Alder Health Services

YEARS ENDED
JUNE 30, 2020 AND 2019

BROWN SCHULTZ SHERIDAN & FRITZ

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

ALDER HEALTH SERVICES, INC.

YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditor's Report

Board of Directors
Alder Health Services, Inc.
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Alder Health Services, Inc. (the Organization) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019 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.

Auditor's 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 auditor's 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 Organization'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 Organization'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 Alder Health Services, Inc. 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.

Brown Schultz Sheridan & Fritz

Camp Hill, Pennsylvania
November 16, 2020

ALDER HEALTH SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
Current assets:		
Cash and cash equivalents	$ 498,645	$ 82,858
Restricted cash and cash equivalents	264,576	391,541
Grant and contracts accounts receivable	124,695	189,174
Patient accounts receivable, net of allowance for doubtful accounts of $82,653 and $8,769, respectively	1,055,347	802,855
Prepaid expenses	92,584	47,234
Total current assets	**2,035,847**	**1,513,662**
Long-term assets:		
Beneficial interest in trust	29,632	31,733
Deposits, security	8,908	8,908
Property and equipment, net of accumulated depreciation	240,861	274,058
Total long-term assets	**279,401**	**314,699**
Total assets	**$ 2,315,248**	**$ 1,828,361**

See notes to financial statements.

ALDER HEALTH SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities:		
Accounts payable	$ 577,529	$ 475,888
Accrued expenses	67,942	22,860
Line of credit	32,000	41,733
Paycheck protection program loan	328,700	
Long-term debt, current portion	27,727	27,157
Unearned revenue	84,137	
Total current liabilities	**1,118,035**	**567,638**
Long-term debt, net of current portion	106,899	27,192
Total liabilities	**1,224,934**	**594,830**
Net assets:		
Without donor restrictions	1,042,278	1,195,058
With donor restrictions	48,036	38,473
Total net assets	**1,090,314**	**1,233,531**
Total liabilities and net assets	**$ 2,315,248**	**$ 1,828,361**

See notes to financial statements.

ALDER HEALTH SERVICES, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue and other support:			
Contributions	$ 32,586	$ 12,511	$ 45,097
Special events	5,667		5,667
Grant revenue:			
PA Department of Health AIDS State/Ryan White/Prevention/Family	683,568		683,568
Other grant sources	62,237		62,237
Program service fees	467,332		467,332
Provision for bad debts	(156,677)		(156,677)
Pharmacy program fees	5,839,314		5,839,314
Miscellaneous revenue	14,605		14,605
Net assets released from restrictions	2,406	(2,406)	-
Total support and revenue	**6,951,038**	**10,105**	**6,961,143**
Expenses:			
Program	6,462,361		6,462,361
Management and general	449,736		449,736
Fundraising	191,741		191,741
Total expenses	**7,103,838**		**7,103,838**
Increase (decrease) before nonoperating revenues (expenses)	**(152,800)**	**10,105**	**(142,695)**
Nonoperating revenues (expenses):			
Unrealized loss on beneficial interest in fund at foundation		(557)	(557)
Realized gain on beneficial interest in fund at foundation		(68)	(68)
Interest and dividend income, net of expenses	20	83	103
Total nonoperating revenues (expenses)	**20**	**(542)**	**(522)**
Increase (decrease) in net assets	**(152,780)**	**9,563**	**(143,217)**
Net assets:			
Beginning of year	1,195,058	38,473	1,233,531
End of year	**$ 1,042,278**	**$ 48,036**	**$ 1,090,314**

See notes to financial statements.

ALDER HEALTH SERVICES, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenue and other support:			
Contributions	$ 34,160	$ 6,740	$ 40,900
Special events	5,099		5,099
Grant revenue:			
PA Department of Health AIDS State/Ryan White/Prevention/Family	602,602		602,602
Other grant sources	99,482		99,482
Program service fees	419,522		419,522
Provision for bad debts	(24,352)		(24,352)
Pharmacy program fees	5,264,443		5,264,443
Miscellaneous revenue	7,063		7,063
Total support and revenue	**6,408,019**	**6,740**	**6,414,759**
Expenses:			
Program	5,970,810		5,970,810
Management and general	441,618		441,618
Fundraising	176,886		176,886
Total expenses	6,589,314		**6,589,314**
Increase (decrease) before nonoperating revenues (expenses)	**(181,295)**	**6,740**	**(174,555)**
Nonoperating revenues (expenses):			
Unrealized loss on beneficial interest in fund at foundation		(76)	(76)
Realized gain on beneficial interest in fund at foundation		880	880
Interest and dividend income, net of expenses	19	188	207
Total nonoperating revenues (expenses)	**19**	**992**	**1,011**
Increase (decrease) in net assets	**(181,276)**	**7,732**	**(173,544)**
Net assets:			
Beginning of year	1,376,334	30,741	1,407,075
End of year	**$ 1,195,058**	**$ 38,473**	**$ 1,233,531**

See notes to financial statements.

ALDER HEALTH SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program	Management and general	Fundraising	Total
Functional expenses:				
Client assistance	$ 66,748			$ 66,748
Wellness center	800			800
Conferences and trainings	4,676	$ 1,247	$ 312	6,235
Subcontracts	443,438			443,438
Depreciation	24,215	9,105	3,022	36,342
Dues and subscriptions		1,011		1,011
Employee benefits	140,585	32,017	14,527	187,129
Equipment maintenance	7,129	2,680	890	10,699
Fundraising expenses			8,694	8,694
Interest	3,471	1,305	433	5,209
Miscellaneous		42		42
Occupancy	234,881	88,316	29,316	352,513
Organizational dues		1,708		1,708
Postage	1,975	743	246	2,964
Payroll and payroll taxes	1,092,707	248,851	112,913	1,454,471
Pharmacy program fees	4,354,864			4,354,864
Professional fees	30,610	44,908	1,987	77,505
Public relations			13,235	13,235
Supplies	20,511	7,712	2,560	30,783
Telephone	22,779	8,565	2,843	34,187
Travel	12,972	1,526	763	15,261
Total functional expenses	**$ 6,462,361**	**$ 449,736**	**$ 191,741**	**$ 7,103,838**

See notes to financial statements.

ALDER HEALTH SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program	Management and general	Fundraising	Total
Functional expenses:				
Client assistance	$ 94,011			$ 94,011
Conferences and trainings	21,390	$ 5,704	$ 1,426	28,520
Subcontracts	411,741			411,741
Depreciation	23,427	8,809	2,924	35,160
Dues and subscriptions		592		592
Employee benefits	131,549	33,679	11,763	176,991
Equipment maintenance	6,845	2,574	854	10,273
Fundraising expenses			16,309	16,309
Interest	3,315	1,247	414	4,976
Miscellaneous		145		145
Occupancy	196,114	73,740	24,478	294,332
Organizational dues		1,819		1,819
Postage	1,417	533	177	2,127
Payroll and payroll taxes	1,005,075	257,318	89,871	1,352,264
Pharmacy program fees	3,964,868			3,964,868
Professional fees	49,330	36,121	1,810	87,261
Public relations			20,145	20,145
Supplies	22,670	8,524	2,829	34,023
Telephone	24,070	9,050	3,004	36,124
Travel	14,988	1,763	882	17,633
Total functional expenses	**$ 5,970,810**	**$ 441,618**	**$ 176,886**	**$ 6,589,314**

See notes to financial statements.

ALDER HEALTH SERVICES, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Decrease in net assets	$ (143,217)	$ (173,544)
Adjustments:		
Depreciation	36,342	35,160
Write off of allowance for bad debt (bad debt expense)	(156,677)	(24,352)
(Increase) decrease in assets:		
Accounts receivables	(31,336)	9,849
Prepaid expenses	(45,350)	246,076
Increase (decrease) in liabilities:		
Accounts payable	101,641	21,479
Accrued expenses	45,082	2,080
Unearned revenue	84,137	
Total adjustments	33,839	290,292
Net cash provided by (used in) operating activities	**(109,378)**	**116,748**
Cash flows from investing activities:		
Change in interest in fund held by Foundation for Enhancing Communities	2,101	(992)
Purchase of property and equipment	(3,145)	(101,149)
Net cash used in investing activities	**(1,044)**	**(102,141)**
Cash flows from financing activities:		
Proceeds from:		
Line of credit	32,000	60,233
Paycheck protection program loan	328,700	
Long-term debt	150,000	
Repayment of:		
Line of credit	(41,733)	(18,500)
Long-term debt	(69,723)	(30,999)
Net cash provided by financing activities	**399,244**	**10,734**

(continued)

ALDER HEALTH SERVICES, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Net increase in cash and cash equivalents	**$ 288,822**	**$ 25,341**
Cash and cash equivalents:		
Beginning of year	474,399	449,058
End of year	**$ 763,221**	**$ 474,399**
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 5,209	$ 4,976
Cash and cash equivalents	$ 498,645	$ 82,858
Restricted cash and cash equivalents	264,576	391,541
	$ 763,221	$ 474,399

See notes to financial statements.

1. Nature of organization and summary of significant accounting policies:

Nature of organization:

Alder Health Services, Inc. (the Organization) is a non-profit corporation founded in 1985 and incorporated in 1987 as AIDS Community Alliance, Inc. In 2011, it changed its name to Alder Health Services, Inc. to reflect the expansion of support services and programs to its key constituency. The Organization's purpose is to provide a network of services and programs focused on enhancing the health outcomes of individuals impacted by HIV/AIDS and members of the community who have traditionally been marginalized by the healthcare system. The Organization receives a significant portion of revenue from governmentally funded programs or grants. The Organization provides services in Adams, Bedford, Blair, Cumberland, Dauphin, Franklin, Fulton, Huntington, Juniata, Lancaster, Lebanon, Mifflin, Perry and York counties.

Basis of accounting:

The financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned and revenues and expenses are recognized in the accounting period in which the liability is incurred.

Basis of presentation:

Financial statement presentation follows the requirements of the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities in two classes of net assets:

<u>Net assets without donor restrictions</u> – Net assets that are not subject to donor-imposed stipulations.

<u>Net assets with donor restrictions</u> – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, 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.

Also included in this category are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Cash and cash equivalents:

The Organization considers all financial instruments with an initial maturity of three months or less to be cash equivalents. Restricted cash and cash equivalents represent amounts restricted for spending under a grant or contract agreement.

1. Nature of organization and summary of significant accounting policies (continued):

Revenue recognition:

The Organization determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with the customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, a performance obligation is satisfied

Pharmacy program fees

The Organization maintains an agreement with a pharmacy to provide prescription drugs to the Organization's patients under the program 340B. The pharmacy is the claims administrator for the Organization. The pharmacy will contract with the insurance companies on the reimbursement rates for the prescription drugs. All prescription drugs sold by the pharmacy, on behalf of the Organization, are paid for by the Organization through a bank account maintained by the pharmacy. The Organization will receive revenue, net of expenses, monthly from the pharmacy based on the difference between the insurance reimbursement rates less the pharmacy's administrator fee and the cost of the prescriptions. The monthly revenue is variable, and revenue is earned at a point in time as the service is provided. The Organization records revenue for the insurance reimbursement rates of the prescriptions sold on the statements of activities in pharmacy program fees. The Organization records expenses associated with the pharmacy's administration fees and the cost of the prescriptions on the statements of functional expenses in pharmacy program fees.

Grants and contract accounts receivable and revenue

The Organization provides services under contracts or grants, which have been billed but not paid for at year end.

The Organization receives grants from foundation and governmental entities, which are used for specific purposes. Foundations provide grant funds in advance. Governmental entities provide grants funds on a reimbursements basis. Grant funds are evaluated when received to determine if they are an exchange transaction or a non-exchange transaction. For grants that come with specific performance obligations, the Organization will recognize revenue when those performance obligations are met. Other grants that fund the Organization's overall mission and do not contain any performance obligations are considered non-exchange transactions and are generally recorded as revenue when received.

1. Nature of organization and summary of significant accounting policies (continued):

Revenue recognition:

Grants and contract accounts receivable and revenue

For grant funds with performance obligations, to comply with the revenue recognition steps, the Organization will submit progress reports to the contractors and grantors once a performance obligation is completed. Based on the terms of the agreements, the Organization recognizes revenue once the contractor or grantor approves the progress reports, denoting the performance obligation has been met.

Net program service fees and net patient accounts receivable

The Organization provides behavioral health, primary care and other outpatient, support services. Program service fees are reported at the amount the Organization expects in exchange for providing patient care. Revenue is recognized at a point in time, when patient services are completed, at a transaction price based on established rates, net of contractual adjustments, charity allowances and policy discounts. The Organization determines estimates based on contractual agreements, policies and historical experience. The Organization recognizes bad debt expense and the allowance for doubtful accounts based upon historical experience. Patient accounts receivable are charged off against the allowance when management determines that recovery is unlikely and collection efforts cease.

The Organization does not typically provide financing for customers. In instances where the Organization receives payment in advance of the services being performed, the Organization has determined that the contracts do not include a significant finance component.

Contributions

The Organization receives contributions from both individuals and businesses. These contributions are evaluated when received to determine if they are an exchange transaction or a non-exchange transaction. Contributions that fund the Organization’s overall mission and do not contain any performance obligations are considered non-exchange transactions and are generally recorded as revenue when received. Any contributions with donor restrictions are recorded as net assets with donor restrictions and the use of the funds for the restricted purpose are recorded as released from net assets with donor restrictions.

Prepaid expenses:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1. Nature of organization and summary of significant accounting policies (continued):

Property and equipment:

Property and equipment are recorded at cost. The cost of property and equipment valued at $1,000 or more and with an estimated life of greater than one year is capitalized. Depreciation is accounted for on the straight-line method based on estimated useful lives of depreciable assets. Expenditures which extend the life of the asset are capitalized whereas maintenance and repairs are expensed as incurred.

Beneficial interest in trust:

The Organization has the right to income generated by the trust. Valuation of the right is based on the fair value of the investments (Notes 3, 5 and 6).

Unearned revenue:

Unearned revenues arise when the Organization receives funds in advance of performing a service. In subsequent periods, after the services are performed by the Organization, the Organization will remove the liability from the statements of financial position and record the revenue on the statements of activities. During the year ended June 30, 2020, the Organization received contributions in advance for an anniversary event that was delayed until the June 30, 2021 year end.

Contributed services:

Contributed services are reflected in the accompanying financial statements at fair value at the date of receipt to the extent they create or enhance non-financial assets or require specialized skills, which, if not provided by donation, would have to be purchased by the Organization.

No amounts have been reflected in these financial statements for volunteer services donated by the many volunteers that regularly support the Organization because the services do not meet the criteria for recognition.

Functional allocation of expenses:

The costs of providing the program and supporting services have been summarized on a functional basis. Accordingly, payroll, payroll taxes, employee benefits and travel have been allocated based on management's estimate of staff time spent on the program and supporting services. Depreciation, equipment maintenance, interest, occupancy, postage, supplies and telephone costs have been allocated based on management's estimate of building square footage. All other costs are directly related to the program or supporting service.

1. Nature of organization and summary of significant accounting policies (continued):

Income taxes:

The Organization is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from federal income taxes on related income pursuant to Section 509(a) of the Code.

Use of estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to the determination of the allowance for doubtful accounts. Actual results could differ from those estimates.

Recently issued accounting standard:

<u>Leases</u>*:*

FASB Accounting Standards Update (ASU) 2016-02, *Leases*, is effective for the Organization beginning on July 1, 2022 and requires that all leases with terms of more than 12 months be recognized as assets and liabilities on the balance sheet. Recognition of these lease assets and lease liabilities represents a change from previous generally accepted accounting principles (GAAP), which did not require lease assets and lease liabilities to be recognized for operating leases. Qualitative disclosures along with specific quantitative disclosures will be required to provide enough information to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an Organization’s leasing activities.

The Organization will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that the Organization may elect to apply. At adoption, the Organization will recognize a right-of-use asset and a lease liability initially measured at the present value of its operating lease payments. The Organization is currently evaluating the impacts of adopting this guidance on its financial position, results of operations and cash flows.

Reclassifications:

Certain items on the financial statements have been reclassified to conform with the current year presentation.

2. Financial assets and liquidity resources:

As of June 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, purchases of property and equipment and scheduled principal payments on debt were as follows:

	2020	2019
Financial assets:		
Cash and cash equivalents, unrestricted	$ 498,645	$ 82,858
Grant and contracts accounts receivable	124,695	189,174
Patient accounts receivable, net of allowance for doubtful account of $82,653 and $8,769, respectively	1,055,347	802,855
Beneficial interest in trust	29,632	31,733
Total financial assets	1,708,319	1,106,620
Net assets with donor restrictions, purpose restricted	(48,036)	(38,473)
Total financial assets and liquidity resources available within one year	$ 1,660,283	$ 1,068,147

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's largest source of revenue is pharmacy program fees, which are received throughout the year. To help manage unanticipated liquidity needs, the Organization maintains a $100,000 secured line of credit with a bank that can be drawn upon as needed. The available balance to be drawn on the line of credit at June 30, 2020 and 2019 was $68,000 and $58,267, respectively.

3. Fair value measurements:

The Organization measures fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The accounting guidance outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures.

3. Fair value measurements (continued):

The fair value hierarchy is classified into three levels based on the source of inputs. The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices in active markets for identical investment. The Organization does not hold any Level 1 investments.

Level 2 – Other significant observable inputs (including quoted prices for similar investments, current market pricing models and interest rates, prepayment speeds, credit risk, etc.). During years ended June 30, 2020 and 2019, the Organization holds $29,632 and $31,733, respectively, of Level 2 investments, which are in a trust (Note 5).

Level 3 – Unobservable inputs which are supported by little or no market activity. The Organization does not hold any Level 3 investments.

4. Receivables:

Grant and contract accounts receivable at June 30, 2020 and 2019 consist of:

	2020	2019
Family Health Council	$ 124,695	$ 127,257
Pennsylvania Department of Health		26,903
Various drug and alcohol commissions		25,725
Other		9,289
	$ 124,695	$ 189,174

5. Net assets with donor restrictions and released from donor restrictions:

Net assets with donor restrictions are available for the following purposes as of June 30, 2020 and 2019:

	2020	2019
Wellness center	$ 5,893	$ 6,740
Beneficial interest in trust	29,632	31,733
Food pantry	12,500	
Binders	11	
	$ 48,036	$ 38,473

Net assets were released from restrictions by incurring expense satisfying the restricted purpose specified or implied by donors as of June 30, 2020 as follows:

	2020
Wellness center	$ 846
Beneficial interest in trust - distributions	1,560
	$ 2,406

The Organization had no net assets that were released from restriction as of June 30, 2019.

6. Beneficial interest in trust held by a foundation functioning as an endowment:

In August 2001, the Organization received a $10,000 endowment. The money has been placed with the Foundation for Enhancing Communities (Foundation), which is holding it for the benefit of the Organization. The Organization has granted the Foundation variance power, which gives the Foundation's Board of Trustees the power to use the funds for other purposes in certain circumstances. The funds are subject to the Foundation's investment and spending policies, which result in approximately 6% of the average fund balance being available for grants each year. Under that policy, $1,471 and $1,581 of grants were available and reinvested in the years ended June 30, 2020 and 2019, respectively. During the years ended June 30, 2020 and 2019, the Organization received distributions of $1,560 and $0 from the funds, respectively. The funds incurred a net gain (loss) of $(542) and $992 during the years ended June 30, 2020 and 2019, respectively. The Organization reports the fair value of the funds as beneficial interest in trust, which were held at the Foundation in the statements of financial position and reports distributions received as investment income. The fair value of the funds on June 30, 2020 and 2019 was $29,632 and $31,733, respectively, and is reflected as net assets with donor restrictions.

6. Beneficial interest in trust held by a foundation functioning as an endowment (continued):

The beneficial interest in assets held at the Foundation has been valued, as a practical expedient, at the fair value of the Organization's share of the Foundation's investment pool as of June 30, 2020 and 2019. The Foundation values securities and other financial instruments on a fair value basis of accounting. The fair values of certain investments of the Foundation, which include floating rate demand notes and tuition credits, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The beneficial interest in assets held at the Foundation is not redeemable by the Organization.

The following is a summary of the changes in the trust asset for the years ended June 30, 2020 and 2019:

Balance at July 1, 2019	$ 31,733	Balance at July 1, 2018	$ 30,741
Distributions	(1,560)	Distributions	
Unrealized loss	(556)	Unrealized loss	(76)
Interest and dividends	639	Interest and dividends	754
Realized loss	(68)	Realized gain	880
Investment fees	(556)	Investment fees	(566)
Balance at June 30, 2020	$ 29,632	Balance at June 30, 2019	$ 31,733

Application of relevant law:

The Organization operates in the Commonwealth of Pennsylvania. The Organization classifies as net assets with donor restrictions, the original donation, subsequent donations and changes in the value of the endowment fund.

Appropriations of endowment assets:

The endowment fund makes disbursements from the fund on an annual basis. All disbursements shall be in furtherance of the mission purposes of the Organization.

Investment policies:

The Foundation invests 100% in equity mutual funds at June 30, 2020 and 2019.

7. Property and equipment:

Property and equipment consist of the following at June 30:

	2020	2019
Office equipment	$ 177,102	$ 177,102
Medical equipment	36,678	36,678
Leasehold improvements	229,062	225,917
Computers and software	109,248	109,248
	552,090	548,945
Less accumulated depreciation	311,229	274,887
Property and equipment, net	$ 240,861	$ 274,058

8. Line of credit:

The Organization has a $100,000 unsecured line of credit arrangement with a bank. The line bears interest at the *Wall Street Journal* prime rate plus .25%. During the year ended June 30, 2020, the Organization borrowed $32,000 and paid $41,733 on the line of credit. During the year ending June 30, 2019, the Organization borrowed $60,233 and paid $18,500 on the line of credit. The balance of the line of credit on June 30, 2020 and 2019 was $32,000 and $41,733, respectively.

9. Paycheck protection program loan:

In April 2020, the Organization secured and received funding totaling $328,700 from the Paycheck protection program, a government program authorizing loans to small businesses and charitable not-for-profit organizations to cover payroll costs, rents and utility costs over a 24-week period. The loan may become due if the Organization uses funds for anything besides these costs or does not incur enough of qualified costs. The Organization expects the loan to be forgiven in 2021 based on its initial projections. The balance of the loan as of June 30, 2020 was $328,700.

10. Long-term debt:

In March 2017, the Organization entered into a $125,000 note payable to finance the buy-out of an existing lease (Note 11). The note was secured by all inventory, accounts, equipment and general intangibles. The note bore interest at 4.49% and required monthly payments of principal and interest of $2,854 through March 2021. The note was paid in full in July 2019.

10. Long-term debt (continued):

In July 2019, the Organization entered into a $150,000 note payable that bears interest at 5.54%. The note is secured by all inventory, chattel paper, accounts, equipment and general intangibles. The note requires monthly minimum payments of principal and interest of $2,874 through July 2024.

Future maturities of long-term debt is as follows:

Year ended June 30	
2021	$ 27,727
2022	29,303
2023	30,968
2024	32,728
2025	13,900
	$ 134,626

11. Operating leases:

The Organization had an operating lease for office space in Harrisburg extending through August 2017. In August 2017, the Organization moved into a new office space in Harrisburg and entered into a non-cancellable lease extending through July 2022. The lease contains an option to exercise an additional five years. The lease payment is $11,785 a month and increases 3% on August 1 of each year. In August 2018, the Organization expanded their office space in Harrisburg and entered into a non-cancellable lease extending through July 2022. The lease payment is $14,617 a month and increases 3% on August 1 of each year. The lease contains an option to exercise an additional five years.

The Organization terminated their Lancaster lease agreement in April 2017 and paid a termination fee of $110,651. The payment was financed with a note payable (Note 10). In May 2017, the Organization moved into a new office space in Lancaster and entered into a non-cancellable lease extending through April 2020. The lease contains an option to exercise an additional year. The lease payment was $1,300 a month and increased 3.0% on May 1 of each year.

The Organization had a prepaid rent balance of $28,904 and $23,761 as of June 30, 2020 and 2019 for the Harrisburg and Lancaster office spaces, respectively.

11. Operating leases (continued):

Future minimum rental payments are as follows:

Year ended June 30	
2021	$ 333,003
2022	372,582
2023	49,310
2024	1,952
Total lease commitments	$ 756,847

Total rental expenses included in occupancy expenses for the years ended June 30, 2020 and 2019 were $336,133 and $276,400, respectively.

12. Risks and uncertainties:

The continuation of an Organization's operations is usually assumed in financial accounting in the absence of evidence to the contrary. However, an operation which depends on support from agencies of the government is always subject to legislative action which could significantly affect the amount of support it receives.

The Organization's federal and state programs are subject of financial and program compliance audits by grantor agencies, which, if instances of material noncompliance are found, may result in disallowed expenditures and may affect the Organization's continued participation in specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has the potential to cause business disruption to the Organization beginning in March 2020, due to state government-imposed shutdowns of businesses and other results of the illness. While the Organization expects this matter may negatively impact its results, the extent of the impact of the COVID-19 on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of the COVID-19 on overall demand for the Organization's services, all of which are highly uncertain and cannot be predicted.

13. Concentrations:

The Organization maintains a significant portion of its cash and cash equivalents in financial instruments with bank deposit institutions, but manages accounts to minimize the levels of deposits exceeding federally insured limits. At times throughout the year, cash balances may exceed Federal Deposit Insurance Corporation limits. Uninsured balances at June 30, 2020 and 2019 totaled approximately $292,074 and $49,000, respectively.

One grantor accounted for 92% and 81% of the Organization's grant revenues in 2020 and 2019, respectively.

14. Adoption of new accounting pronouncements:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ASC-606, which amends previous guidance. The core principle of ASC-606 is that any entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improve guidance to better distinguish between conditional and unconditional contributions.

Effective July 1, 2019, the Organization adopted ASU 2014-09 using the full retrospective method applied to those contracts which were not completed as of July 1, 2019. There was no quantitative impact as a result of adopting ASU 2014-09. The comparative information has not been restated and continues to be reported under the accounting standards in effect for that period.

15. Subsequent events:

The Organization has evaluated events through November 16, 2020, the date the financial statements were available to be issued.