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Ada S. McKinley Community Services, Inc. and  
Subsidiary

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**Consolidated Financial Report  
with Additional Information  
June 30, 2022**

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## Independent Auditor's Report

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

### Report on the Audits of the Consolidated Financial Statements

#### **Opinion**

We have audited the 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, 2022 and 2021 and the related consolidated statements of activities and changes in net assets, 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 Organizations as of June 30, 2022 and 2021 and the changes in their net assets, functional expense, and 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organizations and to meet our 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 Organizations' ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

#### **Auditor's Responsibilities for the Audits 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 auditor's 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 audits conducted in accordance with GAAS 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.

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

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Organizations' 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 Organizations' 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2022 on our consideration of the Organizations' 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 solely 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 effectiveness of the Organizations' 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 the Organizations' internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

December 18, 2022

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

### Consolidated Statement of Financial Position

	June 30, 2022 and 2021	
	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 9,164,180	\$ 8,666,892
Funds held in trust	552,058	546,704
Receivables - Net (Notes 2 and 3)	4,587,594	4,773,483
Prepaid expenses	234,979	183,461
Total current assets	14,538,811	14,170,540
<b>Investments</b> (Notes 4 and 5)	939,711	1,111,902
<b>Other Assets</b>		
Deposits held in escrow (Note 7)	283,035	207,723
Other assets	190,211	159,647
<b>Assets Held for Resale - Net</b> (Notes 5 and 18)	-	19,211
<b>Property and Equipment - Net</b> (Note 6)	6,054,833	6,326,122
<b>Advances to Affiliates</b> (Note 17)	422,612	423,268
Total assets	<b>\$ 22,429,213</b>	<b>\$ 22,418,413</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,621,056	\$ 1,385,984
Deferred revenue	125,304	432,930
Accrued liabilities and other:		
Accrued wages and related taxes	3,565,263	2,537,057
Accrued interest	13,661	13,684
Settlements payable and other liabilities (Note 10)	3,056,466	1,806,989
Current portion of notes payable (Note 9)	278,025	4,689,696
Current portion of pension benefit obligation (Note 11)	1,279,695	1,173,792
Total current liabilities	9,939,470	12,040,132
<b>Notes Payable</b> (Note 9)	2,314,870	2,592,817
<b>Pension Benefit Obligation</b> (Note 11)	4,184,871	3,638,516
Total liabilities	16,439,211	18,271,465
<b>Net Assets</b>		
Without donor restrictions	5,037,052	3,022,272
With donor restrictions (Notes 13 and 14)	952,950	1,124,676
Total net assets	5,990,002	4,146,948
Total liabilities and net assets	<b>\$ 22,429,213</b>	<b>\$ 22,418,413</b>

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

# Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2022 and 2021

	2022	2021
<b>Changes in Net Assets without Donor Restrictions</b>		
Revenue and other support:		
Fees and grants from governmental agencies (Note 15)	\$ 29,342,388	\$ 29,015,224
Contract revenue (Note 2)	14,326,396	13,512,508
Contributions	291,400	331,272
Other revenue	461,970	616,194
Total revenue and other support	44,422,154	43,475,198
Expenses:		
Program services:		
Child Day Care Services - Head Start	7,417,511	8,530,584
Counseling	3,792,067	2,890,140
Employment	15,667,537	13,236,628
Foster Family Care	5,963,689	5,420,507
Residential services - ICFDD	3,818,903	4,212,701
Residential services - CILA	2,661,163	3,526,475
Home-based services	63,451	75,533
Educational services	965,666	973,310
Total program services	40,349,987	38,865,878
Support services:		
Management and general	5,542,104	5,030,159
Fundraising	430,907	376,900
Total support services	5,973,011	5,407,059
Total expenses	46,322,998	44,272,937
<b>Decrease in Net Assets without Donor Restrictions - Before other items</b>	(1,900,844)	(797,739)
<b>Other Items</b>		
Paycheck Protection Program loan forgiveness	4,428,600	-
Adjustment to GAAP pension expense from funded pension amount	854,711	(234,951)
Pension-related change other than net periodic costs	(1,506,969)	5,300,701
Discontinued operations (Note 18)	(3,600)	(8,513)
Gain on sale of fixed assets	142,882	140,911
<b>Increase in Net Assets without Donor Restrictions</b>	2,014,780	4,400,409
<b>Changes in Net Assets with Donor Restrictions</b>		
Realized and change in unrealized (loss) gain on investments - Net	(243,578)	199,054
Investment income	71,852	53,215
<b>(Decrease) Increase in Net Assets with Donor Restrictions</b>	(171,726)	252,269
<b>Increase in Net Assets</b>	1,843,054	4,652,678
<b>Net Assets (Deficiency in Net Assets) - Beginning of year</b>	4,146,948	(505,730)
<b>Net Assets - End of year</b>	<b>\$ 5,990,002</b>	<b>\$ 4,146,948</b>

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

# Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	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	\$ 2,132,607	\$ 1,612,407	\$ 2,557,251	\$ 2,820,355	\$ 1,982,561	\$ 1,859,682	\$ 44,814	\$ 513,016	\$13,522,693	\$ 3,336,040	\$ 199,945	\$ 3,535,985	\$17,058,678
Employee benefits	322,628	202,575	403,600	391,793	302,223	222,200	8,905	71,116	1,925,040	397,586	503	398,089	2,323,129
Payroll taxes	201,247	150,324	236,881	267,174	206,925	199,106	4,675	45,170	1,311,502	231,782	719	232,501	1,544,003
<b>Total salaries and related expenses</b>	<b>2,656,482</b>	<b>1,965,306</b>	<b>3,197,732</b>	<b>3,479,322</b>	<b>2,491,709</b>	<b>2,280,988</b>	<b>58,394</b>	<b>629,302</b>	<b>16,759,235</b>	<b>3,965,408</b>	<b>201,167</b>	<b>4,166,575</b>	<b>20,925,810</b>
Professional fees - Contract services	3,888,248	347,477	1,145,696	471,835	182,114	55,857	2,690	40,997	6,134,914	583,061	223,512	806,573	6,941,487
Supplies	106,277	8,072	1,337,701	60,334	294,986	74,957	447	66,775	1,949,549	119,544	689	120,233	2,069,782
Telephone	70,662	91,298	118,778	53,794	31,378	41,870	128	27,175	435,083	136,427	1,165	137,592	572,675
Postage and shipping	358	244	987,347	2,916	1,098	173	-	1,391	993,527	44,007	-	44,007	1,037,534
Occupancy	598,796	134,918	476,778	296,870	414,813	60,988	545	34,269	2,017,977	248,192	186	248,378	2,266,355
Outside printing and artwork	3,813	3,709	35,650	1,103	7	10	-	3,664	47,956	16,409	98	16,507	64,463
Local transportation	5,729	789	677,206	92,814	20,513	58,248	3	692	855,994	10,387	8	10,395	866,389
Educational conferences and agency meetings	17,223	3,022	22,988	12,655	6,483	4,058	-	9,265	75,694	55,512	-	55,512	131,206
Subscriptions and reference publications	-	-	-	856	-	-	-	-	856	7,448	-	7,448	8,304
Special assistance to individuals	321	4,636	7,284,314	1,262,712	33,389	23,347	-	120,031	8,728,750	-	-	-	8,728,750
Equipment rental and maintenance	31,130	16,955	141,123	53,679	26,227	32,887	-	28,007	330,008	52,190	-	52,190	382,198
Membership dues	10,429	9,283	10,744	1,214	11,249	17,997	-	-	60,916	14,371	-	14,371	75,287
Bad debt expense	-	1,188,983	73,479	107,590	20,879	55	1,244	-	1,392,230	19,549	-	19,549	1,411,779
Miscellaneous	15,054	1,144	4,604	654	221,583	3,103	-	527	246,669	65,251	4,082	69,333	316,002
Depreciation	12,989	16,231	153,397	65,341	62,475	6,625	-	3,571	320,629	204,348	-	204,348	524,977
<b>Total functional expenses</b>	<b>\$ 7,417,511</b>	<b>\$ 3,792,067</b>	<b>\$15,667,537</b>	<b>\$ 5,963,689</b>	<b>\$ 3,818,903</b>	<b>\$ 2,661,163</b>	<b>\$ 63,451</b>	<b>\$ 965,666</b>	<b>\$40,349,987</b>	<b>\$ 5,542,104</b>	<b>\$ 430,907</b>	<b>\$ 5,973,011</b>	<b>\$46,322,998</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	-	71,060	8,066,669	1,027	-	1,027	8,067,696
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	205,867	963	-	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>\$ 4,212,701</u>	<u>\$ 3,526,475</u>	<u>\$ 75,533</u>	<u>\$ 973,310</u>	<u>\$38,865,878</u>	<u>\$ 5,030,159</u>	<u>\$ 376,900</u>	<u>\$ 5,407,059</u>	<u>\$44,272,937</u>



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

# Consolidated Statement of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 1,843,054	\$ 4,652,678
Adjustments to reconcile increase in net assets to net cash, cash equivalents, and restricted cash from operating activities:		
Realized and change in unrealized loss (gain) on investments	248,578	(199,054)
Bad debt expense	1,411,781	63,902
Depreciation	524,977	468,923
Paycheck Protection Program loan forgiveness	(4,428,600)	-
Gain on sale of property	(142,882)	(140,911)
Net periodic benefit cost	45,289	1,359,951
Pension-related change other than periodic pension expense	1,506,969	(5,300,701)
Changes in operating assets and liabilities that (used) provided cash, cash equivalents, and restricted cash:		
Accounts receivable	(1,211,435)	956,891
Change in advances/due to affiliates	(450,753)	(136,964)
Other receivables	(14,457)	39,068
Other assets	(82,082)	19,909
Accounts payable and accrued expenses	686,458	(251,474)
Accrued wages and related expenses	1,028,206	546,111
Settlements payable and other liabilities	1,249,477	781,919
Deferred revenue	(307,626)	182,365
Pension benefit obligation	(900,000)	(1,125,000)
Net cash, cash equivalents, and restricted cash provided by operating activities	1,006,954	1,917,613
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(253,688)	(200,115)
Proceeds from sale of property and equipment	162,093	208,571
Purchases of investments	(76,387)	(49,108)
Net cash, cash equivalents, and restricted cash used in investing activities	(167,982)	(40,652)
<b>Cash Flows Used in Financing Activities - Repayment of mortgage notes payable</b>	(261,018)	(245,465)
<b>Net Increase in Cash, Cash Equivalents, and Restricted Cash</b>	577,954	1,631,496
<b>Cash, Cash Equivalents, and Restricted Cash - Beginning of year</b>	9,421,319	7,789,823
<b>Cash, Cash Equivalents, and Restricted Cash - End of year</b>	<b>\$ 9,999,273</b>	<b>\$ 9,421,319</b>
<b>Consolidated Statement of Financial Position Classification of Cash, Cash Equivalents, and Restricted Cash</b>		
Cash and cash equivalents	\$ 9,164,180	\$ 8,666,892
Funds held in trust	552,058	546,704
Deposits held in escrow	283,035	207,723
Total cash, cash equivalents, and restricted cash	<b>\$ 9,999,273</b>	<b>\$ 9,421,319</b>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	\$ 135,161	\$ 135,160

**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**

**June 30, 2022 and 2021**

**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, 2022 and 2021, the funds totaled \$552,058 and \$546,704, respectively, and the corresponding liability accounts totaled \$552,058 and \$546,704, respectively, which are included in settlement payable and other liabilities.

***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 mutual funds and exchange-traded funds 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 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.

**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, 2022 and 2021.

***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. Net revenue from customer contracts from environmental services revenue totaled \$12,296,685 and \$11,514,340 for the years ended June 30, 2022 and 2021, respectively. Revenue from customer contracts from I-Pass transponder processing and inventory management services totaled \$1,835,685 and \$1,925,274 for the years ended June 30, 2022 and 2021, respectively. Revenue from customer contracts from rehabilitation workshops totaled \$194,026 and \$72,894 for the years ended June 30, 2022 and 2021, 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, 2022, 2021, and 2020 totaled approximately \$1.1 million, \$1.4 million, and \$0.9 million, respectively. No contract assets or contract liabilities resulted from contracts with customers as of June 30, 2022, 2021, and 2020.

**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. 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.

**Notes to Consolidated Financial Statements**

**June 30, 2022 and 2021**

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

***Upcoming Accounting Pronouncement***

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 year of adoption. 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.

***Subsequent Events***

The consolidated financial statements and related disclosures include evaluation of events up through and including December 18, 2022, 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:

	<u>2022</u>	<u>2021</u>
Illinois Department of Healthcare and Family Services	\$ 168,498	\$ 227,769
Illinois Department of Human Services	572,455	357,000
Chicago Department of Family and Support Services	1,384,835	918,690
Illinois Department of Children and Family Services	489,962	440,709
Various rehabilitation workshops, contract revenue	1,138,590	1,429,008
Other receivables	<u>833,254</u>	<u>1,400,307</u>
Total accounts receivable - Net	<u>\$ 4,587,594</u>	<u>\$ 4,773,483</u>

The allowance for doubtful accounts on the accounts receivable balances was \$717,623 and \$410,568 as of June 30, 2022 and 2021, respectively.

**Note 4 - Investments**

McKinley's investments are recorded at fair value as of June 30, 2022 and 2021.

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:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 736,407	\$ 953,520
Exchange-traded funds	<u>203,304</u>	<u>158,382</u>
Total	<u>\$ 939,711</u>	<u>\$ 1,111,902</u>



**Notes to Consolidated Financial Statements**

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**June 30, 2022 and 2021**

**Note 4 - Investments (Continued)**

Not included in the table above is \$13,065 and \$12,600 of investments that is included in cash and cash equivalents in the consolidated statement of financial position as of June 30, 2022 and 2021, respectively.

**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 had assets that, under certain conditions, are subject to measurement at fair value on a nonrecurring basis. These assets included the assets held for sale, which were assessed annually for impairment. The Organizations had estimated the fair values of these assets based primarily on Level 3 inputs, as described above. Significant Level 3 inputs included comparable properties in the same geographic area. The fair value of these assets was \$19,211 at June 30, 2021. There were no Level 3 assets held at June 30, 2022.

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

# Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 6 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2022	2021	Depreciable Life - Years
Land	\$ 1,898,758	\$ 1,898,758	-
Buildings and improvements	12,709,033	12,526,482	10-40
Furniture and equipment	1,444,286	2,048,925	3-10
Vehicles	140,774	140,774	5
Leasehold improvements	1,563,942	1,601,069	5
Total cost	17,756,793	18,216,008	
Accumulated depreciation	11,701,960	11,889,886	
Net property and equipment	<u>\$ 6,054,833</u>	<u>\$ 6,326,122</u>	

Depreciation expense was \$524,977 for 2022 and \$468,923 for 2021.

### Note 7 - Deposits Held in Escrow

A total of \$283,035 and \$207,723 held in various escrow accounts as of June 30, 2022 and 2021, 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, 2022 and 2021, 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, 2024. Borrowings under the line of credit in 2022 and 2021 are payable on demand and bear interest at a rate of 2.35 and 2.50 percent, respectively, over the federal funds rate in 2022 and the London Interbank Offered Rate in 2021. The effective rate as of June 30, 2022 and 2021 was 4.03 and 2.59 percent, respectively. The line is secured by McKinley's receivables, excluding federal government contracts, and is cross-collateralized with the first mortgage on three properties. McKinley must comply with certain financial covenants. As of June 30, 2022 and 2021, 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, 2022 or 2021.

### Note 9 - Long-term Debt

Long-term debt at June 30 is as follows:

	2022	2021
<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	\$ 326,869	\$ 449,723



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

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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

	<u>2022</u>	<u>2021</u>
<i>Samaritas</i> - Mortgage note payable to bank in monthly installments of \$18,438, including interest at 3.50 percent as of June 30, 2022 and 2021 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.	\$ 2,266,026	\$ 2,404,190
<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. In September 2021, McKinley received notification of loan forgiveness for total outstanding balance of \$4,428,600. 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 \$4,428,600 loan forgiveness was recorded as cancellation of debt income in 2022	-	4,428,600
Total	2,592,895	7,282,513
Less current portion	278,025	4,689,696
Long-term portion	<u>\$ 2,314,870</u>	<u>\$ 2,592,817</u>

The balance of the above debt matures as follows:

<u>Years Ending</u>	<u>Amount</u>
2023	\$ 278,025
2024	294,791
2025	<u>2,020,079</u>
Total	<u>\$ 2,592,895</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>2022</u>	<u>2021</u>
Illinois Department of Children and Family Services	\$ 1,351,639	\$ 1,181,098
Illinois Department of Public Health	24,456	24,456
Illinois Healthcare and Family Services	12,107	9,613
Custodian fund - Clients	552,058	546,704
Behavior Health Consulting Services	994,000	-
Other	122,206	45,118
Total	<u>\$ 3,056,466</u>	<u>\$ 1,806,989</u>

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

# Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 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	
	2022	2021
Projected benefit obligation	\$ 32,655,391	\$ 36,630,911
Fair value of plan	27,190,825	31,818,603
Funded status	<u>\$ (5,464,566)</u>	<u>\$ (4,812,308)</u>

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

	Pension Benefits	
	2022	2021
Current liabilities	\$ (1,279,695)	\$ (1,173,792)
Noncurrent liabilities	<u>(4,184,871)</u>	<u>(3,638,516)</u>
Funded status at year end	<u>\$ (5,464,566)</u>	<u>\$ (4,812,308)</u>

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

	Pension Benefits	
	2022	2021
Net loss	\$ 9,024,939	\$ 7,517,970

The accumulated benefit obligation (which excludes actuarially calculated benefit obligation adjustments due to future compensation) for all defined benefit pension plans was \$32,642,814 and \$36,613,176 at June 30, 2022 and 2021, respectively.

	Pension Benefits	
	2022	2021
<b>Net Periodic Benefit Cost, Employer Contributions, Participant Contributions, and Benefits Paid</b>		
Net periodic benefit cost	\$ 45,289	\$ 1,049,149
Employer contributions	900,000	1,125,000
Benefits paid	(2,166,766)	(2,656,294)
<b>Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income</b>		
Net loss (gain)	\$ 2,021,364	\$ (3,799,002)
Amortization of loss	(514,395)	(1,235,631)
Settlement loss	-	(310,802)
Amortization of prior service cost	-	44,734
Total recognized in pension-related changes other than net periodic costs	<u>\$ 1,506,969</u>	<u>\$ (5,300,701)</u>

**Notes to Consolidated Financial Statements**

**June 30, 2022 and 2021**

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

***Assumptions***

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

	Pension Benefits	
	2022	2021
Discount rate - Benefit obligation	4.43 %	2.73 %
Discount rate - Net periodic benefit cost	2.73	2.56
Expected long-term return on plan assets	5.36	4.96
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 2.73 percent. The mortality tables were updated to the Pri-2012 Mortality Table projected to 2022 for employees and healthy annuitants with Mortality Improvement Scale MP-2021.

***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, 2022 and 2021.

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

# Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 11 - Pension Plan (Continued)

The fair values of the Organizations' pension plan assets at June 30, 2022 and 2021 by major asset classes are as follows:

Asset Classes	Fair Value Measurements at June 30, 2022			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	\$ -	\$ 481,966	\$ -	\$ 481,966
U.S. government obligations	-	1,190,404	-	1,190,404
Mortgage-backed securities	-	335,437	-	335,437
Collateralized mortgage obligations	-	10,898	-	10,898
Corporate bonds	-	1,161,112	-	1,161,112
Foreign bonds, notes, and debentures	-	162,062	-	162,062
Rights, warrants, and derivatives	-	11,480	-	11,480
<b>Equity:</b>				
<b>Common stock:</b>				
International	630,841	-	-	630,841
United States	6,241,860	-	-	6,241,860
<b>Mutual funds:</b>				
Equity	12,072,194	-	-	12,072,194
Fixed income	3,918,754	-	-	3,918,754
Preferred stock	973,817	-	-	973,817
<b>Total</b>	<b>\$ 23,837,466</b>	<b>\$ 3,353,359</b>	<b>\$ -</b>	<b>\$ 27,190,825</b>

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

# Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 11 - Pension Plan (Continued)

Asset Classes	Fair Value Measurements at June 30, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed income:				
Money market funds	\$ -	\$ 406,022	\$ -	\$ 406,022
U.S. government obligations	-	1,621,897	-	1,621,897
Rights, warrants, and derivatives	-	10,563	-	10,563
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
Equity:				
Common stock:				
International	816,135	-	-	816,135
United States	6,928,173	-	-	6,928,173
Mutual funds:				
Equity	14,439,416	-	-	14,439,416
Fixed income	4,401,180	-	-	4,401,180
Preferred stock	786,146	-	-	786,146
Total	\$ 27,371,050	\$ 4,447,553	\$ -	\$ 31,818,603

The tables above present information about the pension plan assets measured at fair value at June 30, 2022 and 2021 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; 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, 2022 and 2021**

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

**Cash Flow**

**Contributions**

The Organizations expect to contribute \$900,000 to the pension plan in 2023.

**Estimated Future Benefit Payments**

Projected benefit payments to retired employees from the plan as of June 30, 2022 are estimated as follows:

<u>Years Ending</u>	<u>Pension Benefits</u>
2023	\$ 4,742,379
2024	2,039,505
2025	2,093,831
2026	2,157,812
2027	1,986,096
2028-2031	9,483,028

**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 2022 and 2021.

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

Net assets with donor restrictions at June 30, 2022 and 2021 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Donor-restricted endowment (Note 14)	\$ 952,950	\$ 1,124,676

**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, 2022 and 2021**

**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, classify amounts in their 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, 2022

	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 losses	-	(47,050)	(47,050)
Total	\$ -	\$ 952,950	\$ 952,950

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

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022
Endowment net assets - Beginning of year	\$ 1,124,676
Investment return (loss):	
Investment income	71,852
Net depreciation (realized and unrealized)	<u>(243,578)</u>
Total investment loss	<u>(171,726)</u>
Endowment net assets - End of year	<u>\$ 952,950</u>

#### 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	<u>-</u>	<u>124,676</u>	<u>124,676</u>
Total	<u>-</u>	<u>1,124,676</u>	<u>1,124,676</u>

	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)	<u>199,054</u>
Total investment return	<u>252,269</u>
Endowment net assets - End of year	<u>\$ 1,124,676</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. Deficiencies of this nature exist in one donor-restricted endowment fund, which has an original gift value of \$1,000,000, a current fair value of \$952,950, and a deficiency of \$47,050 as of June 30, 2022. These deficiencies resulted from unfavorable market fluctuations for donor-restricted endowment funds.

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



**Notes to Consolidated Financial Statements**

**June 30, 2022 and 2021**

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

***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.

***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**

	2022	2021
U.S. Department of Education	\$ 877,242	\$ 946,965
U.S. Department of Housing and Urban Development	519,911	543,160
Social Security Administration - Rental supplements	615,885	665,476
Illinois Department of Children and Family Services	7,113,539	6,358,571
Illinois Department of Healthcare and Family Services (Public Aid)	4,038,904	4,307,571
Illinois Department of Human Services:		
Mental Health and Developmental Disabilities	8,276,823	6,808,855
Rehabilitation Services	13,200	6,700
State of Illinois - Board of Education - Food reimbursement programs	10,687	7,471
Chicago Public Schools	164,594	156,088
City of Chicago, Illinois	7,711,603	9,214,367
	\$ 29,342,388	\$ 29,015,224

**Note 16 - Operating Leases**

Program facilities and administrative offices are leased at a number of locations under operating lease agreements expiring through 2026.

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 2022 and 2021 were \$228,345 and \$220,111, respectively.

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

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

#### Note 16 - Operating Leases (Continued)

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
2023	\$ 105,019	\$ 1,005,810	\$ 1,110,829
2024	71,098	451,290	522,388
2025	40,460	451,290	491,750
2026	-	37,608	37,608
Total	<u>\$ 216,577</u>	<u>\$ 1,945,998</u>	<u>\$ 2,162,575</u>

#### 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. 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, 2022 and 2021. McKinley had the following balances due to/from its affiliates:

	2022	2021
McKinley II, Inc.	\$ 117,300	\$ 142,022
McKinley III, Inc.	152,209	129,045
McKinley IV, Inc.	153,103	152,201
Total advances to affiliates	<u>\$ 422,612</u>	<u>\$ 423,268</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.**

	2022	2021
Management fee	\$ 11,220	\$ 10,512
Accounting/Bookkeeping	2,971	2,775
Janitorial service	25,869	18,699
Total	<u>\$ 40,060</u>	<u>\$ 31,986</u>

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

	2022	2021
Management fee	\$ 5,610	\$ 5,256
Accounting/Bookkeeping	1,516	1,424
Janitorial service	21,362	24,215
Total	<u>\$ 28,488</u>	<u>\$ 30,895</u>

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

# Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 17 - Related Party Transactions (Continued)

#### *McKinley IV, Inc.*

	2022	2021
Management fee	\$ 14,016	\$ 14,016
Accounting/Bookkeeping	3,564	3,538
Janitorial service	-	11,311
Total	<u>\$ 17,580</u>	<u>\$ 28,865</u>

### 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) had been classified as assets held for resale as of June 30, 2021. 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). During November 2021, this asset held for sale was sold at a gain of \$135,586. The discontinued operations are made up of the following expenses during 2022 and 2021:

	2022	2021
Expenses:		
Maintenance and utilities	\$ (2,373)	\$ (7,394)
Insurance	(1,227)	(1,119)
Total	<u>\$ (3,600)</u>	<u>\$ (8,513)</u>

### Note 19 - Liquidity and Availability of Resources

The Organizations have \$13,751,774 and \$13,440,375 of financial assets available within one year of June 30, 2022 and 2021, respectively, to meet cash needs for general expenditures consisting of cash and cash equivalents of \$9,164,180 and receivables of \$4,587,594 in 2022 and cash and cash equivalents of \$8,666,892 and receivables of \$4,773,483 in 2021. 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, 2022 and 2021 and have issued our report thereon dated December 18, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the 2022 and 2021 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, activities and changes in net assets, 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 2022 and 2021 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 and 2021 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 2022 and 2021 consolidated financial statements as a whole.

*Plante & Moran, PLLC*

December 18, 2022

## Ada S. McKinley Community Services, Inc.

### Statement of Financial Position

June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,970,466	\$ 6,636,264
Funds held in trust	552,058	546,704
Receivables - Net	4,587,594	4,773,483
Prepaid expenses	234,979	183,461
Total current assets	12,345,097	12,139,912
<b>Investments</b>	939,711	1,111,902
<b>Other Assets</b>		
Deposits held in escrow	283,035	207,723
Other assets	190,211	159,647
<b>Property and Equipment - Net</b>	3,152,702	3,243,539
<b>Advances to Affiliates</b>	1,209,956	446,537
Total assets	<b>\$ 18,120,712</b>	<b>\$ 17,309,260</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,621,056	\$ 1,385,984
Deferred revenue	125,304	432,930
Accrued liabilities and other:		
Accrued wages and related taxes	3,565,263	2,537,057
Accrued interest	13,284	13,284
Settlements payable and other liabilities	3,056,466	1,806,989
Current portion of notes payable:		
Notes payable	134,877	4,551,532
Related party notes payable	-	20,001
Current portion of pension benefit obligation	1,279,695	1,173,792
Total current liabilities	9,795,945	11,921,569
<b>Notes Payable - Net of current portion</b>	191,992	326,791
<b>Pension Benefit Obligation - Net of current portion</b>	4,184,871	3,638,516
<b>Due to Affiliates</b>	1,114,180	-
<b>Related Party Notes Payable - Net of current portion</b>	-	328,029
Total liabilities	15,286,988	16,214,905
<b>Net Assets</b>		
Without donor restrictions	1,880,774	(30,321)
With donor restrictions	952,950	1,124,676
Total net assets	2,833,724	1,094,355
Total liabilities and net assets	<b>\$ 18,120,712</b>	<b>\$ 17,309,260</b>

## Ada S. McKinley Community Services, Inc.

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

Years Ended June 30, 2022 and 2021

	2022	2021
<b>Changes in Net Assets without Donor Restrictions</b>		
Revenue, gains, and other support:		
Fees and grants from governmental agencies	\$ 29,342,388	\$ 29,015,224
Contract revenue	14,326,396	13,512,508
Contributions	491,400	356,272
Other revenue	497,087	649,792
Total revenue, gains, and other support	44,657,271	43,533,796
Expenses:		
Program services:		
Child Day Care Services - Head Start	7,417,511	8,530,584
Counseling	3,792,067	2,890,140
Employment	15,727,109	13,302,251
Foster Family Care	6,024,734	5,574,880
Residential services - ICFDD	3,818,903	4,212,711
Residential services - CILA	2,678,972	3,519,731
Home-based services	63,451	75,533
Educational services	995,734	973,310
Total program services	40,518,481	39,079,140
Support services:		
Management and general	5,580,426	5,017,074
Fundraising	430,907	376,900
Total support services	6,011,333	5,393,974
Total expenses	46,529,814	44,473,114
<b>Decrease in Net Assets without Donor Restrictions - Before other items</b>	(1,872,543)	(939,318)
<b>Other Items</b>		
Paycheck Protection Program loan forgiveness	4,428,600	-
Adjustment to GAAP pension expense from funded pension amount	854,711	(234,951)
Pension-related change other than net periodic costs	(1,506,969)	5,300,701
Gain on sale of fixed assets	7,296	140,911
Total other items	3,783,638	5,206,661
<b>Increase in Net Assets without Donor Restrictions</b>	1,911,095	4,267,343
<b>Changes in Net Assets with Donor Restrictions</b>		
Realized and change in unrealized (loss) gain on investments - Net	(243,578)	199,054
Investment income	71,852	53,215
<b>(Decrease) Increase in Net Assets with Donor Restrictions</b>	(171,726)	252,269
<b>Increase in Net Assets</b>	1,739,369	4,519,612
<b>Net Assets (Deficiency in Net Assets) - Beginning of year</b>	1,094,355	(3,425,257)
<b>Net Assets - End of year</b>	<b>\$ 2,833,724</b>	<b>\$ 1,094,355</b>

Statement of Functional Expenses

Year Ended June 30, 2022

	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	\$ 2,132,607	\$ 1,612,407	\$ 2,557,251	\$ 2,820,355	\$ 1,982,561	\$ 1,859,682	\$ 44,814	\$ 513,016	\$ 13,522,693	\$ 3,336,040	\$ 199,945	\$ 3,535,985	\$ 17,058,678
Employee benefits	322,628	202,575	403,600	391,793	302,223	222,200	8,905	71,116	1,925,040	397,586	503	398,089	2,323,129
Payroll taxes	201,247	150,324	236,881	267,174	206,925	199,106	4,675	45,170	1,311,502	231,782	719	232,501	1,544,003
<b>Total salaries and related expenses</b>	<b>2,656,482</b>	<b>1,965,306</b>	<b>3,197,732</b>	<b>3,479,322</b>	<b>2,491,709</b>	<b>2,280,988</b>	<b>58,394</b>	<b>629,302</b>	<b>16,759,235</b>	<b>3,965,408</b>	<b>201,167</b>	<b>4,166,575</b>	<b>20,925,810</b>
Professional fees - Contract services	3,888,248	347,477	1,145,696	471,835	182,114	55,857	2,690	40,997	6,134,914	551,935	223,512	775,447	6,910,361
Supplies	106,277	8,072	1,337,701	60,334	294,986	74,957	447	66,775	1,949,549	119,544	689	120,233	2,069,782
Telephone	70,662	91,298	118,778	53,794	31,378	41,870	128	27,175	435,083	136,427	1,165	137,592	572,675
Postage and shipping	358	244	987,347	2,916	1,098	173	-	1,391	993,527	44,007	-	44,007	1,037,534
Occupancy	598,796	134,918	536,350	357,915	414,813	78,797	545	64,337	2,186,471	498,092	186	498,278	2,684,749
Equipment rental and maintenance	31,130	16,955	141,123	53,679	26,227	32,887	-	28,007	330,008	52,190	-	52,190	382,198
Outside printing and artwork	3,813	3,709	35,650	1,103	7	10	-	3,664	47,956	16,409	98	16,507	64,463
Local transportation	5,729	789	677,206	92,814	20,513	58,248	3	692	855,994	10,387	8	10,395	866,389
Educational conferences and agency meetings	17,223	3,022	22,988	12,655	6,483	4,058	-	9,265	75,694	55,512	-	55,512	131,206
Subscriptions and reference publications	-	-	-	856	-	-	-	-	856	7,448	-	7,448	8,304
Special assistance to individuals	321	4,636	7,284,314	1,262,712	33,389	23,347	-	120,031	8,728,750	-	-	-	8,728,750
Membership dues	10,429	9,283	10,744	1,214	11,249	17,997	-	-	60,916	14,371	-	14,371	75,287
Miscellaneous	15,054	1,144	4,604	654	221,583	3,103	-	527	246,669	65,251	4,082	69,333	316,002
Bad debt expense	-	1,188,983	73,479	107,590	20,879	55	1,244	-	1,392,230	19,549	-	19,549	1,411,779
Depreciation	12,989	16,231	153,397	65,341	62,475	6,625	-	3,571	320,629	23,896	-	23,896	344,525
<b>Total functional expenses</b>	<b>\$ 7,417,511</b>	<b>\$ 3,792,067</b>	<b>\$ 15,727,109</b>	<b>\$ 6,024,734</b>	<b>\$ 3,818,903</b>	<b>\$ 2,678,972</b>	<b>\$ 63,451</b>	<b>\$ 995,734</b>	<b>\$ 40,518,481</b>	<b>\$ 5,580,426</b>	<b>\$ 430,907</b>	<b>\$ 6,011,333</b>	<b>\$ 46,529,814</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	-	71,060	8,066,669	1,027	-	1,027	8,067,696
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	205,867	963	-	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>\$ 4,212,711</u>	<u>\$ 3,519,731</u>	<u>\$ 75,533</u>	<u>\$ 973,310</u>	<u>\$ 39,079,140</u>	<u>\$ 5,017,074</u>	<u>\$ 376,900</u>	<u>\$ 5,393,974</u>	<u>\$ 44,473,114</u>

**Statement of Cash Flows**

**Years Ended June 30, 2022 and 2021**

	2022	2021
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 1,739,369	\$ 4,519,612
Adjustments to reconcile increase in net assets to net cash, cash equivalents, and restricted cash from operating activities:		
Realized and change in unrealized loss on investments	243,578	(199,054)
Bad debt expense	63,902	63,902
Depreciation	344,525	287,300
Net periodic benefit cost	45,289	1,359,951
Pension-related change other than periodic pension expense	1,506,969	(5,300,701)
Gain on sale of property	(7,296)	(140,911)
Paycheck Protection Program loan forgiveness	(4,428,600)	-
Changes in operating assets and liabilities that provided (used) cash, cash equivalents, and restricted cash:		
Accounts receivable	136,444	956,891
Change in advances/due to affiliates	2,731	(254,894)
Other receivables	(14,457)	39,068
Other assets	(82,082)	19,909
Accounts payable and accrued expenses	235,072	(251,452)
Accrued wages and related expenses	1,028,206	546,111
Settlements payable and other liabilities	1,249,477	781,919
Deferred revenue	(307,626)	182,365
Pension benefit obligation	(900,000)	(1,125,000)
Net cash, cash equivalents, and restricted cash provided by operating activities	855,501	1,485,016
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(253,688)	(200,117)
Proceeds from disposition of property and equipment	7,296	208,570
Purchases of investments	(71,387)	(49,108)
Net cash, cash equivalents, and restricted cash used in investing activities	(317,779)	(40,655)
<b>Cash Flows Used in Financing Activities - Repayment of mortgage notes</b>	(122,854)	(112,111)
<b>Net Increase in Cash, Cash Equivalents, and Restricted Cash</b>	414,868	1,332,250
<b>Cash, Cash Equivalents, and Restricted Cash - Beginning of year</b>	7,390,691	6,058,441
<b>Cash, Cash Equivalents, and Restricted Cash - End of year</b>	<b>\$ 7,805,559</b>	<b>\$ 7,390,691</b>
<b>Statement of Financial Position Classification of Cash, Cash Equivalents, and Restricted Cash</b>		
Cash and cash equivalents	\$ 6,970,466	\$ 6,636,264
Restricted cash and cash equivalents	552,058	546,704
Deposits held in escrow	283,035	207,723
Total cash, cash equivalents, and restricted cash	<b>\$ 7,805,559</b>	<b>\$ 7,390,691</b>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	\$ 119,621	\$ 135,045