ALDER HEALTH SERVICES, INC.

YEARS ENDED
JUNE 30, 2019 AND 2018

Independent Auditors' 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, 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 auditors consider 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, 2019 and 2018, 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 21, 2019

ALDER HEALTH SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	$ 82,858	$ 78,755
Restricted cash and cash equivalents	391,541	370,303
Grant and contracts accounts receivable	189,174	267,458
Patient accounts receivable, net of allowance for doubtful accounts of $8,769 and $0, respectively	802,855	710,068
Prepaid expenses	47,234	293,310
Total current assets	1,513,662	1,719,894
Long-term assets:		
Beneficial interest in trust	31,733	30,741
Deposits, security	8,908	8,908
Property and equipment, net of accumulated depreciation	274,058	208,069
Total long-term assets	314,699	247,718
Total assets	$ 1,828,361	$ 1,967,612

See notes to financial statements.

ALDER HEALTH SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

LIABILITIES AND NET ASSETS

	2019	2018
Current liabilities:		
Accounts payable	$ 475,888	$ 454,409
Accrued expenses	22,860	20,780
Long-term debt, current portion	27,157	31,051
Line of credit	41,733	
Total current liabilities	567,638	506,240
Long-term debt, net of current portion	27,192	54,297
Total liabilities	594,830	560,537
Net assets:		
Without donor restrictions	1,195,058	1,376,334
With donor restrictions	38,473	30,741
Total net assets	1,233,531	1,407,075
Total liabilities and net assets	$ 1,828,361	$ 1,967,612

See notes to financial statements.

ALDER HEALTH SERVICES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	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 ACTIVITIES

YEAR ENDED JUNE 30, 2018

	2018		
	Without donor restrictions	With donor restrictions	Total
Revenue and other support:			
Contributions	$ 25,351		$ 25,351
Special events	3,089		3,089
Grant revenue:			
PA Department of Health AIDS State/Ryan White/Prevention/Family	666,672		666,672
Other grant sources	126,855		126,855
Program service fees	288,386		288,386
Collection of bad debts	31,403		31,403
Pharmacy program fees	5,110,654		5,110,654
Miscellaneous revenue	2,589		2,589
Total support and revenue	6,254,999		6,254,999
Expenses:			
Program	5,295,501		5,295,501
Management and general	239,813		239,813
Fundraising	104,119		104,119
Total expenses	5,639,433		5,639,433
Increase before nonoperating revenues (expenses)	615,566		615,566
Nonoperating revenues (expenses):			
Unrealized gain on beneficial interest in fund at foundation		$ 1,866	1,866
Realized gain on beneficial interest in fund at foundation		933	933
Loss on disposal of fixed assets	(38,763)		(38,763)
Interest and dividend income, net of expenses	31	247	278
Total nonoperating revenues (expenses)	(38,732)	3,046	(35,686)
Increase in net assets	576,834	3,046	579,880
Net assets:			
Beginning of year	799,500	27,695	827,195
End of year	$ 1,376,334	$ 30,741	$ 1,407,075

See notes to financial statements.

ALDER HEALTH SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	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.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	2018			
	Program	Management and general	Fundraising	Total
Functional expenses:				
Client assistance	$ 67,785			$ 67,785
Conferences and trainings	10,186	$ 2,547		12,733
Subcontracts	318,423			318,423
Depreciation	15,487	1,978	$ 1,978	19,443
Dues and subscriptions		578		578
Employee benefits	102,239	19,870	3,169	125,278
Equipment maintenance	5,713	730	730	7,173
Fundraising expenses			28,991	28,991
Interest	3,808	486	486	4,780
Miscellaneous		1,467		1,467
Occupancy	134,500	17,180	17,180	168,860
Organizational dues		2,150		2,150
Postage	1,466	187	187	1,840
Payroll and payroll taxes	764,589	148,600	23,701	936,890
Pharmacy program fees	3,746,535			3,746,535
Professional fees	47,768	33,535	729	82,032
Public relations			18,884	18,884
Supplies	39,885	5,095	5,095	50,075
Telephone	23,399	2,989	2,989	29,377
Travel	13,718	2,421		16,139
Total functional expenses	$ 5,295,501	$ 239,813	$ 104,119	$ 5,639,433

See notes to financial statements.

ALDER HEALTH SERVICES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets	$ (173,544)	$ 579,880
Adjustments:		
Depreciation	35,160	19,443
Write off of allowance for bad debt (bad debt expense)	(24,352)	31,403
Loss on disposal of fixed assets		38,763
(Increase) decrease in assets:		
Accounts receivables	9,849	(102,565)
Prepaid expenses	246,076	(268,429)
Deposits, security		4,361
Increase (decrease) in liabilities:		
Accounts payable	21,479	(44,835)
Accrued expenses	2,080	6,471
Total adjustments	290,292	(315,388)
Net cash provided by operating activities	116,748	264,492
Cash flows from investing activities:		
Change in interest in fund held by Foundation for Enhancing Communities	(992)	(3,046)
Purchase of property and equipment	(101,149)	(167,336)
Net cash used in investing activities	(102,141)	(170,382)
Cash flows from financing activities:		
Proceeds from long-term debt	60,233	30,000
Repayment of long-term debt	(49,499)	(59,624)
Net cash provided by (used in) financing activities	10,734	(29,624)

(continued)

ALDER HEALTH SERVICES, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Net increase in cash and cash equivalents	$ 25,341	$ 64,486
Cash and cash equivalents:		
Beginning of year	449,058	384,572
End of year	$ 474,399	$ 449,058
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 4,976	$ 4,781
Cash and cash equivalents	$ 82,858	$ 78,755
Restricted cash and cash equivalents	391,541	370,303
	$ 474,399	$ 449,058

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.

Adoption of new accounting pronouncement:

In 2018, the Organization implemented Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit.* The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative periods presented. The new standard changes the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a statement of functional expenses for each year presented. A disclosure has been added describing the allocation method used by the Organization.
- Investment income has been netted with investment expenses.
- The notes include a new disclosure about liquidity and availability of resources (Note 2).

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

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:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – 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.

Grant 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 has received grants from foundations and governmental entities which are used for specific purposes. Foundations provide grant funds in advance. The Organization will recognize grant funds as grant revenues with donor restrictions as they are earned. Governmental entities provide grant funds on a reimbursement basis. Therefore, the Organization will submit the amount of expenses incurred and the governmental entities will reimburse the Organization for those costs.

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

Net patient accounts receivable and net program service fees:

Net patient accounts receivable and net program service revenues are recorded at established rates, net of contractual adjustments, charity allowances and policy discounts. 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.

Prepaid expenses:

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

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).

Revenue and support with and without donor restrictions:

When donor restricted support and contributions are received and released during the same year, the support and contributions are recorded as net assets without donor restrictions on the statements of activities.

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.

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

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.

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.

Reclassifications:

Certain items have been reclassified to meet current year presentations.

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

Recently issued accounting standards:

Revenue:

FASB ASU 2014-09, *Revenue from Contracts and Customers* (*Topic 606*), with effective dates amended by ASU 2015-14, is effective for the Organization beginning on July 1, 2019 and identifies specific steps to be applied to properly recognize revenue from customer contracts. Under the standard, revenue recognition is determined using a five-step model which identifies customer contracts, identifies performance obligations in each contract, determines transaction price, allocates transaction price to performance obligations and recognizes revenue when or as the performance obligations are satisfied. The standard permits the use of either the retrospective or cumulative effect transition method. The Organization is evaluating the effect that ASU 2014-09 will have on the Organization's financial statements. The Organization has not yet selected a transition method, nor has it determined the effect of the standard on its ongoing financial reporting.

Leases*:*

FASB ASU 2016-02, *Leases*, is effective for the Organization beginning on July 1, 2021 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.

2. Financial assets and liquidity resources:

As of June 30, 2019 and 2018, 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:

	2019	2018
Financial assets:		
Cash and cash equivalents, unrestricted	$ 82,858	$ 78,755
Grant and contracts accounts receivable	189,174	267,458
Patient accounts receivable, net of allowance for doubtful accounts of $8,769 and $0, respectively	802,855	710,068
Beneficial interest in trust	31,733	30,741
Total financial assets	1,106,620	1,087,022
Less net assets with donor restrictions, purpose restricted	(38,473)	(30,741)
Total financial assets and liquidity resources available within one year	$ 1,068,147	$ 1,056,281

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, 2019 and 2018 was $58,267 and $100,000, 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.

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, 2019 and 2018, the Organization holds $31,733 and $30,741, 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, 2019 and 2018 consist of:

	2019	2018
Family Health Council	$ 127,257	$ 210,244
Pennsylvania Department of Health	26,903	32,804
Various drug and alcohol commissions	25,725	23,293
Other	9,289	1,117
	$ 189,174	$ 267,458

5. Net assets with donor restrictions:

Net assets with donor restrictions are available for the following purposes as of June 30, 2019 and 2018:

	2019	2018
Wellness center	$ 6,740	
Beneficial interest in trust	31,733	$ 30,741
	$ 38,473	$ 30,741

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, $1,581 and $1,499 of grants were available and reinvested in the years ended June 30, 2019 and 2018, respectively. The funds incurred a net gain of $992 and $3,046 during the years ended June 30, 2019 and 2018, 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, 2019 and 2018 was $31,733 and $30,741, respectively, and is reflected as net assets with donor restrictions.

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, 2019 and 2018. 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.

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

The following is a summary of the changes in the trust asset for the years ended June 30, 2019 and 2018:

Balance at July 1, 2018	$ 30,741	Balance at July 1, 2017	$ 27,695
Unrealized loss	(76)	Unrealized gain	1,866
Interest and dividends	754	Interest and dividends	798
Realized gain	880	Realized gain	933
Investment fees	(566)	Investment fees	(551)
Balance at June 30, 2019	$ 31,733	Balance at June 30, 2018	$ 30,741

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, 2019 and 2018.

7. Property and equipment:

Property and equipment consist of the following at June 30:

	2019	2018
Office equipment	$ 177,102	$ 140,302
Medical equipment	36,678	36,678
Leasehold improvements	225,917	150,023
Computers and software	109,248	90,714
Assets not placed in service		30,079
	548,945	447,796
Less accumulated depreciation	274,887	239,727
Property and equipment, net	$ 274,058	$ 208,069

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, 2019, the Organization borrowed $60,233 and paid $18,500 on the line of credit. During the year ending June 30, 2018, the Organization borrowed $30,000 and paid $30,000 on the line of credit. The balance of the line of credit on June 30, 2019 and 2018 was $41,733 and $0, respectively.

9. 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 10). The note was secured by all inventory, accounts, equipment and general intangibles. The note bared 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.

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.

9. Long-term debt (continued):

Future maturities of long-term debt, including the note obtained in July 2019, are as follows:

Year ended June 30		
2020	$ 27,157	(includes $2,599 principal payment on previous debt)
2021	28,249	
2022	29,854	
2023	31,551	
2024	33,344	
Thereafter	2,444	
	$ 152,599	

10. 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 $12,796 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 9). 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 1.5% on May 1 of each year.

The Organization had a prepaid rent balance of $23,761 and $284,327 as of June 30, 2019 and 2018 for the Harrisburg and Lancaster office spaces, respectively.

10. Operating leases (continued):

Future minimum rental payments are as follows:

Year ended June 30	
2020	$ 306,771
2021	316,746
2022	326,242
2023	27,253
Total lease commitments	$ 977,012

Total rental expenses included in occupancy expenses for the years ended June 30, 2019 and 2018 were $276,400 and $152,118, respectively.

11. Risks and uncertainties:

The continuation of an entity'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.

12. 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, 2019 and 2018 totaled approximately $49,000 and $410,000, respectively.

12. Concentrations (continued):

One grantor accounted for 81% and 89% of the Organization's grant revenues in 2019 and 2018, respectively.

13. Subsequent events:

In July 2019, the Organization entered into a $150,000 note payable. See Note 9 for further information.

The Organization has evaluated events through November 21, 2019, the date the financial statements were available to be issued.