<b>Total salaries and related expenses</b>	<b>3,586,656</b>	<b>2,403,168</b>	<b>3,560,982</b>	<b>2,791,077</b>	<b>2,539,455</b>	<b>1,913,205</b>	<b>574,428</b>	<b>17,368,971</b>	<b>2,410,300</b>	<b>133,581</b>	<b>2,543,881</b>	<b>19,912,852</b>
Professional fees - Contract services	3,440,507	584,728	828,295	203,246	203,340	28,642	33,100	5,321,858	572,224	197,718	769,942	6,091,800
Supplies	994,228	17,837	1,140,084	65,852	319,598	180,917	81,079	2,799,595	188,239	262	188,501	2,988,096
Telephone	39,671	47,894	85,281	31,291	19,835	16,775	21,490	262,237	48,997	54	49,051	311,288
Postage and shipping	416	1,643	628,328	3,206	674	253	705	635,225	12,461	35	12,496	647,721
Occupancy	589,145	116,175	370,732	208,957	405,490	45,660	52,299	1,788,458	452,920	932	453,852	2,242,310
Equipment rental and maintenance	91,204	20,259	172,591	64,033	30,358	62,039	16,960	457,444	47,576	-	47,576	505,020
Outside printing and artwork	845	6,551	28,792	187	133	-	7,328	43,836	26,891	5,974	32,865	76,701
Local transportation	13,214	9,241	647,839	96,351	21,901	21,781	8,031	818,358	18,527	1,776	20,303	838,661
Educational conferences and agency meetings	9,908	9,744	24,948	10,018	3,214	2,425	5,149	65,406	25,105	120	25,225	90,631
Subscriptions and reference publications	-	-	-	-	24	-	-	24	-	-	-	24
Special assistance to individuals	14,564	4,989	6,649,873	599,911	27,273	6,675	62,103	7,365,388	-	67,824	67,824	7,433,212
Membership dues	4,250	17,167	9,184	219	-	-	180	31,000	9,429	399	9,828	40,828
Miscellaneous	319	62,583	4,392	1,517	141,671	6,902	928	218,312	76,560	9,326	85,886	304,198
Bad debt expense	424	18,107	192,256	23,078	139,327	7,600	-	380,792	-	-	-	380,792
Depreciation	19,147	10,011	174,378	51,181	63,570	7,619	3,234	329,140	23,396	-	23,396	352,536
<b>Total functional expenses</b>	<b>\$ 8,804,498</b>	<b>\$ 3,330,097</b>	<b>\$ 14,517,955</b>	<b>\$ 4,150,124</b>	<b>\$ 3,915,863</b>	<b>\$ 2,300,493</b>	<b>\$ 867,014</b>	<b>\$ 37,886,044</b>	<b>\$ 3,912,625</b>	<b>\$ 418,001</b>	<b>\$ 4,330,626</b>	<b>\$ 42,216,670</b>

**Statement of Cash Flows**

**Years Ended June 30, 2021 and 2020**

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 4,519,612	\$ (4,773,060)
Adjustments to reconcile increase (decrease) in net assets to net cash, cash equivalents, and restricted cash from operating activities:		
Realized and change in unrealized loss on investments	(199,054)	40,246
Bad debt expense	63,902	380,792
Depreciation	287,300	352,536
Net periodic benefit cost	1,359,951	1,171,983
Pension-related change other than periodic pension expense	(5,300,701)	3,839,705
Gain on sale of property	(140,911)	-
Changes in operating assets and liabilities which provided (used) cash, cash equivalents, and restricted cash:		
Accounts receivable	956,891	8,308
Change in advances/due to affiliates	(254,894)	(115,748)
Other receivables	39,068	94,326
Other assets	19,909	(153,087)
Accounts payable and accrued expenses	(251,452)	(224,353)
Accrued wages and related expenses	546,111	367,995
Settlements payable and other liabilities	781,919	150,721
Deferred revenue	182,365	200,216
Pension benefit obligation	(1,125,000)	(975,000)
	1,485,016	365,580
Net cash, cash equivalents, and restricted cash provided by operating activities		
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(200,117)	(245,738)
Proceeds from disposition of property and equipment	208,570	-
Purchases of investments	(49,108)	(40,367)
	(40,655)	(286,105)
Net cash, cash equivalents, and restricted cash used in investing activities		
<b>Cash Flows from Financing Activities</b>		
Proceeds from Paycheck Protection Program loan	-	4,428,600
Repayment of mortgage notes payable	(112,111)	(102,242)
	(112,111)	4,326,358
Net cash, cash equivalents, and restricted cash (used in) provided by financing activities		
<b>Net Increase in Cash, Cash Equivalents, and Restricted Cash</b>	1,332,250	4,405,833
<b>Cash, Cash Equivalents, and Restricted Cash - Beginning of year</b>	6,058,441	1,652,608
<b>Cash, Cash Equivalents, and Restricted Cash - End of year</b>	<b>\$ 7,390,691</b>	<b>\$ 6,058,441</b>
<b>Statement of Financial Position Classification of Cash, Cash Equivalents, and Restricted Cash</b>		
Cash and cash equivalents	\$ 6,636,264	\$ 5,653,136
Restricted cash and cash equivalents	546,704	232,839
Deposits held in escrow	207,723	172,466
	<b>\$ 7,390,691</b>	<b>\$ 6,058,441</b>
Total cash, cash equivalents, and restricted cash		
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	\$ 135,045	\$ 155,181