

**PETER AND PAUL COMMUNITY SERVICES, INC.
AND SUBSIDIARY
(A NONPROFIT ORGANIZATION)**

**CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT
FOR THE
YEARS ENDED JUNE 30, 2020 AND 2019**

Peter and Paul Community Services, Inc. and Subsidiary

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Independent Auditors' Report

Board of Directors
Peter and Paul Community Services, Inc. and Subsidiary
St. Louis, Missouri

We have audited the accompanying consolidated financial statements of Peter and Paul Community Services, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Peter and Paul Community Services, Inc. and Subsidiary as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position of Peter and Paul Community Services, Inc. and Subsidiary on page 19 and the consolidating statement of activities of Peter and Paul Community Services, Inc. and Subsidiary on page 20 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 consolidated financial statements as a whole.

Schmersahl Treloar & Co.

St. Louis, Missouri
November 16, 2020

**CONSOLIDATED
FINANCIAL STATEMENTS**

Peter and Paul Community Services, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

| | June 30, | |
|--|---------------------|---------------------|
| | 2020 | 2019 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,844,058 | \$ 1,528,801 |
| Accounts receivable, net | 390,213 | 320,752 |
| Prepaid expenses | 22,534 | 24,527 |
| Security, reserve and escrow deposits | 204,652 | 205,111 |
| Total Current Assets | 2,461,457 | 2,079,191 |
| PROPERTY AND EQUIPMENT | | |
| Land | 75,000 | 75,000 |
| Buildings and improvements | 8,867,502 | 8,849,311 |
| Equipment | 341,087 | 313,209 |
| Furniture and fixtures | 88,832 | 88,832 |
| | 9,372,421 | 9,326,352 |
| Less - accumulated depreciation | 2,214,482 | 1,919,443 |
| Property and Equipment, net | 7,157,939 | 7,406,909 |
| INTANGIBLE ASSETS, NET (NOTE B) | 12,330 | 14,882 |
| TOTAL ASSETS | \$ 9,631,726 | \$ 9,500,982 |

LIABILITIES AND NET ASSETS AND MEMBERS' EQUITY

| | | |
|---|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 17,739 | \$ 16,011 |
| Current portion of long-term debt (Note F) | 25,000 | 25,000 |
| Accrued payroll and other liabilities | 291,587 | 204,679 |
| Note payable (Note E) | 237,000 | - |
| Total Current Liabilities | 571,326 | 245,690 |
| LONG-TERM DEBT (NOTE F) | 575,000 | 600,000 |
| Total Liabilities | 1,146,326 | 845,690 |
| NET ASSETS AND MEMBERS' EQUITY | | |
| Without donor restrictions | | |
| Available for general use | 1,948,287 | 1,898,166 |
| Net investment in property and equipment | 6,570,269 | 6,796,791 |
| With donor restrictions | | |
| Purpose restrictions (Note I) | 3,229 | - |
| Members' equity (Note K) | (36,385) | (39,665) |
| Total Net Assets and Members' Equity | 8,485,400 | 8,655,292 |
| TOTAL LIABILITIES AND NET ASSETS AND MEMBERS' EQUITY | \$ 9,631,726 | \$ 9,500,982 |

See accompanying notes to consolidated financial statements

Peter and Paul Community Services, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF ACTIVITIES

| | For the Year Ended June 30, 2020 | | |
|---|----------------------------------|----------------------------|--------------|
| | Without donor Restrictions | With donor Restrictions | Total |
| REVENUES AND OTHER SUPPORT | | | |
| Donations | \$ 852,595 | \$ 198,785 | \$ 1,051,380 |
| In-kind food donations | 73,825 | - | 73,825 |
| Foundations | 34,429 | 107,880 | 142,309 |
| Government grants | 1,051,772 | - | 1,051,772 |
| Contracted services | 976,746 | - | 976,746 |
| Client fees | 76,725 | - | 76,725 |
| Other income | 206,060 | 11,291 | 217,351 |
| Rental income | 146,019 | - | 146,019 |
| Net assets released from restrictions (Note J) | 314,727 | (314,727) | - |
| Total Revenues and Other Support | 3,732,898 | 3,229 | 3,736,127 |
| EXPENSES | | | |
| Program Services | | | |
| Shelter Services | 729,950 | - | 729,950 |
| BHOC | - | - | - |
| Labre Center | 728,313 | - | 728,313 |
| Positive Directions | 641,043 | - | 641,043 |
| Garfield Place Apartments | 901,787 | - | 901,787 |
| Total Program Services | 3,001,093 | - | 3,001,093 |
| Supporting Services | | | |
| Management and general | 517,920 | - | 517,920 |
| Fundraising | 387,006 | - | 387,006 |
| Total Supporting Services | 904,926 | - | 904,926 |
| Total Expenses | 3,906,019 | - | 3,906,019 |
| Change in Net Assets | (173,121) | 3,229 | (169,892) |
| NET ASSETS AND MEMBERS' EQUITY, Beginning of year | 8,655,292 | - | 8,655,292 |
| NET ASSETS AND MEMBERS' EQUITY, End of year | \$ 8,482,171 | \$ 3,229 | \$ 8,485,400 |

See accompanying notes to consolidated financial statements

For the Year Ended June 30, 2019

| Without Donor Restrictions | With Donor Restrictions | Total |
|-------------------------------|----------------------------|---------------------|
| \$ 924,018 | \$ 342,930 | \$ 1,266,948 |
| - | - | - |
| 37,951 | 214,100 | 252,051 |
| 1,030,792 | - | 1,030,792 |
| 917,372 | - | 917,372 |
| 66,110 | - | 66,110 |
| 42,633 | 5,435 | 48,068 |
| 157,400 | - | 157,400 |
| <u>572,401</u> | <u>(572,401)</u> | <u>-</u> |
| <u>3,748,677</u> | <u>(9,936)</u> | <u>3,738,741</u> |
| 563,856 | - | 563,856 |
| 209,794 | - | 209,794 |
| 685,366 | - | 685,366 |
| 559,264 | - | 559,264 |
| <u>919,639</u> | <u>-</u> | <u>919,639</u> |
| <u>2,937,919</u> | <u>-</u> | <u>2,937,919</u> |
| 481,525 | - | 481,525 |
| <u>397,183</u> | <u>-</u> | <u>397,183</u> |
| <u>878,708</u> | <u>-</u> | <u>878,708</u> |
| <u>3,816,627</u> | <u>-</u> | <u>3,816,627</u> |
| (67,950) | (9,936) | (77,886) |
| <u>8,723,242</u> | <u>9,936</u> | <u>8,733,178</u> |
| <u>\$ 8,655,292</u> | <u>\$ -</u> | <u>\$ 8,655,292</u> |

Peter and Paul Community Services, Inc. and Subsidiary
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

| | Program Services | | | | Total Program Services |
|--------------------------------|---------------------|-------------------|------------------------|---------------------------------|------------------------------|
| | Shelter Services | Labre Center | Positive Directions | Garfield Place Apartments | |
| Salaries | \$ 443,026 | \$ 441,033 | \$ 440,283 | \$ 422,549 | \$ 1,746,891 |
| Health insurance | 22,694 | 46,873 | 33,286 | 31,655 | 134,508 |
| Payroll taxes | 36,878 | 31,209 | 32,246 | 29,941 | 130,274 |
| Amortization and depreciation | 5,751 | 34,396 | 16,089 | 227,688 | 283,924 |
| Repairs and maintenance | 26,107 | 35,797 | 27,705 | 53,795 | 143,404 |
| Utilities | 18,353 | 18,398 | 15,302 | 57,287 | 109,340 |
| Insurance | 10,663 | 12,666 | 10,101 | 28,019 | 61,449 |
| Food | 19,228 | 48,609 | 13,392 | 754 | 81,983 |
| In-kind food | 73,825 | - | - | - | 73,825 |
| Supplies | 25,163 | 13,472 | 10,118 | 4,198 | 52,951 |
| Client services | 6,155 | 26,540 | 16,883 | 5,678 | 55,256 |
| Miscellaneous | 4,796 | 6,034 | 2,491 | 8,979 | 22,300 |
| Professional fees | - | - | - | - | - |
| Telephone | 2,518 | 5,003 | 10,914 | 5,481 | 23,916 |
| Office expense | 749 | 3,157 | 7,504 | 7,715 | 19,125 |
| Occupancy | - | - | - | 9,592 | 9,592 |
| Arts and soccer | 21,661 | - | - | - | 21,661 |
| Newsletter | 2,383 | 2,383 | 2,383 | 2,383 | 9,532 |
| Waste disposal services | 10,000 | 2,025 | 882 | 3,529 | 16,436 |
| Interest expense and bank fees | - | - | - | - | - |
| Advertising | - | - | - | - | - |
| Stipends/travel | - | - | 524 | 463 | 987 |
| Vehicle expense | - | 718 | 940 | 2,081 | 3,739 |
| Postage | - | - | - | - | - |
| | <u>\$ 729,950</u> | <u>\$ 728,313</u> | <u>\$ 641,043</u> | <u>\$ 901,787</u> | <u>\$ 3,001,093</u> |

See accompanying notes to consolidated financial statements

Supporting Services

| Management and General | Fund- raising | Total Supporting Services | Total Expenses |
|---------------------------|-------------------|---------------------------------|---------------------|
| \$ 280,695 | \$ 256,407 | \$ 537,102 | \$ 2,283,993 |
| 37,096 | 35,782 | 72,878 | 207,386 |
| 16,656 | 20,146 | 36,802 | 167,076 |
| 6,833 | 6,833 | 13,666 | 297,590 |
| 15,464 | - | 15,464 | 158,868 |
| 2,709 | 2,024 | 4,733 | 114,073 |
| 41,196 | 5,612 | 46,808 | 108,257 |
| - | - | - | 81,983 |
| - | - | - | 73,825 |
| 2,344 | 1,298 | 3,642 | 56,593 |
| - | - | - | 55,256 |
| 17,793 | 11,271 | 29,064 | 51,364 |
| 50,137 | 580 | 50,717 | 50,717 |
| 12,135 | 5,778 | 17,913 | 41,829 |
| 11,042 | 10,866 | 21,908 | 41,033 |
| 13,435 | 13,435 | 26,870 | 36,462 |
| - | - | - | 21,661 |
| - | 9,619 | 9,619 | 19,151 |
| 153 | 153 | 306 | 16,742 |
| 5,753 | - | 5,753 | 5,753 |
| - | 4,824 | 4,824 | 4,824 |
| 1,746 | 1,452 | 3,198 | 4,185 |
| - | - | - | 3,739 |
| <u>2,733</u> | <u>926</u> | <u>3,659</u> | <u>3,659</u> |
| | | | |
| <u>\$ 517,920</u> | <u>\$ 387,006</u> | <u>\$ 904,926</u> | <u>\$ 3,906,019</u> |

Peter and Paul Community Services, Inc. and Subsidiary
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

| | Program Services | | | | | Total Program Services |
|--------------------------------|---------------------|-------------------|-------------------|------------------------|---------------------------------|------------------------------|
| | Shelter Services | BHOC | Labre Center | Positive Directions | Garfield Place Apartments | |
| Salaries | \$ 351,420 | \$ 168,408 | \$ 398,820 | \$ 365,872 | \$ 422,765 | \$ 1,707,285 |
| Health insurance | 48,865 | 21,182 | 44,941 | 28,586 | 27,892 | 171,466 |
| Payroll taxes | 29,096 | 13,447 | 28,688 | 26,869 | 26,361 | 124,461 |
| Amortization and depreciation | 6,009 | - | 31,992 | 16,946 | 225,871 | 280,818 |
| Repairs and maintenance | 18,040 | - | 41,694 | 36,177 | 58,917 | 154,828 |
| Utilities | 17,762 | - | 19,208 | 15,308 | 83,796 | 136,074 |
| Insurance | 7,054 | 2,905 | 7,729 | 7,054 | 24,703 | 49,445 |
| Food | 4,483 | - | 45,957 | 11,519 | 182 | 62,141 |
| In-kind food | - | - | - | - | - | - |
| Supplies | 21,931 | 1,536 | 13,806 | 7,385 | 3,296 | 47,954 |
| Client services | 5,567 | - | 24,236 | 10,820 | 2,887 | 43,510 |
| Miscellaneous | 4,818 | 149 | 12,183 | 2,417 | 11,247 | 30,814 |
| Professional fees | - | - | - | - | - | - |
| Telephone | 2,884 | - | 4,565 | 8,987 | 4,168 | 20,604 |
| Office expense | 42 | - | 3,482 | 1,377 | 1,101 | 6,002 |
| Occupancy | - | - | - | 13,045 | 12,687 | 25,732 |
| Arts and soccer | 33,419 | - | - | 280 | - | 33,699 |
| Newsletter | 1,823 | 1,823 | 1,823 | 1,823 | 1,823 | 9,115 |
| Waste disposal services | 10,000 | - | 2,257 | 798 | 3,700 | 16,755 |
| Interest expense and bank fees | - | - | - | - | 5,517 | 5,517 |
| Advertising | 344 | 344 | 344 | 344 | 344 | 1,720 |
| Stipends/travel | 299 | - | 268 | 805 | 361 | 1,733 |
| Vehicle expense | - | - | 3,370 | 1,597 | 2,021 | 6,988 |
| Postage | - | - | 3 | 1,255 | - | 1,258 |
| | <u>\$ 563,856</u> | <u>\$ 209,794</u> | <u>\$ 685,366</u> | <u>\$ 559,264</u> | <u>\$ 919,639</u> | <u>\$ 2,937,919</u> |

See accompanying notes to consolidated financial statements

| Supporting Services | | | |
|---------------------------|-----------------------|---------------------------------|-------------------------|
| Management and General | Fund- raising | Total Supporting Services | Total Expenses |
| \$ 244,871 | \$ 246,221 | \$ 491,092 | \$ 2,198,377 |
| 47,053 | 38,166 | 85,219 | 256,685 |
| 24,388 | 19,780 | 44,168 | 168,629 |
| 3,404 | - | 3,404 | 284,222 |
| 10,578 | 9,591 | 20,169 | 174,997 |
| 1,740 | 1,110 | 2,850 | 138,924 |
| 35,740 | 4,564 | 40,304 | 89,749 |
| - | - | - | 62,141 |
| - | - | - | - |
| 2,098 | 1,333 | 3,431 | 51,385 |
| - | - | - | 43,510 |
| 10,142 | 40,609 | 50,751 | 81,565 |
| 48,519 | 400 | 48,919 | 48,919 |
| 12,917 | 5,405 | 18,322 | 38,926 |
| 15,735 | 3,973 | 19,708 | 25,710 |
| 18,704 | 6,521 | 25,225 | 50,957 |
| - | - | - | 33,699 |
| - | 9,471 | 9,471 | 18,586 |
| 118 | 118 | 236 | 16,991 |
| 2,345 | - | 2,345 | 7,862 |
| - | 6,278 | 6,278 | 7,998 |
| 1,917 | 1,013 | 2,930 | 4,663 |
| - | - | - | 6,988 |
| <u>1,256</u> | <u>2,630</u> | <u>3,886</u> | <u>5,144</u> |
| <u>\$ 481,525</u> | <u>\$ 397,183</u> | <u>\$ 878,708</u> | <u>\$ 3,816,627</u> |

Peter and Paul Community Services, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended June 30, | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | (\$ 169,892) | (\$ 77,886) |
| Adjustments to reconcile change in net assets to net change in cash from operating activities: | | |
| Depreciation | 295,038 | 281,844 |
| Amortization | 2,552 | 2,378 |
| Forgiveness of debt | (25,000) | (25,000) |
| Loss on disposal of property and equipment | - | 7,578 |
| (Increase) decrease in assets: | | |
| Accounts receivable | (69,461) | 173,243 |
| Prepaid expenses | 1,993 | 13,922 |
| Security, reserve and escrow deposits | 459 | (8,214) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 1,728 | (12,812) |
| Accrued payroll and other liabilities | 86,908 | 15,675 |
| | <u>124,325</u> | <u>370,728</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (46,068) | (7,568) |
| | <u>(46,068)</u> | <u>(7,568)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net proceeds from note payable | 237,000 | |
| Proceeds from long-term debt | - | 10,000 |
| | <u>237,000</u> | <u>10,000</u> |
| | <u>315,257</u> | <u>373,160</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | |
| CASH AND CASH EQUIVALENTS, Beginning of year | <u>1,528,801</u> | <u>1,155,641</u> |
| CASH AND CASH EQUIVALENTS, End of year | <u>\$ 1,844,058</u> | <u>\$ 1,528,801</u> |

See accompanying notes to consolidated financial statements

Peter and Paul Community Services, Inc. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

A. **SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

Peter and Paul Community Services, Inc. and Subsidiary (the "Organization") is a voluntary health and welfare organization founded in January 1984 to provide various forms of assistance to those who are homeless.

During the year ended June 30, 2020, the Organization served 1,386 people (meals and housing), provided 33,574 nights of safe shelter, and served 85,057 meals with the help of 4,320 volunteers providing 15,552 hours of service. The coronavirus (COVID-19) pandemic that hit the United States in March 2020 significantly decreased each of these figures.

To accomplish its objectives, the Organization operates seven programs:

- The Shelter Services Program provides 60 beds, case management, meals, and showers 365 nights a year to men who are homeless in the St. Louis area. Ninety percent of shelter residents create a housing goal plan and meet with a case manager to work towards locating stable housing in the community.
- The Meals Program (activity included in Shelter Services) welcomes everyone and provides an evening meal 20 days each month to individuals and families who are homeless or living on a low or fixed income. Area businesses, churches, and organizations provide volunteers to shop, prepare, cook, and serve every meal to as many as 200 men, women, and children.
- The Benedict Joseph Labre Center is a 15-bed transitional housing facility licensed by the state of Missouri that serves men and women who are homeless and living with a mental illness. Nursing, occupational therapy, case management, social outings, meals, laundry, and individual and group therapy are provided in a safe, supportive environment to help residents attain stable housing in the community.
- The Positive Directions Program provides transitional housing to men and women who are homeless and living with HIV. Two housing facilities provide 20 beds for up to two years. Nursing, life skills development, sobriety support, case management, transportation, art, meals, and group and individual therapy are provided to help residents attain stable housing in the community.
- Garfield Place Apartments (GPA) provides 25 one-bedroom apartments to men and women who are living with a severe mental illness and are homeless or at risk of becoming homeless. Supportive services are provided including case management, sobriety support, nursing, and social and recreational opportunities.
- The community collabARTive art program (activity included in Shelter Services) offers art groups to residents of the agency's housing programs. Participants work with community artists to create visual, written, and performance art that engages them with the larger community, builds self-esteem and self-awareness, fosters creativity, and develops problem-solving skills.

Peter and Paul Community Services, Inc. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019
(Continued)

A. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Nature of Operations (Continued)

- Sport for Social Change homeless soccer team (activity included in Shelter Services), the St. Louis Roadies, utilizes soccer as a means to address multiple issues that players face off the field including family reunification, employment, debt relief, mental health issues, and locating stable housing in the community.
- The Biddle Housing Opportunities Center is a 24-hour facility that provides overnight shelter for up to 101 homeless men. This organization ended its collaboration with this program effective September 30, 2018.

During 2012, Garfield Place Partners, LP, a subsidiary of Peter & Paul Community Services, Inc. was created to hold the property purchased for the Garfield Place Apartments Program.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Peter and Paul Community Services, Inc. and Garfield Place Partners, LP. All intercompany accounts and transactions have been eliminated.

Basis of Presentation

Financial statement presentation follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205. Therefore, the Organization reports its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606.

Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Peter and Paul Community Services, Inc. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019
(Continued)

A. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Change in Accounting Principle (Continued)

The Organization's consolidated financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

Additionally in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made (Topic 958-605)*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this standard had no impact on the consolidated financial statements.

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, the Organization considers all unrestricted highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Included in cash and cash equivalents are restricted custodial funds of \$17,819 and \$15,472 at June 30, 2020 and 2019, respectively. The corresponding liability is recorded in other liabilities.

The Organization maintains cash deposits in bank accounts which at times may exceed the federally insured limits of up to \$250,000 for each account. The Organization has taken steps to ensure all funds remain FDIC-insured by establishing an operating reserve account at another bank. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are carried net of allowance for doubtful accounts. The allowance for doubtful accounts is increased by provisions charged to expense and reduced by uncollected receivables, net of recoveries. The allowance is maintained at a level considered adequate to provide for potential account losses based on management's evaluation of the anticipated impact on the balance of current economic conditions, changes in the character and size of the balance, past and expected future loss experience and other pertinent factors. At June 30, 2020 and 2019, there was no allowance for doubtful accounts for accounts receivable.

Peter and Paul Community Services, Inc. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019
(Continued)

A. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

| | |
|----------------------------|---------------|
| Buildings and Improvements | 10 - 25 years |
| Equipment | 3 - 10 years |
| Vehicles | 3 - 5 years |

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as increases in support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measureable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Public Support and Donations

Public support and donations are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as support with donor restrictions that increases net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Adoption of ASU 2018-08 had no impact on the recognition of public support and donations.

Grant and Contract Revenue

A portion of the Organization's revenue is derived from cost-reimbursable federal, state, and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contracts or grant provisions. Adoption of ASU 2018-08 had no impact on the recognition of grant and contract revenue.

Peter and Paul Community Services, Inc. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019
(Continued)

A. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenue Recognition (Continued)

Client Fees

Client fees are recorded as performance obligations are met. Payments received in advance are deferred until earned. Adoption of Topic 606 had no impact on the recognition of client fees.

Rental Income

Rental income is recorded as earned when rents become due. Rent payments received in advance are deferred until earned. Rent income is derived from permanent supportive housing to chronically homeless people. Adoption of Topic 606 had no impact on the recognition of rent income.

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

Net Assets with Donor Restrictions

Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such assets be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosure for financial instruments:

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses, security, reserve and escrow deposits, accounts payable, accrued payroll and other liabilities and notes payable due in less than one year approximate fair values because of the short-term maturities of these instruments.

In-Kind Donations

Donated assets, goods, and services are recorded at fair value on the date of the gift. Donated services are recognized as contributions in accordance with FASB ASC 958-605, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Peter and Paul Community Services, Inc. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019
(Continued)

A. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

In-Kind Donations (Continued)

Unpaid volunteers have made significant contributions of their time and services in assisting the Organization in its daily operations. The value of this contributed time is not reflected in these statements because it does not meet the criteria for recognition.

During the year ended June 30, 2020, the Organization received donated food to be used for the Meals Program. Donated food for the Organization's Meals Program had a fair value of \$73,825 and is reflected as both revenue and expense on the accompanying Consolidated Statements of Activities and Functional Expenses.

Functional Expense Allocation

The Consolidated Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include amortization and depreciation, utilities, telephone, insurance, occupancy and certain repair and maintenance expenses, which are allocated on an estimated square footage basis; and salaries, health insurance, and payroll taxes, which are allocated on the basis of personnel time and effort; and certain other expenses have been allocated among program services, management and general, and fundraising on the basis of time and effort.

Income Taxes

Peter & Paul Community Services, Inc. qualifies as a nonprofit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Peter & Paul Community Services, Inc. does not have unrelated business income, excise taxes, or activities that would threaten the Organization's tax-exempt status. Accordingly, no provision for federal or state income taxes is provided. Peter and Paul files an information return, the IRS Form 990.

Garfield Place Partners LP has elected to be treated as a Limited Liability Partnership (LLP) under the provisions of the Internal Revenue Code. As a result of this election, the earnings of Garfield Place Partners LP are taxable to its members and no provision has been made for Federal or State income taxes in the accompanying consolidated financial statements.

The Organization adopted the provisions relating to Accounting for Uncertainty in Income Taxes, and management is not aware of any uncertain tax positions related to the tax filings.

Peter and Paul Community Services, Inc. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019
(Continued)

A. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 16, 2020, the date the consolidated financial statements were available to be issued.

B. **INTANGIBLE ASSETS**

During the fiscal year ended June 30, 2016, the Organization paid for expenses related to the financing of the property for the Garfield Place Apartments program. These costs were capitalized and are being amortized over the estimated life of the asset. There were no additional capitalized costs for the year ended June 30, 2020.

Intangible assets consists of the following at June 30, 2020:

| | |
|--------------------------------|------------------|
| Tax credit costs | \$22,603 |
| Tax abatement costs | <u>2,919</u> |
| | 25,522 |
| Less: accumulated amortization | <u>(13,192)</u> |
| Intangible Assets, net | <u>\$12,330</u> |

C. **SECURITY, RESERVE AND ESCROW DEPOSITS**

The Partnership is required to maintain separate escrow accounts for payment of property taxes and insurance. As of June 30, 2020 and 2019, the balance of tax and insurance escrow deposits was \$15,691 and \$26,620, respectively.

In accordance with the partnership agreement and loan agreements, there are requirements for replacement reserves and operating reserves. At June 30, 2020 the balances in these reserves totaled \$55,062 and \$133,899, respectively. At June 30, 2019 the balances in these reserves totaled \$45,987 and \$132,504, respectively.

Peter and Paul Community Services, Inc. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019
(Continued)

D. LINE OF CREDIT AGREEMENT

The Organization has a \$250,000 revolving line of credit agreement with a bank that is collateralized by all business assets and real estate and is subject to annual renewal. The agreement expires December 17, 2020. Interest is payable at prime rate (3.25% at June 30, 2020) plus one-half percent. The Organization had no borrowings under this agreement during fiscal years ended June 30, 2020 and 2019.

E. NOTE PAYABLE

On April 22, 2020, the Organization was granted a loan in the amount of \$395,000 from PNC Bank, National Association, pursuant to the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under certain circumstances, all or part of the loan may be forgiven and converted to a grant.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% per annum, with a deferral of payments for the first ten months. Commencing March 22, 2021, the Organization is required to make a combined interest and principal payment monthly for the unforgiven amount. While there is a remote possibility that these funds would not be forgiven, the Organization believes they have spent the funds on eligible expenses during fiscal year 2020 and subsequent to yearend based on current regulations and will be working with their lender to begin the forgiveness application process. During the year, the Organization converted \$158,000 to grant income included in other income on the Consolidated Statements of Activities. While the Organization believes the entire amount will be converted, \$237,000 remains as a liability as this approximate portion of the eligible expenses was incurred subsequent to yearend. As of June 30, 2020, the estimated outstanding balance of the note payable was \$237,000.

Peter and Paul Community Services, Inc. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019
(Continued)

F. LONG-TERM DEBT

Long-term debt consists of the following at June 30:

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Note payable – MHDC, variable monthly installments based on surplus cash flow, 0% interest rate with total principal balance not to exceed \$300,000; due November 2034. | \$300,000 | \$300,000 |
| Note payable – St. Louis Mental Health Board, yearly payments of \$25,000 and accrued interest at 4.00 % will be forgiven commencing in November 2014 and ending in November 2023. | 100,000 | 125,000 |
| Note payable – Affordable Housing Commission, non-interest bearing, nonrecourse and non-amortizing and matures in November 2043. (Note H) | 200,000 | 200,000 |
| | 600,000 | 625,000 |
| Less: current maturities | 25,000 | 25,000 |
| Total Long-Term Debt | \$575,000 | \$600,000 |

Scheduled maturities on all long-term debt as of June 30, 2020 are as follows:

| <u>Year Ending</u> | <u>Amount</u> |
|--------------------|---------------|
| 2021 | \$ 25,000 |
| 2022 | 25,000 |
| 2023 | 25,000 |
| 2024 | 25,000 |
| Thereafter | 500,000 |
| Total | \$600,000 |

Peter and Paul Community Services, Inc. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019
(Continued)

G. OPERATING LEASES

The Organization leases office equipment under two operating leases that expire in May 2020 and August 2025.

The future minimum lease payments required under these noncancellable leases are as follows:

| Fiscal Years Ending <u>June 30,</u> | |
|--|-----------------|
| 2021 | \$16,032 |
| 2022 | 16,032 |
| 2023 | 16,032 |
| 2024 | 16,032 |
| 2025 | <u>6,921</u> |
| Total | <u>\$71,049</u> |

Total rent expense under these operating leases was \$17,143 during the year ended June 30, 2020.

H. LIMITATIONS ON USE OF BUILDINGS

During fiscal year 2006, the Organization purchased the Keokuk facility for \$150,000. The Organization received a grant from the Affordable Housing Commission for \$75,000 towards the purchase of the facility. The grant requires the facility be used for transitional housing purposes for City residents earning 20% of the Area Median Income for a period of 30 years. If the facility is used for a different purpose the Organization is required to repay a sliding scale portion of the grant. The grant repayment provision is forgiven pro rata over the 30-year period. The Organization has and continues to comply with these limitations.

During fiscal year 2015, the Organization placed into service the Garfield Place Apartments program facility. The Organization received the proceeds from a loan, dated November 8, 2013, from the Affordable Housing Commission for \$200,000 towards the purchase and rehabilitation of the facility. The loan requires the facility be used as rental property for 25 units to low and moderate-income households earning incomes at or below 50% of AMI for a period of 30 years. If the facility is used for a different purpose the entire outstanding loan amount shall mature and be immediately due and payable in full, otherwise it is due the thirtieth anniversary of the date of the loan.

Peter and Paul Community Services, Inc. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019
(Continued)

I. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions are restricted for the following purposes or periods:

| | 2020 | 2019 |
|--|---------|------|
| Subject to expenditure for specific purpose: | | |
| St. Louis Roadies | \$3,229 | \$ - |
| Total Net Assets with Donor Restrictions | \$3,229 | \$ - |

Net assets with donor restrictions are reclassified to net assets without donor restrictions when the funds are utilized for the restricted purpose or time has elapsed.

J. NET ASSETS RELEASED FROM DONOR RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended June 30:

| | 2020 | 2019 |
|---|-----------|-----------|
| Purpose restrictions accomplished | | |
| Labre Center | \$114,895 | \$189,022 |
| Positive Directions | 109,086 | 291,412 |
| Shelter Services | 81,484 | 76,596 |
| St. Louis Roadies | 8,062 | 15,371 |
| Garfield | 1,200 | - |
| Total Net Assets Released from Restrictions | \$314,727 | \$572,401 |

K. MEMBERS' EQUITY

Members' equity reflects accumulated earnings and the amounts contributed to Garfield Place Partners, LP by the general partner and the two limited partners.

L. CONTINGENCIES

The Organization, from time to time, receives information regarding potential claims against the Organization, including from clients and/or client families. Management has represented that its insurance company is responsible for handling any and all such claims, and believes the insurance coverage is adequate to protect the Organization in the event of a successful claim. An estimate of possible damages, if any, which the Organization would be liable for, cannot be made at this time, however management believes any such liability would be immaterial in amount.

Peter and Paul Community Services, Inc. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019
(Continued)

M. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization receives revenue from donations, government grants, contract services and rental income, with and without donor restrictions, and considers all of these to be major and central to its annual operation and to be available to meet cash needs for general expenditures. The Organization maintains financial assets, consisting of cash and accounts receivable, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary.

The Organization's financial assets available within one year of the Consolidated Statements of Financial Position date for general expenditures are as follows:

| | 2020 | 2019 |
|--|--------------|--------------|
| Cash and cash equivalents | \$ 1,844,058 | \$ 1,528,801 |
| Accounts receivable, net | 390,213 | 320,752 |
| Total financial assets | 2,234,271 | 1,849,553 |
| Less amounts not available to be used within one year: | | |
| Donor restricted Time and Purpose | 3,229 | - |
| Total financial assets not available to be used within one year | 3,229 | - |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 2,231,042 | \$ 1,849,553 |

N. ECONOMIC UNCERTAINTY

As the spread of the COVID-19 coronavirus continues worldwide, economic uncertainties have arisen that are likely to impact the Institute's financial results. While management expects this impact to be temporary, the severity and duration of the impact is uncertain at this time.

**SUPPLEMENTAL
INFORMATION**

Peter and Paul Community Services, Inc. and Subsidiary
CONSOLIDATING STATEMENT OF FINANCIAL POSITION OF
PETER AND PAUL COMMUNITY SERVICES, INC. AND SUBSIDIARY
For the Year Ended June 30, 2020

ASSETS

| | Peter & Paul Community Services, Inc. | Garfield Place Partners, LP | Eliminations | Consolidated |
|---|---|--------------------------------|----------------|--------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 1,802,728 | \$ 41,330 | \$ - | \$ 1,844,058 |
| Investments | 220,698 | - | (220,698) | - |
| Accounts receivable, net of allowance | 374,771 | 15,442 | - | 390,213 |
| Prepaid expenses | 10,418 | 12,116 | - | 22,534 |
| Security, reserve and escrow deposits | - | 204,652 | - | 204,652 |
| Total Current Assets | 2,408,615 | 273,540 | (220,698) | 2,461,457 |
| DUE FROM SUBSIDIARY | 45,548 | - | (45,548) | - |
| NOTES RECEIVABLE - SUBSIDIARY | 1,520,000 | - | (1,520,000) | - |
| PROPERTY AND EQUIPMENT | | | | |
| Land | - | 75,000 | - | 75,000 |
| Buildings and improvements | 2,680,856 | 6,186,646 | - | 8,867,502 |
| Equipment | 179,724 | 161,363 | - | 341,087 |
| Furniture and fixtures | 88,832 | - | - | 88,832 |
| | 2,949,412 | 6,423,009 | - | 9,372,421 |
| Less - accumulated depreciation | 1,249,231 | 965,251 | - | 2,214,482 |
| Property and Equipment, net | 1,700,181 | 5,457,758 | - | 7,157,939 |
| INTANGIBLE ASSETS, NET (NOTE B) | - | 12,330 | - | 12,330 |
| TOTAL ASSETS | \$ 5,674,344 | \$ 5,743,628 | (\$ 1,786,246) | \$ 9,631,726 |
| LIABILITIES AND NET ASSETS AND MEMBERS' EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 16,706 | \$ 1,033 | \$ - | \$ 17,739 |
| Current portion of long-term debt (Note F) | 25,000 | - | - | 25,000 |
| Accrued payroll and other liabilities | 248,941 | 42,646 | - | 291,587 |
| Note payable (Note E) | 237,000 | - | - | 237,000 |
| Total Current Liabilities | 527,647 | 43,679 | - | 571,326 |
| LONG-TERM DEBT (NOTE F) | 75,000 | 500,000 | - | 575,000 |
| NOTE PAYABLE - PARENT | - | 1,520,000 | (1,520,000) | - |
| DUE TO PARENT | - | 45,548 | (45,548) | - |
| Total Liabilities | 602,647 | 2,109,227 | (1,565,548) | 1,146,326 |
| NET ASSETS AND MEMBERS' EQUITY | | | | |
| Without donor restrictions | | | | |
| Available for general use | 1,948,287 | - | - | 1,948,287 |
| Net investment in property and equipment | 3,120,181 | 3,450,088 | - | 6,570,269 |
| With donor restrictions | | | | |
| Purpose restrictions (Note I) | 3,229 | - | - | 3,229 |
| Members' equity (Note K) | - | 184,313 | (220,698) | (36,385) |
| Total Net Assets and Members' Equity | 5,071,697 | 3,634,401 | (220,698) | 8,485,400 |
| TOTAL LIABILITIES AND NET ASSETS AND MEMBERS' EQUITY | \$ 5,674,344 | \$ 5,743,628 | (\$ 1,786,246) | \$ 9,631,726 |

See accompanying notes to consolidated financial statements

Peter and Paul Community Services, Inc. and Subsidiary
CONSOLIDATING STATEMENT OF ACTIVITIES OF
PETER AND PAUL COMMUNITY SERVICES, INC. AND SUBSIDIARY
For the Year Ended June 30, 2020

| | Peter & Paul Community Services, Inc. | Garfield Place Partners, LP | Eliminations | Consolidated |
|---|---|--------------------------------|---------------------|---------------------|
| REVENUES AND OTHER SUPPORT | | | | |
| Donations | \$ 1,051,380 | \$ - | \$ - | \$ 1,051,380 |
| In-kind food donations | 73,825 | - | - | 73,825 |
| Foundations | 142,309 | - | - | 142,309 |
| Government grants | 1,051,772 | - | - | 1,051,772 |
| Contracted services | 976,746 | - | - | 976,746 |
| Client fees | 76,725 | - | - | 76,725 |
| Other income | 211,456 | 5,895 | - | 217,351 |
| Rental income | - | 146,019 | - | 146,019 |
| | <u>3,584,213</u> | <u>151,914</u> | <u>-</u> | <u>3,736,127</u> |
| Total Revenues and Other Support | | | | |
| EXPENSES | | | | |
| Program Services | | | | |
| Shelter Services | 729,950 | - | - | 729,950 |
| BHOC | - | - | - | - |
| Labre Center | 728,313 | - | - | 728,313 |
| Positive Directions | 641,043 | - | - | 641,043 |
| Garfield Place Apartments | 580,157 | 321,630 | - | 901,787 |
| | <u>2,679,463</u> | <u>321,630</u> | <u>-</u> | <u>3,001,093</u> |
| Total Program Services | | | | |
| Supporting Services | | | | |
| Management and general | 517,920 | - | - | 517,920 |
| Fundraising | 387,006 | - | - | 387,006 |
| | <u>904,926</u> | <u>-</u> | <u>-</u> | <u>904,926</u> |
| Total Supporting Services | | | | |
| Total Expenses | <u>3,584,389</u> | <u>321,630</u> | <u>-</u> | <u>3,906,019</u> |
| Change in Net Assets | (176) | (169,716) | - | (169,892) |
| NET ASSETS AND MEMBERS' EQUITY, Beginning of year | <u>5,071,873</u> | <u>3,804,117</u> | <u>(220,698)</u> | <u>8,655,292</u> |
| NET ASSETS AND MEMBERS' EQUITY, End of year | <u>\$ 5,071,697</u> | <u>\$ 3,634,401</u> | <u>(\$ 220,698)</u> | <u>\$ 8,485,400</u> |

See accompanying notes to consolidated financial statements