EASTER SEALS MIDWEST

FINANCIAL STATEMENTS

JUNE 30, 2019

Contents

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Independent Auditors' Report

Board of Directors
Easter Seals Midwest
St. Louis, Missouri

Report On The Financial Statements

We have audited the financial statements of Easter Seals Midwest, a not-for-profit organization, which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Easter Seals Midwest as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

RubinBrown LLP

November 8, 2019

EASTER SEALS MIDWEST

STATEMENT OF FINANCIAL POSITION

Assets

	June 30, 2019	June 30, 2018
Current Assets		
Cash and cash equivalents	**$ 483,854**	$ 872,092
Accounts receivable (net of allowance for uncollectible accounts of $338,548 and $175,395 in 2019 and 2018, respectively)	**10,034,448**	8,066,273
Pledges receivable	**325,375**	289,271
Prepaid expenses	**227,895**	175,219
Total Current Assets	**11,071,572**	9,402,855
Property, Equipment And Leasehold Improvements (Note 4)	**6,742,823**	4,677,180
Other Assets		
Long-term pledges receivable	**25,298**	137,479
Security deposits	**82,147**	110,997
Investments (Note 3)	**7,645,849**	7,327,145
Total Other Assets	**7,753,294**	7,575,621
Total Assets	**$ 25,567,689**	$ 21,655,656

Liabilities And Net Assets

	June 30, 2019	June 30, 2018
Current Liabilities		
Lines of credit (Note 5)	**$ 2,188,375**	$ —
Current maturities of long-term debt (Note 6)	**517,699**	198,499
Accounts payable	**1,185,932**	1,249,580
Accrued salaries and related expenses (Note 13)	**4,992,021**	4,501,895
Accrued expenses and other liabilities	**14,401**	187,346
Total Current Liabilities	**8,898,428**	6,137,320
Long-Term Debt (Note 6)	**5,489,601**	3,441,496
Total Liabilities	**14,388,029**	9,578,816
Net Assets		
Without Donor Restrictions		
Operations	**2,987,592**	3,663,734
Investment in property, equipment and leasehold improvements, net of related debt	**735,523**	1,037,185
Board designated endowment (Note 7)	**3,042,717**	2,935,809
Total Without Donor Restrictions	**6,765,832**	7,636,728
With Donor Restrictions (Note 8)	**4,413,828**	4,440,112
Total Net Assets	**11,179,660**	12,076,840
Total Liabilities And Net Assets	**$ 25,567,689**	$ 21,655,656

EASTER SEALS MIDWEST

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Program service revenue (Note 10)	$ 68,067,401	$ —	$ 68,067,401
Contributions and grants	749,377	365,479	1,114,856
Investment return designated for current operations per spending policy	274,000	—	274,000
Special events	808,633	—	808,633
Net assets released from restrictions (Note 8)	493,149	(493,149)	—
Miscellaneous income	78,333	—	78,333
Total Operating Revenues	70,470,893	(127,670)	70,343,223
Functional Expenses			
Program services	63,285,075	—	63,285,075
Management and general	7,122,029	—	7,122,029
Special events	212,691	—	212,691
Fund development	733,499	—	733,499
Total Functional Expenses	71,353,294	—	71,353,294
Deficiency Of Operating Revenues Over Functional Expenses	(882,401)	(127,670)	(1,010,071)
Other Revenues And Support			
Endowment capital campaign	—	21,381	21,381
Investment income (loss), net of spending policy	(53,801)	80,005	26,204
Capital grant revenue	50,000	—	50,000
Gain on sale of fixed assets	6,339	—	6,339
Rental income	8,967	—	8,967
Total Other Revenues And Support	11,505	101,386	112,891
Decrease In Net Assets	(870,896)	(26,284)	(897,180)
Net Assets - Beginning Of Year	7,636,728	4,440,112	12,076,840
Net Assets - End Of Year	$ 6,765,832	$ 4,413,828	$ 11,179,660

EASTER SEALS MIDWEST

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Program service revenue (Note 10)	$ 64,243,209	$ —	$ 64,243,209
Contributions and grants	518,355	168,000	686,355
Investment return designated for current operations per spending policy	305,000	—	305,000
Special events	838,646	—	838,646
Net assets released from restrictions (Note 8)	533,810	(533,810)	—
Miscellaneous income	127,848	—	127,848
Total Operating Revenues	66,566,868	(365,810)	66,201,058
Functional Expenses			
Program services	58,158,786	—	58,158,786
Management and general	6,868,111	—	6,868,111
Special events	183,005	—	183,005
Fund development	703,200	—	703,200
Total Functional Expenses	65,913,102	—	65,913,102
Excess (Deficiency) Of Operating Revenues Over Functional Expenses	653,766	(365,810)	287,956
Other Revenues And Support			
Endowment capital campaign	166,782	—	166,782
Investment income, net of spending policy	86,410	145,967	232,377
Gain on sale of fixed assets	16,055	—	16,055
Rental income	15,449	—	15,449
Total Other Revenues And Support	284,696	145,967	430,663
Increase (Decrease) In Net Assets	938,462	(219,843)	718,619
Net Assets - Beginning Of Year	6,698,266	4,659,955	11,358,221
Net Assets - End Of Year	$ 7,636,728	$ 4,440,112	$ 12,076,840

EASTER SEALS MIDWEST

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2019

	Program	Management And General	Fund Development	Total Expenses
Salaries	$ 46,354,574	$ 3,879,840	$ 329,035	$ 50,563,449
Payroll taxes	3,580,982	280,768	24,587	3,886,337
Employee benefits	4,932,439	456,066	26,908	5,415,413
Worker's compensation	979,554	99,378	8,355	1,087,287
Total Salaries And Related Expenses	55,847,549	4,716,052	388,885	60,952,486
Accreditation fees	—	11,690	—	11,690
Advertising and printing	4,769	8,031	11,074	23,874
Audit	—	55,055	—	55,055
Auto expense	901,347	5,158	—	906,505
Bad debt expense	217,626	—	171,889	389,515
Board and volunteer expense	10	4,398	8,586	12,994
Client assistance	847,801	—	—	847,801
Conferences and dues	36,010	122,750	2,320	161,080
Employee costs	22,422	215,399	298	238,119
Equipment	75,485	99,049	1,753	176,287
Facility costs	191,969	2,580	—	194,549
Insurance	227,547	57,062	5,844	290,453
Interest and bank fees	10,429	207,920	10,794	229,143
Legal	0	43,052	—	43,052
Marketing expense	3,140	85,051	990	89,181
Miscellaneous	2,472	829	9,630	12,931
Office supplies	74,876	40,537	2,835	118,248
Outside services	268,995	85,507	4,611	359,113
Postage and shipping	23,415	6,478	5,617	35,510
Program supplies	196,204	35,766	9,523	241,493
Record storage	—	15,160	—	15,160
Rent	1,359,222	121,303	18,126	1,498,651
Software	114,327	651,718	37,115	803,160
Special event expense	—	—	212,691	212,691
Staff mileage	1,529,982	14,864	2,184	1,547,030
Staff training	8,174	501	145	8,820
Telephone	593,339	59,082	4,445	656,866
Travel and entertainment	101,983	154,838	15,627	272,448
Utilities	151,790	122,102	7,558	281,450
Total Other Direct Expenses	6,963,334	2,225,880	543,655	9,732,869
Total Functional Expenses Before Depreciation And Amortization	62,810,883	6,941,932	932,540	70,685,355
Depreciation And Amortization	474,192	180,097	13,650	667,939
Total Operational Expenses	$ 63,285,075	$ 7,122,029	$ 946,190	$ 71,353,294

EASTER SEALS MIDWEST

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2018

	Program	Management And General	Fund Development	Total Expenses
Salaries	$ 42,571,847	$ 3,682,821	$ 414,079	$ 46,668,747
Payroll taxes	3,251,006	262,592	29,016	3,542,614
Employee benefits	3,859,137	383,222	39,047	4,281,406
Worker's compensation	915,379	113,425	12,261	1,041,065
Total Salaries And Related Expenses	50,597,369	4,442,060	494,403	55,533,832
Accreditation fees	552	11,690	—	12,242
Advertising and printing	6,918	14,045	17,805	38,768
Auto expense	801,691	33,608	—	835,299
Bad debt expense	240,000	—	108,880	348,880
Bank charges and fees	6,726	19,646	16,271	42,643
Board expense	—	4,745	2,686	7,431
Client assistance	1,065,369	—	—	1,065,369
COL bowling scholarships	5,958	—	—	5,958
Conferences and dues	39,141	110,744	2,115	152,000
Employee costs	38,633	263,948	119	302,700
Equipment	80,979	64,345	888	146,212
Facility costs	23,490	10,857	—	34,347
Insurance	135,551	13,221	1,565	150,337
Interest	—	68,369	—	68,369
Maintenance	297,680	17,614	—	315,294
Marketing expense	4,710	73,037	100	77,847
Miscellaneous	5	120,496	1	120,502
Office supplies	69,784	41,735	798	112,317
Outside services	214,022	104,153	9,300	327,475
Postage and shipping	26,520	12,415	8,035	46,970
Program supplies	165,953	46,986	11,900	224,839
Professional fees	89	116,237	—	116,326
Rent	1,413,031	229,982	—	1,643,013
Software	924	755,998	295	757,217
Special event expense	—	—	183,005	183,005
Staff mileage	1,506,520	24,430	2,850	1,533,800
Staff training	12,034	3,837	1,346	17,217
Telephone	605,797	50,438	3,980	660,215
Travel and entertainment	103,801	99,105	14,319	217,225
Utilities	98,409	4,085	—	102,494
Total Other Direct Expenses	6,964,287	2,315,766	386,258	9,666,311
Total Functional Expenses Before Depreciation And Amortization	57,561,656	6,757,826	880,661	65,200,143
Depreciation And Amortization	597,130	110,285	5,544	712,959
Total Operational Expenses	$ 58,158,786	$ 6,868,111	$ 886,205	$ 65,913,102

EASTER SEALS MIDWEST

STATEMENT OF CASH FLOWS

	For The Years Ended June 30, 2019	2018
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ (897,180)	$ 718,619
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	667,939	712,959
Amortization of debt issuance costs	1,841	—
Unrealized gain on investments	(132,468)	(405,979)
Realized gain on investments	(68,318)	(47,877)
Gain on disposal of property	(6,339)	(16,055)
Loss on uncollectible promises to give	171,889	108,880
Contributions restricted for permanent endowment	(21,381)	—
Changes in assets and liabilities:		
Accounts receivable	(1,968,175)	436,387
Pledges receivable, nonendowment	(102,004)	(58,901)
Prepaid expenses	(52,676)	4,809
Security deposits	28,850	(1,840)
Accounts payable	(63,648)	384,591
Accrued payroll	490,126	218,569
Accrued expenses	(172,945)	168,046
Net Cash Provided By (Used In) Operating Activities	(2,124,489)	2,222,208
Cash Flows From Investing Activities		
Proceeds from sale of investments	2,086,619	724,274
Purchases of investments	(2,204,537)	(470,281)
Purchases of property, equipment and leasehold improvements	(2,727,243)	(3,476,802)
Net Cash Used In Investing Activities	(2,845,161)	(3,222,809)
Cash Flows From Financing Activities		
Net borrowings (payments) on line of credit	2,188,375	(1,685,873)
Borrowing on long-term debt	2,573,981	3,281,219
Payments on long-term debt	(208,517)	(151,259)
Payments for debt issuance costs	—	(55,216)
Collection of contributions restricted for permanent endowment	27,573	34,510
Net Cash Provided By Financing Activities	4,581,412	1,423,381
Net Increase (Decrease) In Cash And Cash Equivalents	(388,238)	422,780
Cash And Cash Equivalents - Beginning Of Year	872,092	449,312
Cash And Cash Equivalents - End Of Year	$ 483,854	$ 872,092
Supplemental Disclosure Of Cash Flow Information		
Interest paid	$ 264,594	$ 68,369

1. Summary Of Significant Accounting Policies

Financial Statement Presentation

Easter Seals Midwest (the Organization) has adopted the provisions of the Financial Accounting Standards Board (FASB) in regard to financial statements of not-for-profit organizations as discussed under ASC 958-210, *Financial Statements of Not-For-Profit Organizations*. This provision requires the reporting of total assets, liabilities and net assets in a statement of financial position and reporting the change in net assets in a statement of activities. This provision also requires that net assets, revenue, expenses, gains and losses be classified according to two classes of net assets according to donor-imposed restrictions and applicable law: net assets without donor restrictions and net assets with donor restrictions. Explanations of the net asset categories are presented below:

Net Assets Without Donor Restrictions

Net assets without donor restrictions includes net assets and contributions not subject to donor-imposed restrictions or stipulations.

Net Assets With Donor Restrictions

Net assets with donor restrictions include net assets and contributions subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. In accordance with Missouri state law, absent any specific donor stipulations, earnings on net assets invested in perpetuity are donor restricted until appropriated for use by the Board of Directors. Some donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Changes In Presentation

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* The ASU appends the current reporting model for not-for profit organizations and enhances their required disclosures.

The primary changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all not-for-profits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of not-for-profit financial statements.

Basis Of Accounting

The Organization prepares its financial statements on the accrual basis of accounting.

Estimates And Assumptions

The Organization uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Cash And Cash Equivalents

The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. The Organization's cash and cash equivalents are on deposit with primarily one financial institution in the St. Louis metropolitan area. At June 30, 2019, cash and cash equivalents in excess of the Federal Deposit Insurance Corporation insurance limit amounted to approximately $664,000.

Investments

Investments are reported at fair value. Gains or losses on sales of investments are determined on a specified cost identification method. Unrealized gains and losses are determined based on year-end fair value fluctuations.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Investments are managed in accordance with a board-approved investment policy by a registered investment firm.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances at year end. The Organization provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of all receivables. The estimated losses are based on historical collection experience and a review of the current status of the existing receivables.

Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as support or gains in the period the promises are received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Organization uses the direct write-off method, which, for the Organization, is not considered to be materially different from the allowance method. The Organization records unconditional promises to give at the full promise amount, which is not deemed to be materially different from the net present value for promises to be received in over one year. Unconditional promises to give that are expected to be received in less than one year are classified as current on the statement of financial position. Unconditional promises to give that are expected to be received in over one year are classified as long-term on the statement of financial position. There were no conditional promises to give as of June 30, 2019 or 2018.

Property And Equipment And Leasehold Improvements

All property, equipment and leasehold improvements with the value of $1,000 or more are capitalized. Property, equipment and leasehold improvements are carried at cost, if purchased, or at fair value, if donated, less accumulated depreciation computed using the straight-line method over periods ranging from 3 to 40 years.

Debt Issuance Costs

Debt issuance costs totaling $55,216 consist of fees for obtaining the building loans and are being amortized using the straight-line method over the lives of the loans. Accumulated amortization totaled $1,841 at June 30, 2019. Amortization expense amounted to $1,841 during the year ended June 30, 2019 and is included in interest and bank fees in the statement of functional expenses.

Support Without And With Donor Restrictions

Contributions received and unconditional promises to give (pledges receivable) are measured at fair value and are recognized as increases in net assets when received or promised. The Organization reports contributions with donor restrictions if they are received with donor stipulations that limit the use of the donation, or if they are designated as support for future periods.

When a donor restriction expires, i.e., when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts received with restrictions that are satisfied within the same year are recorded as increases in net assets without donor restrictions. Pledges receivable of $325,375 and $289,271 are unconditional promises to give as of June 30, 2019 and 2018, respectively, and are expected to be received within the next fiscal year. The current pledges receivable include endowment promises to give of $9,700 and $54,330 as of June 30, 2019 and 2018, respectively. Pledges receivable expected to be received in over one year as of June 30, 2019 and 2018 totaled $25,298 and $137,479, respectively. The long term pledges receivable include endowment promises to give of $25,298 and $137,029 as of June 30, 2019 and 2018, respectively.

The Organization reports gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets 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 long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services

Donated services that meet the criteria for recognition as stated by generally accepted accounting principles (GAAP) are recorded at fair value at the date of donation. A substantial number of volunteers have donated significant amounts of their time to the Organization's programs, special events and fundraising events; however, such donated services have not been recognized as contributions in the financial statements since the aforementioned recognition criteria were not met.

Donated Materials

Various materials are donated to the Organization. Donated materials that meet the criteria for recognition under the provisions of accounting for contributions received and contributions made in regard to financial statements of not-for-profit organizations have been recorded at fair value at the date of donation.

Description Of Program Services And Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Community Living Services

Community Living Services provide homes with on-site support where adults with developmental disabilities, including autism, can live independent and productive lives in the community. The program also provides training and support to people with disabilities to help them acquire valuable skills. Individuals are assisted in living in independent, yet supportive environments, learning various home management skills and developing a social support network.

Employment Services

Employment Services develops employment opportunities for individuals in the community, locates paying positions and provides on-the-job support. Jobs are carefully matched to meet each individual's work preferences, skills and support needs.

Autism Services

The Autism Services division works with individuals with autism, as well as with their families to help them develop communication, social skills and behavior modification. Autism Services customizes its services to meet each individual's and family's need for support.

Children's Services

Early Childhood Services help at-risk children achieve more in life. At the early education center, teachers incorporate an age-appropriate curriculum and innovative technology into the learning environment to meet the needs of children with and without special health needs or developmental disabilities, including autism, cerebral palsy and other diagnoses.

Management And General

Management and general includes the functions necessary to maintain an equitable human resources system; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy, secure proper administrative functioning of the Board of Directors, maintain competent legal services for the program administration and manage the financial and budgetary responsibilities of the Organization.

Fund Development

Fund development provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations. It is an important and necessary component of the Organization's ability to offer quality service.

Expense Allocation

The costs of programs and various supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Payroll and payroll related expenses are charged to program services and supporting activities on the basis of periodic time and expense studies. Facility related expenses (such as building operation and maintenance, rent, telephone, utilities) have been allocated to functional categories based on the use of space in the specific buildings that the programs or supporting activities are housed. Other general expenses (such as depreciation and insurance) are allocated based on a percentage of total payroll of programs and supporting services to the total Organization's expenses. All other direct expenses are based on specific identification and the nature of the expenditures.

Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, and is, therefore, exempt from federal income taxes on related, exempt income. Therefore, there are no provisions for income taxes reflected in these financial statements.

The Organization's federal and state returns for the years ending June 30, 2018, 2017 and 2016 are subject to examination by taxing authority.

Inter-Organizational Accounts

The Organization accounts for certain program activities as independent functions in its accounting system. Accordingly, inter-organizational expenses, revenue, assets and liabilities have been eliminated within these program activities.

Subsequent Events

Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.

2. Nature Of The Organization

The Organization is a Missouri not-for-profit organization whose mission is to assist individuals with developmental disabilities, including autism, how to learn, live, work and participate in the community. The Organization is unconditionally committed to assisting these individuals to live and work with self-fulfillment and dignity.

3. Investments And Assets Restricted/Designated For Endowment

Investments and assets restricted/designated for endowment consist of the following as of June 30:

	2019	2018
Cash and cash equivalents	**$ 174,843**	$ 92,087
Exchange-traded and closed-end funds	**5,427,268**	5,115,683
Mutual funds		
Bonds	**1,244,722**	1,234,730
Bank loans	**104,790**	202,385
Natural resources	**89,120**	97,475
Value	**480,700**	447,975
Foreign value	**124,406**	136,810
	$ 7,645,849	$ 7,327,145

Investments are carried at fair value using quoted prices in active markets (Level 1).

4. Property, Equipment And Leasehold Improvements

Property, equipment, and leasehold improvements consist of:

	2019	2018
Land	**$ 878,000**	$ 878,000
Buildings	**4,815,682**	2,242,620
Leasehold improvements	**726,227**	726,227
Equipment and software	**3,950,104**	3,795,946
Vehicles	**386,298**	430,132
	10,756,311	8,072,925
Less: Accumulated depreciation	**4,013,488**	3,395,745
	$ 6,742,823	$ 4,677,180

Interest amounting to $77,426 has been capitalized at June 30, 2019 and is being depreciated over the life of the building.

5. Lines Of Credit

The Organization has a $5,000,000 revolving line of credit, collateralized by a Commercial Pledge Agreement, multiple Deeds of Trust and multiple Assignments of Rents. Bank advances on the credit line are subject to a minimum monthly payment of interest only and carry an interest rate equal to the Index Rate minus 1.25 percentage points with a rate of 4.25% and 3.75% as of June 30, 2019 and 2018, respectively. The line of credit is collateralized by the Organization's investment account. The line of credit should not exceed 80% of the current market value of the pledged collateral. Should the loan exceed that threshold, the line of credit would be subject to a call provision.

At June 30, 2019, there was an outstanding balance on this line of credit of $2,188,375. At June 30, 2018, the Organization had no outstanding balance on its line of credit. The line of credit expires on March 5, 2020. The financial statements are due to the bank within 120 days of year end, and the Organization must satisfy a financial covenant.

The Organization has a $2,000,000 line of credit which bears interest at the Index Rate minus 0.5 percentage point with a rate of 5.0% and 4.5% as of June 30, 2019 and 2018, respectively. The line of credit is secured by accounts receivable. In 2016, the Organization entered into a promissory note with the bank for $750,000 (Note 6), requiring monthly payments of $13,487 at 2.99% interest, which reduced the amount of the available line of credit. At June 30, 2019 and 2018, the available unused line of credit was $1,737,408 and $1,586,008, respectively. The line of credit expires on March 5, 2020.

6. Long-Term Debt

Long-term debt consists of the following:

	2019	2018
Note payable - bank, payable in monthly installments of $13,487, including principal and interest at the rate of 2.99%, through maturity in February 2021	**$ 262,592**	$ 413,992
Series 2018A Building loan - funds advanced to acquire, construct, furnish and equip new office facilities, including the acquisition of land. The maximum principal amount is $4,048,000. Beginning June 9, 2018 and continuing monthly through February 9, 2019, payments of interest only were required. Beginning March 9, 2019, and continuing monthly through February 9, 2029, payments of principal and interest in an amount sufficient to fully amortize the loan over a period of 20 years are required. The balance of principal and accrued interest is payable on February 9, 2029. The interest rate on the loan is 3.72% through February 8, 2026, and 2.25% above the swap rate thereafter. The loan is secured by a First Deed of Trust on the land and facilities acquired.	**4,001,782**	3,281,219
Balance Carried Forward	**4,264,374**	3,695,211

	2019	2018
Balance Brought Forward	**$ 4,264,374**	$ 3,695,211
Series 2018B building loan to acquire, construct, furnish and equip new office facilities, including the acquisition of land, was issued to the Organization in May 2018. However, no funds have been advanced under the loan as of June 30, 2018. The maximum principal amount of the 2018B building loan is $1,952,000. Beginning June 9, 2018 and continuing monthly through February 9, 2019, payments of interest only were required. Beginning March 9, 2019, and continuing monthly through February 9, 2026, payments of principal and interest in an amount sufficient to fully amortize the loan over a period of seven years are required. The balance of principal and accrued interest is payable on February 9, 2026. The interest rate on the loan is 3.68%. The loan is secured by a Second Deed of Trust on the land and facilities acquired.	**1,796,301**	—
	6,060,675	3,695,211
Less: Current maturities	**517,699**	198,499
Less: Debt issuance costs	**53,375**	55,216
	$ 5,489,601	$ 3,441,496

The scheduled maturities of the long-term debt at June 30, 2019 are as follows:

Year	**Amount**
2020	$ 517,699
2021	503,493
2022	412,043
2023	427,745
2024	443,645
Thereafter	3,756,050
	$ 6,060,675

7. Endowment Funds

The Organization's endowment consists of five individual funds as well as one fund created by the Organization's endowment campaign. The funds were established for a variety of purposes. The endowment funds include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The donor restricted fund that is perpetual in nature created by the endowment campaign can be utilized to pay for expenses related to the operation of the campaign. There were no such releases made during the years ended June 30, 2019 or 2018.

Interpretation Of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted endowment funds invested in perpetuity (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment earnings that are not classified as donor-restricted endowment funds invested in perpetuity are classified as donor-restricted endowment funds - unappropriated investment earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds - unappropriated investment earnings:

(1) The duration and preservation of the fund;
(2) The purposes of the Organization and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the Organization; and
(7) The investment policies of the Organization.

At June 30, 2019, the Organization had the following endowment funds:

	2019			
	Without Donor Restrictions	Unappropriated Investment Earnings	Investments In Perpetuity	Total
Donor-restricted endowment funds	$ —	$ —	$ 3,879,859	$ 3,879,859
Board-designated quasi-endowment funds	3,042,717	—	—	3,042,717
	$ 3,042,717	$ —	$ 3,879,859	$ 6,922,576

As of June 30, 2018, the Organization had the following endowment funds:

	2018			
	Without Donor Restrictions	Unappropriated Investment Earnings	Investments In Perpetuity	Total
Donor-restricted endowment funds	$ —	$ 100,344	$ 3,852,286	$ 3,952,630
Board-designated quasi-endowment funds	2,935,809	—	—	2,935,809
	$ 2,935,809	$ 100,344	$ 3,852,286	$ 6,888,439

The changes in the endowment funds for the fiscal years ended June 30, 2019 and 2018 are as follows:

	Without Donor Restrictions	Unappropriated Investment Earnings	Investments In Perpetuity	Total
Endowment Assets - June 30, 2017	$ 2,581,463	$ 100,344	$ 3,817,776	$ 6,499,583
Investment Return				
Interest and dividends	53,870	22,687	—	76,557
Net realized and unrealized gains	292,728	123,280	—	416,008
Total Investment Return	346,598	145,967	—	492,565
Contributions	166,782	—	34,510	201,292
Appropriation of endowment assets for expenditure	(159,034)	(145,967)	—	(305,001)
Endowment Assets - June 30, 2018	2,935,809	100,344	3,852,286	6,888,439
Investment Return				
Interest and dividends	65,178	26,000	—	91,178
Net realized and unrealized gains	135,381	54,005	—	189,386
Total Investment Return	200,559	80,005	—	280,564
Contributions	—	—	27,573	27,573
Appropriation of endowment assets for expenditure	(93,651)	(180,349)	—	(274,000)
Endowment Assets - June 30, 2019	$ 3,042,717	$ —	$ 3,879,859	$ 6,922,576

Return Objectives And Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested to achieve the long-term rate of return using broad diversification of assets across asset classes, styles, regions and strategies in accordance with the investment policy. The primary benchmark for the endowment's average rate of return is 7% per year. Actual returns in any given year may vary from this amount.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy And How The Investment Objectives Relate To Spending Policy

During 2011, the Organization adopted a policy of appropriating for distribution each year a rate of no more than 5% of the Endowment Fund's average assets of the immediately preceding eight quarters as of July 1st while complying with any donor-imposed restrictions. The board has approved a distribution of $274,000 and $305,000 for the years ended June 30, 2019 and 2018, respectively. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow on an annual basis. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Net Assets Without Donor Restrictions

Net assets without donor restriction include amounts designated by the board for specific purposes and reserves as required by the U.S. Department of Housing and Urban Development.

The Organization's Board has designated net assets of $3,042,717 and $2,935,809 at June 30, 2019 and 2018, respectively, as principal, which is to be maintained similarly to donor restricted net assets that are perpetual in nature. Interest and dividends on these designated assets are available for the Organization's use in accordance with its spending policy.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows at June 30, 2019 and 2018:

	2019	2018
With Donor Restrictions For Time And Purpose		
Subject to expenditure for specified purpose:		
Learning center (Hess)	**$ 163,982**	$ 163,982
Loan fund - Edith Wolff	**37,266**	37,266
Youth Opportunity Program	**88,468**	3,300
Timing restrictions, including nonendowment pledges receivable	**206,726**	89,046
Charitable reminder trust	**2,529**	2,529
Donor-restricted endowment funds - unappropriated investment earnings (Note 7)	**—**	100,344
	498,971	396,467
Endowment		
Donor-restricted endowment pledges receivable (Note 1)	**34,998**	191,359
Donor-restricted endowment funds - investments in perpetuity (Note 7)	**3,879,859**	3,852,286
	3,914,857	4,043,645
	$ 4,413,828	$ 4,440,112

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

	2019	2018
Program restrictions	$ —	$ 71,201
Timing restrictions	**162,631**	225,642
Appropriation of endowment investment earnings (Note 7)	**180,349**	145,967
Write off of endowment pledges receivable	**150,169**	91,000
	$ 493,149	$ 533,810

9. Lease Commitments

The Organization leases office space under noncancellable operating leases. The Organization also leases various office equipment and vehicles. All of these are noncancellable operating leases that have various expiration dates through January 2023. Rent expense is recognized on a straight-line basis over the life of each lease. Total rent expense for the years ended June 30, 2019 and 2018 was $1,498,651 and $1,643,013, respectively.

Future minimum lease payments are as follows at June 30, 2019:

Year	Amount
2020	$ 628,743
2021	465,960
2022	337,556
2023	39,475
	$ 1,471,734

10. Concentrations

Approximately 85% and 84% of the Organization's total operating revenues were received from the Missouri Department of Mental Health for the years ended June 30, 2019 and 2018, respectively.

The majority of the Organization's program revenue is through contractual arrangements with state and local agencies and school districts as follows at June 30:

	2019	2018
Missouri Department of Mental Health	**$ 59,458,982**	$ 55,885,042
Productive Living Board for St. Louis County Citizens with Developmental Disabilities	**2,872,327**	2,875,184
Developmental Disabilities Resource Board of St. Charles County	**823,217**	773,401
Missouri Vocational Rehabilitation	**938,320**	985,257

11. Grant Contingencies

The Organization has received grants from the St. Louis Office of Developmental Disability Resources (DDR) which were used to purchase equipment and renovate buildings. According to the terms of the grants, if the Organization disposes of, sells, trades or in any other way alters the ownership of the property, the Organization must reimburse the grantor according to a schedule of declining percentages. The Organization did not dispose of applicable assets in 2019 or 2018 and was not required to pay anything to DDR in 2019 or 2018.

12. Employee Deferral Compensation Plan

The Organization has a 403(b) plan that covers eligible employees with one-year tenure and 1,000 hours or more worked. The plan allows the participants to make contributions to the plan through salary deferrals. The plan also requires the Organization to match 50% of each employee's contributions up to 6% of the employee's annual base compensation, thereby resulting in a maximum matching contribution of 3%. The Organization's contributions to the plan totaled $242,909 and $222,544 for the years ended June 30, 2019 and 2018, respectively.

13. Health Insurance

The Organization has a self-funded health insurance plan and maintains stop-loss insurance. The stop-loss insurance mitigates excessive claim risk and reimburses the Organization for claims that exceed a predetermined amount. The Organization utilizes an escrow account to pay approved medical claims that must maintain a balance of $89,000. Daily balance notices are received via email and transfers to the escrow account are made weekly to reimburse the escrow account for claims paid during the week to get the account back to its required balance.

Additionally, the Affordable Care Act requires health insurance to be affordable and provide minimum value to their full-time employees and their dependents, or otherwise make an employer shared responsibility payment to the Internal Revenue Service.

Estimated insurance costs payable, including estimated employer shared responsibility payments, as of June 30, 2019 and 2018, were $751,435 and $883,333, respectively.

14. Liquidity And Availability Of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at June 30, 2019:

Cash and cash equivalents	$ 483,854
Accounts receivable	10,034,448
Pledges receivable	315,675
Investments	3,765,990
	$ 14,599,967

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize investment returns. The Organization has various sources of liquidity available, including cash and cash equivalents, lines of credit, and board designated spending plan from investment returns.

The board designated endowment is subject to an annual spending policy of no more than 5% of the Endowment Fund's average assets of the immediately preceding eight quarters as of July 1st while complying with any donor-imposed restrictions, as stated in Note 7.

For purposes of analyzing resources available to meet general expenditures over a 12 month period, the Organization considers all expenditures related to its ongoing activities of providing social service programs to individuals with intellectual and developmental disabilities, to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.