

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

| | |
|--|---|
| Independent Auditors' Report..... | 1 |
| Consolidated Statement of Financial Position..... | 2 |
| Consolidated Statement of Activities..... | 3 |
| Consolidated Statement of Functional Expenses..... | 4 |
| Consolidated Statement of Cash Flows..... | 5 |
| Notes to Consolidated Financial Statements..... | 6 |

Allman & Associates, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

9600 GREAT HILLS TRAIL
SUITE 150W
AUSTIN, TX 78759
(512) 502-3077
FAX: 888-512-7990
WWW.ALLMANCPAS.COM

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Family Eldercare, Inc.
Austin, Texas

We have audited the accompanying consolidated financial statements of Family Eldercare, Inc. (a nonprofit corporation) and affiliate Rosewood I Senior Housing Community, Inc., dba Lyons Gardens (a nonprofit corporation), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 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 audit. We did not audit the financial statements of the affiliate, Lyons Gardens, which statements reflect total assets of \$3,920,634 as of September 30, 2020, and total revenues and other support of \$501,878 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lyons Gardens, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor considers 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, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Family Eldercare, Inc. and affiliate as of December 31, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Allman & Associates, Inc.

Austin, Texas
July 6, 2021

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020

| | <u>Family Eldercare</u> | <u>Lyons Gardens</u> | <u>Total</u> |
|--|-----------------------------|--------------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 1,848,561 | \$ 53,700 | \$ 1,902,261 |
| Pledges and receivables, net | 1,434,428 | 3,499 | 1,437,927 |
| Prepaid expenses | 93,090 | 15,113 | 108,203 |
| Total current assets | <u>3,376,079</u> | <u>72,312</u> | <u>3,448,391</u> |
| Restricted deposits | - | 149,832 | 149,832 |
| Tenant security deposits held in Trust | - | 14,473 | 14,473 |
| Investments, designated or restricted | 656,715 | - | 656,715 |
| Total designated or restricted assets | 656,715 | 164,305 | 821,020 |
| Net fixed assets | 1,697,276 | 3,684,017 | 5,381,293 |
| Equity in River City Bingo Unit Trust (RCBUT) | 41,166 | - | 41,166 |
| Total Assets | <u>\$ 5,771,236</u> | <u>\$ 3,920,634</u> | <u>\$ 9,691,870</u> |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities | | | |
| Accounts payable and accrued expenses | \$ 72,985 | \$ 81,587 | \$ 154,572 |
| Payroll and management related payables | 190,767 | 2,424 | 193,191 |
| Accrued vacation leave payable | 154,150 | - | 154,150 |
| Current portion of long-term debt | 16,967 | - | 16,967 |
| Deferred revenues | 511,872 | 5,747 | 517,619 |
| Total current liabilities | 946,741 | 89,758 | 1,036,499 |
| Tenant security deposits held in Trust (contra) | - | 12,605 | 12,605 |
| Capital advances and other long-term liabilities | - | 4,663,967 | 4,663,967 |
| Long-term debt | 229,017 | - | 229,017 |
| Total Liabilities | <u>1,175,758</u> | <u>4,766,330</u> | <u>5,942,088</u> |
| Net assets | | | |
| Without donor restrictions | | | |
| Undesignated | 3,920,944 | (845,696) | 3,075,248 |
| Designated by the Board for operating reserve | 656,715 | - | 656,715 |
| Total net assets without donor restrictions | 4,577,659 | (845,696) | 3,731,963 |
| With donor restrictions | | | |
| Purpose restrictions | 17,819 | - | 17,819 |
| Total net assets with donor restrictions | 17,819 | - | 17,819 |
| Total Net Assets | 4,595,478 | (845,696) | 3,749,782 |
| Total Liabilities and Net Assets | <u>\$ 5,771,236</u> | <u>\$ 3,920,634</u> | <u>\$ 9,691,870</u> |

See accompanying auditors' report and notes to consolidated financial statements.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

| | Family Eldercare | | | Lyons Garden | | | Totals |
|---|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | |
| REVENUES, SUPPORT AND GAINS | | | | | | | |
| Fees for services | \$ 1,638,949 | \$ - | \$ 1,638,949 | \$ - | \$ - | \$ - | \$ 1,638,949 |
| Grants and contracts | 5,613,287 | - | 5,613,287 | - | - | - | 5,613,287 |
| Contributions | 627,177 | 11,025 | 638,202 | - | - | - | 638,202 |
| Fundraising events | 377,303 | - | 377,303 | - | - | - | 377,303 |
| Distributions and change in equity in RCBUT | 32,085 | - | 32,085 | - | - | - | 32,085 |
| Rents | - | - | - | 498,848 | - | 498,848 | 498,848 |
| Contributed goods and services | 41,405 | - | 41,405 | - | - | - | 41,405 |
| Loan forgiveness revenue | 727,500 | - | 727,500 | - | - | - | 727,500 |
| Other revenue | 131,523 | - | 131,523 | 2,617 | - | 2,617 | 134,140 |
| Investment income, net | 76,849 | - | 76,849 | 413 | - | 413 | 77,262 |
| Net assets released from restrictions | 50,224 | (50,224) | - | - | - | - | - |
| Total Revenues, Support and Gains | 9,316,302 | (39,199) | 9,277,103 | 501,878 | - | 501,878 | 9,778,981 |
| EXPENSES | | | | | | | |
| Program services | | | | | | | |
| In-home care | 380,402 | - | 380,402 | - | - | - | 380,402 |
| Guardianship services | 2,147,538 | - | 2,147,538 | - | - | - | 2,147,538 |
| Housing and community services | 5,153,626 | - | 5,153,626 | - | - | - | 5,153,626 |
| Low-income housing | - | - | - | 569,479 | - | 569,479 | 569,479 |
| Total program services | 7,681,566 | - | 7,681,566 | 569,479 | - | 569,479 | 8,251,045 |
| Supporting services | | | | | | | |
| Management and general | 93,098 | - | 93,098 | 41,227 | - | 41,227 | 134,325 |
| Development and fundraising | 339,319 | - | 339,319 | - | - | - | 339,319 |
| Total supporting services | 432,417 | - | 432,417 | 41,227 | - | 41,227 | 473,644 |
| Total Expenses | 8,113,983 | - | 8,113,983 | 610,706 | - | 610,706 | 8,724,689 |
| CHANGE IN NET ASSETS | 1,202,319 | (39,199) | 1,163,120 | (108,828) | - | (108,828) | 1,054,292 |
| NET ASSETS | | | | | | | |
| Beginning of year | 3,375,340 | 57,018 | 3,432,358 | (736,868) | - | (736,868) | 2,695,490 |
| End of year | <u>\$ 4,577,659</u> | <u>\$ 17,819</u> | <u>\$ 4,595,478</u> | <u>\$ (845,696)</u> | <u>\$ -</u> | <u>\$ (845,696)</u> | <u>\$ 3,749,782</u> |

See accompanying auditors' report and notes to consolidated financial statements.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

| | Family Eldercare | | | | | | Lyons Gardens | | | Consolidated Total |
|------------------------------------|-------------------|--------------------------|--------------------------------------|---------------------------|-----------------------------------|---------------------|-----------------------|---------------------------|-------------------|-----------------------|
| | Program Services | | | Supporting Services | | | Program Services | Supporting Services | | |
| | In-Home Care | Guardianship Services | Housing and Community Services | Management and General | Development and Fundraising | Total | Low Income Housing | Management and General | Total | |
| EXPENSES | | | | | | | | | | |
| Personnel expense | \$ 317,253 | \$ 1,701,586 | \$ 3,161,433 | \$ 50,255 | \$ 209,533 | \$ 5,440,060 | \$ 108,764 | \$ - | \$ 108,764 | \$ 5,548,824 |
| Advertising and marketing | 688 | 5,250 | 13,425 | 1,350 | 45,321 | 66,034 | - | - | - | 66,034 |
| Audit and accounting expense | 458 | 8,009 | 12,150 | 2,060 | 1,373 | 24,050 | - | 10,877 | 10,877 | 34,927 |
| Bad debt expense | 2,184 | 20,538 | - | - | - | 22,722 | 45 | - | 45 | 22,767 |
| Bank and credit card fees | 2,554 | 796 | 15,224 | 189 | 1,792 | 20,555 | - | - | - | 20,555 |
| Building repairs and maintenance | 1,468 | 13,045 | 18,190 | 417 | 1,982 | 35,102 | 124,717 | - | 124,717 | 159,819 |
| Professional and management fees | 7,179 | 214,902 | 216,646 | 18,772 | 31,208 | 488,707 | 71,889 | 30,147 | 102,036 | 590,743 |
| Copies, postage and printing | 633 | 628 | 10,943 | 75 | 2,005 | 14,284 | - | - | - | 14,284 |
| Depreciation | 2,497 | 43,695 | 59,925 | 11,236 | 7,491 | 124,844 | 150,400 | - | 150,400 | 275,244 |
| Direct client assistance | 21,453 | 13,055 | 376,695 | 17 | 11 | 411,231 | - | - | - | 411,231 |
| Equipment and software | 7,473 | 22,644 | 39,329 | 980 | 13,717 | 84,143 | - | - | - | 84,143 |
| Equipment repairs and rental | 1,794 | 16,781 | 23,820 | 533 | 2,437 | 45,365 | - | - | - | 45,365 |
| Fans/air conditioners | - | - | 82,418 | - | - | 82,418 | - | - | - | 82,418 |
| Fundraising events | - | - | 6,335 | - | 13,050 | 19,385 | - | - | - | 19,385 |
| In-Kind donations | - | - | 41,405 | - | - | 41,405 | - | - | - | 41,405 |
| Insurance and bonds | 610 | 14,695 | 15,684 | 2,746 | 1,831 | 35,566 | 34,653 | - | 34,653 | 70,219 |
| Interest expense | 320 | 5,595 | 7,673 | 1,438 | 959 | 15,985 | - | - | - | 15,985 |
| Licenses, fees and permits | 1,172 | 3,635 | 6,406 | 121 | 108 | 11,442 | 2,073 | - | 2,073 | 13,515 |
| Office supplies | 1,188 | 6,662 | 10,480 | 416 | 664 | 19,410 | 15,304 | - | 15,304 | 34,714 |
| Sub-Grant personnel expenses | - | - | 450,873 | - | - | 450,873 | - | - | - | 450,873 |
| Sub-Grant operation expenses | - | - | 99,890 | - | - | 99,890 | - | - | - | 99,890 |
| Sub-Grant direct client assistance | - | - | 27,858 | - | - | 27,858 | - | - | - | 27,858 |
| Sub-Grant other expenses | - | - | 373,230 | - | - | 373,230 | - | - | - | 373,230 |
| Telephone | 2,516 | 14,883 | 31,123 | 469 | 1,974 | 50,965 | - | - | - | 50,965 |
| Travel and mileage | 2,677 | 21,728 | 15,445 | 17 | 59 | 39,926 | - | - | - | 39,926 |
| Utilities | 561 | 5,489 | 7,243 | 115 | 783 | 14,191 | 57,635 | - | 57,635 | 71,826 |
| Other expenses | 5,724 | 13,922 | 29,783 | 1,892 | 3,021 | 54,342 | 3,999 | 203 | 4,202 | 58,544 |
| Total Expenses | \$ 380,402 | \$ 2,147,538 | \$ 5,153,626 | \$ 93,098 | \$ 339,319 | \$ 8,113,983 | \$ 569,479 | \$ 41,227 | \$ 610,706 | \$ 8,724,689 |

See accompanying auditors' report and notes to consolidated financial statements.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

CONSOLIDATED STATEMENT OF CASH FLOWS

December 31, 2020

| | Family Eldercare | Lyons Gardens | Total |
|---|---------------------|---------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Change in net assets | \$ 1,163,120 | \$ (108,828) | \$ 1,054,292 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | | |
| Depreciation | 124,844 | 150,400 | 275,244 |
| Investment income, net | (73,929) | - | (73,929) |
| Loan forgiveness | (727,500) | - | (727,500) |
| (Increase) decrease in operating assets | | | |
| Pledges and Receivables | (486,113) | 3,387 | (482,726) |
| Prepaid expense | 5,885 | (3,368) | 2,517 |
| Increase (decrease) in operating liabilities | | | |
| Accounts payable and accrued expenses | 8,119 | 7,634 | 15,753 |
| Payroll related payables and liabilities | 116,395 | - | 116,395 |
| Other operating liabilities | - | (49) | (49) |
| Deferred revenue | (119,642) | 2,252 | (117,390) |
| Net Cash Provided by Operating Activities | 11,179 | 51,428 | 62,607 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of fixed assets | (216,677) | (76,485) | (293,162) |
| Net Cash Used by Investing Activities | (216,677) | (76,485) | (293,162) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from PPP loan | 727,500 | - | 727,500 |
| Principal payments on long-term debt | (16,053) | - | (16,053) |
| Net Cash Provided by Financing Activities | 711,447 | - | 711,447 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 505,949 | (25,057) | 480,892 |
| Cash and Cash Equivalents - Beginning of year | 1,342,612 | 243,062 | 1,585,674 |
| Cash and Cash Equivalents - End of year | \$ 1,848,561 | \$ 218,005 | \$ 2,066,566 |
| Supplemental Information | | | |
| Interest paid | \$ 15,985 | \$ - | \$ 15,985 |
| Taxes paid | \$ - | \$ - | \$ - |

See accompanying auditors' report and notes to consolidated financial statements.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

1. Organization and Nature of Activities

Family Eldercare, Inc. (Family Eldercare) is a not-for-profit corporation incorporated in 1982 under the laws of the State of Texas. Family Eldercare specializes in providing support services and information to the elderly, persons with disabilities and their caregivers. The purposes of Family Eldercare are to serve and support people with special needs, to promote the dignity and well-being of the elderly, to educate the public about aging issues and to intervene through a variety of services to prevent abuse, neglect and exploitation.

Family Eldercare is the sponsor of a single-purpose owner corporation - Rosewood I Senior Housing Community, Inc., dba Lyons Gardens (Lyons Gardens). A sponsor is required under applicable HUD rules and regulations. Lyons Gardens, a nonprofit corporation incorporated November 27, 2001 under the laws of the State of Texas, is an owner corporation under applicable HUD rules and regulations. Lyons Gardens exists for the purpose of expanding opportunities available to low and moderate income elderly and handicapped citizens to obtain affordable housing by constructing, rehabilitating, preserving, and providing decent, safe and sanitary housing for such citizens, specifically, by owning and operating a 54-unit low income housing complex known as Lyons Gardens. The complex is operated under Section 202 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The complex is subject to Project Rental Assistance Contracts with HUD and significant portion of the rental income is received from HUD.

Family Eldercare, as the HUD designated sponsor of Lyons Gardens, does not incur any responsibility for any liabilities incurred by Lyons Gardens and no assets of Family Eldercare are presently, or contingently, impaired due to any activity of Lyons Gardens.

Lyons Gardens is a non-member organization governed by a Board of Directors. At least 51% of the directors will be made up of low and moderate income residents of the geographic area being served, owners or senior officers of private establishments and other institutions located in and serving the geographic area, or representatives of low and moderate income neighborhood organizations located in the geographic area of operation. Family Eldercare must approve the election of individuals to the Lyons Gardens board of directors.

Family Eldercare is primarily supported by grants and contracts, contributions, and fees for services. Lyons Gardens is primarily supported by rent income.

The purpose of Family Eldercare is accomplished through the following programs:

- In-Home Care: provides assistance with personal care and home maker services, as well as offering respite care for exhausted caregivers of homebound elders and people with disabilities.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

1. Organization and Nature of Activities (continued)

- Guardianship Services: provides legal guardianship protection for those who lack the mental capacity to make decisions (due to age, illness or disability) and are at risk of abuse, neglect and/or financial exploitation.
- Housing and Community Services: prevents financial exploitation and neglect of elders and people with disabilities by providing assistance with bill paying and budgeting through its Bill Payer/Money Management services. Family Eldercare also distributes fans and provides other critical services to low-income elderly, people with disabilities, and families with young children. Additionally, Family Eldercare is the sponsor of an affordable senior housing community in Central East Austin, Lyons Gardens, which includes service coordination and provision of direct services to residents. Family Eldercare also provides consultation and coordination regarding eldercare services and benefits to elders and their families- on a fee for service basis and at select housing locations.

The purpose of Lyons Gardens is accomplished through its Low-Income Housing program.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements, which include the accounts of Family Eldercare and Lyons Gardens (collectively, the Organizations), have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and include the activity of both organizations; however, the net assets of each organization are unavailable to the other organization, unless so directed by the Organizations' Boards of Directors. Further, the net assets of Lyons Gardens have external restrictions per various U.S. Department of Housing and Urban Development rules and regulations. The accounts of Lyons Gardens are included in the December 31st consolidated financial statements of the Organizations as of its fiscal year end September 30th.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting, which includes recognition of revenues and support and accounts receivable as earned, regardless of when cash is received and expenses and accounts payable as incurred, regardless of when cash is disbursed.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Financial Statement Presentation

Net assets, revenue, gains and losses are classified based on donor (or certain grantor) imposed restrictions. Accordingly, net assets of the Organizations and changes therein are classified and reported as:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This includes any board designated net assets for specific purposes, as the board of directors may reverse these restrictions at any time in the future. Net assets without donor restrictions include the revenues and expenses of the primary operations of the Organizations. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

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 resources 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.

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, money market funds and highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents, unless designated for investment purposes.

Receivables and Credit Policies

Receivables consist of amounts due the Organizations for past events or services rendered. Receivables are determined to be past due and thus delinquent depending on how recently payments have been made. The Organizations value receivables by providing for uncollectible accounts through the allowance method. Under this method, a provision for uncollectible accounts is charged to expense and the allowance account increased based on past collection history and management's evaluation of receivables. Amounts considered uncollectible are charged against the allowance account and recoveries of previously charged off accounts are added to the account. At year-end, an allowance for uncollectible accounts related to fees for services is reported in the consolidated financial statements, but no allowance for uncollectible accounts for grants, allocations, and contracts or contributions receivable is considered necessary. The allowances reported in the consolidated financial statements are considered accounting estimates. The estimates may be adjusted as more current information becomes available and an adjustment could be significant. At December 31, 2020, the allowance was \$32,051.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at fair value and consist of money funds, mutual funds, stock and exchange traded products. Investment income is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fixed Assets

The Organizations record fixed asset additions at cost, or if donated, at the estimated fair value on the date of donation. Depreciation expense is computed using the straight-line method over the estimated useful service life of the asset (5 to 10 years for appliances, furniture, and equipment, 25 year for land improvements, and 30 to 40 years for buildings). Depreciation expense and accumulated depreciation reported in the consolidated financial statements are considered accounting estimates. The estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Maintenance and repairs are charged to expenses as the expense is incurred. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. During the year, the Organizations did not adjust the carrying amount of any fixed assets.

Change in Not-for-Profit Accounting Standards

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 82): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by GAAP that is most important to users of each entity’s financial statements. ASU 2018-13 takes effect for not-for-profit entities for fiscal years beginning after December 15, 2019. ASU 2018-13 has been applied prospectively beginning after December 31, 2019, with no significant impact on the consolidated financial statement disclosures.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*. This guidance impacts the presentation of an entity’s leasing activities and will require the recognition of lease (right-of-use) assets and related lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements. ASU 2016-02 was scheduled to become effective for fiscal years beginning after December 15, 2019, but has been delayed until annual periods beginning after December 15, 2021. The Organizations are currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

In September 2020, the FASB issued ASU 2020-07, Not-for Profit Entities (Topic 958): Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets (“ASU 2020-07”), to increase the transparency of contributed nonfinancial assets for not-for profit entities through enhancements to presentation and disclosure. ASU 2020-07 is effective for annual period beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organizations are currently considering the impact of ASU 2020-07.

Revenue Recognition

Contributions and grants received (including unconditional promises to give) are recorded as support with donor restrictions, or without donor restrictions, in the period received depending on the existence and/or nature of any donor restrictions. Promises to give are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received. The Organizations report contributions as restricted support if the support is received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

A portion of the Organizations’ revenue is derived from cost-reimbursable 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 Organizations have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statement of financial position.

Program revenue is recognized when earned. Program service fees and payments received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. Rental income is recorded net of vacancies. Under the regulatory agreement, Lyons Gardens may not increase rents charged to tenants without HUD approval. A non-revenue producing unit is provided to the manager.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Economic Concentrations

Lyons Gardens' primary asset is its 54-unit apartment project. Its operations are concentrated in the multifamily housing real estate market. In addition, Lyons Gardens operates in a regulated environment. The operations are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress, or an administrative change mandated by HUD. Such changes may occur with little notice or with inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Financial Instruments and Credit Risk

Financial instruments which potentially subject the Organizations to credit risk consist of cash and cash equivalents, receivables, and investments. Cash and cash equivalents are maintained at high credit quality financial institutions. From time to time, bank balances may exceed the FDIC insured limits. The Organizations bank deposits exceeded the federal depository insurance limits by \$1,636,883 as of December 31, 2020. The Organizations generally do not maintain collateral for its receivables, but periodically review its receivables and provide an allowance, when necessary, against amounts estimated to be uncollectible.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the consolidated statement of financial position. The Organizations do not believe significant credit risk exists as of December 31, 2020.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses reports the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses identified with a specific program or that relate to a specific source of revenue are allocated directly to that program. Personnel costs have been allocated based on time and effort spent in each area. The Organizations allocate common costs, such as rent, telephone, supplies, etc., to their various programs, the management of the organization, and fund-raising activities. Formulas, based on the number of employees assigned the activity, the square footage used by the activity, the number of clients served, etc., are developed that reflect the benefit received by the activity from the common costs. The formulas are reviewed periodically and adjusted as more current information becomes available and any adjustment could be significant. Management and general operations expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organizations.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Federal Income Taxes

Family Eldercare and Lyons Gardens are exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code on any income related to their exempt purpose. However, income generated by unrelated business activities are subject to tax. Certain activities conducted by the Organizations' bingo activities are subject to an unrelated business income tax. Each organization is classified by the Internal Revenue Service as an organization other than a private foundation.

The Organizations have adopted the recognition requirements for uncertain income tax positions as required by GAAP, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Organizations have analyzed the tax positions taken in their filings with the Internal Revenue Service and state jurisdictions where it operates and believes that their income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organizations' financial position, changes in net assets, or cash flows. Accordingly, the Organizations have not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2020. The Organizations are subject to income tax audits for the previous three years which are open. There are currently no income tax audits for any tax periods in progress.

Risks and Uncertainties

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact future activities of the Organization. The continuing disruption is having broad and negative impact on the US economy and the ability of the Organization to hold in person programs and events. However, the related financial impact of this and other business disruptions cannot be reasonable estimated at this time.

Contributed Goods and Services

Contributed services are reported as revenue in the accompanying consolidated financial statements, if the services either (a) create or enhance a non-financial asset or (b) require specialized skills, are provided by those possessing those skills, and would otherwise need to be purchased, if they were not donated. The value of contributed services reported is considered an accounting estimate. The estimates may be adjusted as more current information becomes available and any adjustment could be significant.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Contributed goods and services reported by Family Eldercare under the Housing and Community Service program and the fundraising supporting service in the consolidated statement of functional expenses primarily includes donated fans and gift cards, valued at \$41,405. Additionally, many individuals from the community volunteer their time and perform a variety of tasks that assist Family Eldercare with its programs. During the year, Family Eldercare benefited from more than 450 volunteers and 7,300 volunteer hours; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

3. Fair Value Measurements and Disclosures

The requirements of Fair Value Measurements and Disclosures of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price). Fair Value Measurements and Disclosures also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

The following table represents assets and liabilities reported on the consolidated statement of financial position at their fair value as of December 31, 2020 by level within the fair value measurement hierarchy.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

3. Fair Value Measurements and Disclosures (continued)

| | Total | Fair Value Measurement | | |
|--------------------------|-------------------|---|---|---|
| | | Quoted Prices in Active Markets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Money funds | \$ 20,921 | \$ - | \$ 20,921 | \$ - |
| Mutual funds | 196,054 | 196,054 | - | - |
| Common stock | 1,325 | 1,325 | - | - |
| Exchange traded products | 438,415 | 438,415 | - | - |
| Total investments | <u>\$ 656,715</u> | <u>\$ 635,794</u> | <u>\$ 20,921</u> | <u>\$ -</u> |
| Equity in RCBUT | <u>\$ 41,166</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 41,166</u> |
| Notes payable | <u>\$ 245,984</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 245,984</u> |

A significant portion of the Organizations' investment assets are classified within Level 1 because they comprise of marketable securities with readily determinable fair values based on daily quoted values. The fair value of the Equity in RCBUT (the Trust) is based on Family Eldercare's share of the Trust's book value at December 31, 2020. The fair value of level 3 liabilities is based on stated note balances. The table below sets forth a summary of changes in the Organizations' level 3 assets and liabilities for the year ended December 31, 2020:

| | Equity in RCBUT | Notes Payable |
|--------------------|------------------|-------------------|
| Beginning balance | \$ 41,166 | \$ 262,037 |
| Change in equity | - | - |
| Principal payments | - | (16,053) |
| Ending balance | <u>\$ 41,166</u> | <u>\$ 245,984</u> |

The fair value of the Organizations' current assets and liabilities approximate the carrying amounts of such instruments due to their short maturity.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

4. Cash and Cash Equivalents and Investments Designated or Restricted

Under the HUD Regulatory Agreement, Lyons Gardens is required to establish and maintain a replacement reserve account for the replacement of property and other project expenditures as approved by HUD. Lyons Gardens is also required to complete a computation of surplus cash. Surplus cash is the cash remaining after all expenses of the project are paid less current obligations of the current reporting period. If surplus cash exists, Lyons Gardens is required to deposit surplus cash into a residual receipts account within 60 days of Lyons Gardens' year-end. Restricted funds are held in separate accounts, and generally are not available for operating purposes. Additionally, HUD requires that tenants' deposits be held in a separate bank account.

Family Eldercare designates amounts based on donor restrictions or board approval for specific purposes. At December 31, 2020 the Organizations had cash and cash equivalents and investments designated (by the Organizations) or cash and cash equivalents restricted (by third-parties) for the following purposes:

| | |
|--------------------------------------|------------|
| <u>Family Eldercare</u> | |
| Investments designated for: | |
| Operating reserves | \$ 656,715 |
| <u>Lyons Gardens</u> | |
| Tenant security deposits held | 14,473 |
| Residual receipts reserve | 14,830 |
| Replacement reserve | 135,002 |
| Total Lyons Gardens funds | 164,305 |
| Total Designated or Restricted Funds | \$ 821,020 |

5. Pledges and Receivables

Receivables reported by Family Eldercare and Lyons Gardens, all expected to be collected within one year, are as follows at December 31, 2020:

| | |
|--|--------------|
| <u>Family Eldercare</u> | |
| Program service fees | \$ 364,166 |
| Less allowance for doubtful accounts | (32,051) |
| Net program service fees | 332,115 |
| Grants and contracts | 1,102,313 |
| Total Family Eldercare receivables, net | 1,434,428 |
| <u>Lyons Garden</u> | |
| Tenant receivables (no allowance deemed necessary) | 3,499 |
| Total Pledges and Receivables, Net | \$ 1,437,927 |

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

6. Endowment Funds – Austin Community Foundation

In October 2006, Family Eldercare Endowment Fund was established with the Austin Community Foundation (ACF). As an endowed fund with ACF, the assets are held irrevocably with ACF and are managed to accomplish the designated charitable purpose – to provide general support for the organization. The amount available to grant from the Endowment Fund is determined by the ACF Board of Governors’ spending policy, which currently allows for 5% of the Fund’s value at December 31st to be available to grant in the following year.

The fund’s assets are not recorded in the consolidated statement of financial position since Family Eldercare has granted variance power to the Austin Community Foundation. The Family Eldercare Endowment Fund is subject to the provision of the articles of incorporation and bylaws of the Austin Community Foundation, including the power reserved by their Board of Governors to modify any condition or restriction on the distribution of funds if in its sole judgment (without the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served the ACF.

Activity for the year ending December 31, 2020 is as follows:

| | | |
|---------------------|-----------|----------------|
| Beginning balance | \$ | 91,203 |
| Contributions | | - |
| Investment earnings | | 10,891 |
| Expenses and fees | | (1,049) |
| Ending balance | <u>\$</u> | <u>101,045</u> |

7. Fixed Assets

Fixed Assets at December 31, 2020 consisted of the following:

| | Family Eldercare | Lyons Gardens | Total |
|--------------------------------|---------------------|---------------------|---------------------|
| Land | \$ 293,485 | \$ 270,383 | \$ 563,868 |
| Office building and apartments | 1,740,879 | 5,375,426 | 7,116,305 |
| Furniture and equipment | 587,544 | 368,281 | 955,825 |
| Total fixed assets | <u>2,621,908</u> | <u>6,014,090</u> | <u>8,635,998</u> |
| Less accumulated depreciation | (924,632) | (2,330,073) | (3,254,705) |
| Net fixed assets | <u>\$ 1,697,276</u> | <u>\$ 3,684,017</u> | <u>\$ 5,381,293</u> |

Depreciation expense for the year ended December 31, 2020 was \$275,244.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

8. Accrued Management Fee Payable

Lyons Gardens has contracted with Alpha-Barnes Real Estate Services, LLG to provide management services. The charges for these services are based upon a management agreement. The charges are 6% of collected rental and miscellaneous income. For the period ended September 30, 2020, management fees charged amounted to \$30,147. The balance owed to Alpha-Barnes Real Estate Services, LLC at September 30, 2020 was \$2,424.

9. Deferred Revenue

The activity and balances for deposits and deferred revenue from contracts with customers are shown in the following table.

| | Contracts and Grants | Customer Prepayment | Rental Income | Total |
|---|-------------------------|------------------------|------------------|-------------------|
| Balance at December 31, 2019 | \$ 631,454 | \$ 60 | \$ 3,495 | \$ 635,009 |
| Revenue recognized | (631,454) | (60) | (3,495) | (635,009) |
| Payments received for future performance obligations | 511,872 | - | 5,747 | 517,619 |
| Balance at December 31, 2020 | <u>\$ 511,872</u> | <u>\$ -</u> | <u>\$ 5,747</u> | <u>\$ 517,619</u> |

10. Line of Credit and Long-Term Debt

In January 2016, Family Eldercare entered into a 15 month revolving line of credit agreement with a financial institution, for a line of credit up to \$400,000. Interest is payable monthly. The line of credit agreement has been renewed annually and at December 31, 2020, the balance was \$0.

At December 31, 2020, Long-Term Debt reported in the consolidated financial statements consists of the following:

Mortgage payable to Prosperity Bank, dated November 2013, original amount of \$68,000, monthly payments of \$699, interest accrues at 4.25% through November 2018, lesser of prime plus .5%, or 18% thereafter, maturity date of November 2023, collateral is a deed of trust. \$ 22,389

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

10. Line of Credit and Long-Term Debt (continued)

| | |
|--|-------------------|
| Secured promissory note payable to Petros PACE Finance, LLC, dated April 20, 2016, original amount of \$262,906, payable annually in twenty equal installments of principal and interest of \$23,445, collateral is building located at 1700 Rutherford Lane, Austin, Texas. | <u>\$ 223,595</u> |
| Total long-term debt | 245,984 |
| Less current portion | <u>(16,967)</u> |
| Total long-term debt, net of current portion | <u>\$ 229,017</u> |

The future maturities of debt are as follows:

| Year Ending December 31: | Total |
|--------------------------|-------------------|
| 2021 | \$ 16,967 |
| 2022 | 17,886 |
| 2023 | 17,554 |
| 2024 | 11,288 |
| 2025 and after | <u>182,289</u> |
| Total | <u>\$ 245,984</u> |

Family Eldercare incurred interest costs in 2020 of \$15,985. All interest costs were charged to expenses.

11. Retirement Plan

Family Eldercare implemented a 403(b) contribution pension plan for eligible employees. Employees may contribute to the pension plan and Family Eldercare may match the employee contribution up to 5% of their compensation. Vesting in the plan is 50% after the second year of employment and 100% after the third year of employment. For the year ending December 31, 2020, Family Eldercare contributed to the plan \$94,097. Non-vested amounts in the plan are reallocated among the participants on an annual basis. Family Eldercare incurs no unfunded future costs under the pension plan.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

12. Capital Advances and Other Long-Term Liabilities

At December 31, 2020, capital advances and other long-term liabilities reported in the consolidated financial statements consists of the following:

Lyons Gardens:

Section 202 of the National Housing Act authorized HUD to provide funds as capital advances to nonprofit owners of new construction of supportive housing facilities. Capital advances bear no interest and repayment is not required as long as the housing remains available for very low-income elderly persons for at least 40 years in accordance with Section 202 of the National Housing Act, the Regulatory Agreement and HUD regulations. Failure to keep the housing available for elderly persons would result in HUD billing the owner for the entire capital advance plus 5.375% interest since the date of the first advance. The capital advance is classified in the statement of financial position as debt. The maturity date of the capital advance is June 1, 2044.

\$ 3,363,967

Lyons Gardens:

The Austin Housing Finance Corporation has made a zero percent interest loan to Lyons Gardens for the purpose of constructing a 54-unit multi-family housing development. The assistance will be in the form of a zero percent loan which shall be repayable upon the earlier of the sale, transfer of title, or change in the use of the property, the date on which the property ceases to be affordable to low-income tenants, or material noncompliance with the terms of agreement by recipient or its agents or subcontractors. If any of these conditions occur, the principal amount shall be repaid in full.

800,000

Family Eldercare received grants of \$1,500,000 to assist with the costs of Lyons Gardens. Lyons Gardens obligation under the grants is to continue to operate and occupy the building as affordable rental housing for low and very low-income persons through June 1, 2044. During prior years, \$1,000,000 in grants were reclassified from notes payable to net assets.

500,000

Total Capital Advances and Other Long-term Liabilities

\$ 4,663,967

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

12. Capital Advances and Other Long-Term Liabilities (continued)

The contingencies noted above would be the responsibility of Lyons Gardens. Family Eldercare, as the HUD designated sponsor of Lyons Gardens, is not a party to the mortgage note resulting from the capital advance or the note payable to Austin Housing Finance Corporation and thus, does not have any contingent liability. The grants obtained by Family Eldercare, on behalf of and for the benefit of Lyons Gardens, would be the responsibility of Lyons Gardens should the complex not meet its obligations under the grants.

13. Leases

Family Eldercare leases various office equipment which are treated as operating leases for accounting purposes and expire through the years ending December 31, 2024. Operating lease expenses for the year ended December 31, 2020 were \$44,847. The future minimum operating lease payments under lease agreements are scheduled below.

| Year Ending December 31: | |
|--------------------------|-------------------|
| 2021 | \$ 33,480 |
| 2022 | 33,480 |
| 2023 | 33,480 |
| 2024 | <u>8,370</u> |
| Total | <u>\$ 108,810</u> |

14. Net Assets With Donor Restrictions

At December 31, 2020, net assets with donor restrictions are restricted for the following purpose or period:

| | |
|---|------------------|
| Subject to expenditure for specified purpose: | |
| Direct assistance | <u>\$ 17,819</u> |
| Total Net Assets With Donor Restrictions | <u>\$ 17,819</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2020:

| | |
|---|------------------|
| Satisfaction of purpose restrictions: | |
| Direct assistance | \$ 25,224 |
| Expiration of time restrictions | <u>25,000</u> |
| Total Net Assets Released from Restrictions | <u>\$ 50,224</u> |

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

15. Equity in River City Bingo Unit Trust

Family Eldercare, along with four other non-profit organizations, operates a bingo game in compliance with the rule of the Texas Lottery Commission and Chapter 2001 of the Texas Occupations Code. Net income from the bingo activity is distributed to the participating organizations in compliance with minimum charitable distributions requirements mandated under the Texas Occupations Code. Distributions from the bingo activity are without donor restrictions. Fundraising revenue details for the year ended December 31, 2020 are as follow:

| | |
|------------------------|------------------|
| Distributions received | <u>\$ 32,085</u> |
|------------------------|------------------|

16. Guardianship Services Program

The Guardianship Services program provides legal guardianship protections for those who lack the mental capacity to make decisions (due to age, illness or disability) and are at risk of abuse, neglect and/or financial exploitation. Family Eldercare's Guardianship Program operates under the Judicial Branch Certification Commission (JBCC) of the State of Texas which has certain annual reporting requirements. Each individual employee or volunteer providing guardianship services must be licensed through the JBCC.

During 2020, Family Eldercare provided guardianship services for approximately 450 individuals. The assets in the accounts owned by the individuals in the program are not included in Family Eldercare's statement of financial position because Family Eldercare has no ownership in these accounts. The total of the accounts under the Guardianship Services program at December 31, 2020 was approximately \$2 million. The individual accounts are periodically audited by the JBCC and Family Eldercare has bond coverage in the amount of \$13,127,000 at December 31, 2020 to cover any losses.

17. Loan Forgiveness Revenue

On April 17, 2020, Family Eldercare was approved for a Paycheck Protection Program (PPP) promissory note in the amount of \$727,500, with an interest rate of 1% annum based on a year of 365 days until maturity. Family Eldercare used the proceeds of the loan only for purposes authorized by the PPP. Family Eldercare initially recorded a loan payable and subsequently recorded revenue when the obligation was legally released on November 24, 2020. \$727,500 was recognized as loan forgiveness revenue for the year ended December 31, 2020.

FAMILY ELDERCARE, INC.
(A Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

18. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 1,902,261 |
| Pledges and receivables | <u>1,437,927</u> |
| Current financial assets at year end | 3,340,188 |
| Less: Assets unavailable for general expenditures within one year due to: | |
| Restricted by donor with purpose restrictions | <u>(17,819)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 3,322,369</u> |

As part of the Organizations' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, Family Eldercare has a \$400,000 line of credit which it could draw upon. Additionally, Family Eldercare has designated investments of \$656,715. Although the Organizations do not intend to spend from its designated investment account other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts could be made available if necessary.

19. Litigation

In 2020, a claim was made against Family Eldercare whereby the plaintiff alleges that Family Eldercare breached the standard of care for providing guardianship services. Family Eldercare is defending itself against this legal action and the final outcome cannot be determined at this time. Management is of the opinion that the ultimate liability, if any, from the final resolution of this matter will not materially affect the financial position of Family Eldercare.

20. Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued. Management evaluated subsequent events through the date the consolidated financial statements were available for issuance, July 6, 2021. There were no subsequent events that qualified for disclosure.