

SHENANDOAH VALLEY COMMUNITY RESIDENCES, INC.

AUDITED FINANCIAL STATEMENTS

June 30, 2020

Officers

Matthew Bradley, President
Mary Hall, 1st Vice President/Secretary
Melody Schwartzman, 2nd Vice President
David Stegmaier, Treasurer
Ellen Murphy, Assistant Treasurer

Directors

A. Katherine Gregg
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Shenandoah Valley Community Residences, Inc.

We have audited the accompanying financial statements of Shenandoah Valley Community Residences, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of June 30, 2020, and the related statements of revenues, expenses and changes in net assets – modified cash basis and cash flows for the year 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Shenandoah Valley Community Residences, Inc. as of June 30, 2020, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Cundiff & Associates, CPA, P.C.

Cundiff & Associates, CPA, P.C.
Certified Public Accountants
Winchester, Virginia
October 13, 2020

SHENANDOAH VALLEY COMMUNITY RESIDENCES, INC.

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS

June 30, 2020

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ <u>200,850</u>
Total Current Assets	\$ 200,850
Property and Equipment , net of accumulated depreciation of \$720,381	1,894,101
Other Assets:	
Time Share	\$ 7,500
Monies on Deposit	1,888
Investments	<u>397,051</u>
Total Other Assets	<u>406,439</u>
Total Assets	\$ <u>2,501,390</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accrued Paid Time Off	\$ 83,218
Current Portion of Long-Term Debt	23,250
Accrued Payroll Taxes	<u>10,601</u>
Total Current Liabilities	\$ 117,069
Long-Term Liabilities:	
Long-Term Debt	\$ <u>157,125</u>
Total Long-Term Liabilities	<u>157,125</u>
Total Liabilities	\$ 274,194
Net Assets:	
Without Donor Restrictions	<u>2,227,196</u>
Total Liabilities and Net Assets	\$ <u>2,501,390</u>

The accompanying notes are an integral part of these financial statements.

SHENANDOAH VALLEY COMMUNITY RESIDENCES, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS

For the year ended June 30, 2020

Revenue and Support:

Program Income:	
Government Funding	\$ 2,008,579
Organizational Funding	35,139
Client Fees	310,601
Contributions	32,436
In-Kind Contributions	34,024
Interest/Dividends	20,827
Unrealized Gains/(Losses) on Investments	13,809
Total Revenue and Support	\$ 2,455,415

Expenses:

Activities	\$ 6,004
Depreciation	62,516
Dues and Subscriptions	961
Employee Benefits	384,287
Insurance	14,810
Interest	10,924
Lodging and Travel	2,082
Other	6,446
Paid Time Off Expense	83,218
Payroll Taxes	116,262
Postage and Shipping	1,117
Professional Fees	11,235
Rent	7,842
Repairs and Maintenance	37,247
Salaries and Wages	1,463,247
Staff Training and Conferences	2,940
Supplies	151,477
Telephone	2,482
Utilities	51,684
Vehicle Expenses	21,733
Total Expenses	2,438,514

Change in Net Assets Without Donor Restrictions \$ 16,901

Net Assets - Without Donor Restrictions, beginning of year 2,210,295

Net Assets - Without Donor Restrictions, end of year \$ 2,227,196

The accompanying notes are an integral part of these financial statements.

SHENANDOAH VALLEY COMMUNITY RESIDENCES, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 16,901
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	62,516
Unrealized (Gains)/Losses	(13,809)
(Increase)/Decrease in Monies on Deposit	2,109
Increase/(Decrease) in Accrued Paid Time Off	28,588
Increase/(Decrease) in Accrued Payroll Taxes	<u>1,386</u>
Net Cash Provided by (Used in) Operating Activities	\$ 97,691
Cash Flows from Investing Activities:	
Purchase of Fixed Assets	\$ (398,620)
Proceeds from Sale of Investments	350,000
Purchase of Investments	<u>(18,352)</u>
Net Cash Provided by (Used in) Investing Activities	(66,972)
Cash Flows from Financing Activities:	
Repayment of Long-Term Debt	<u>(37,000)</u>
Net Increase (Decrease) in Cash	\$ (6,281)
Cash and Cash Equivalents, beginning of year	<u>207,131</u>
Cash and Cash Equivalents, end of year	<u><u>200,850</u></u>
Supplemental Cash Flow Information:	
Cash Paid for Interest	\$ -
Cash Paid for Income Taxes	-

The accompanying notes are an integral part of these financial statements.

SHENANDOAH VALLEY COMMUNITY RESIDENCES, INC.**NOTES TO FINANCIAL STATEMENTS****June 30, 2020****ORGANIZATION AND NATURE OF ACTIVITIES:**

Shenandoah Valley Community Residences, Inc. (Organization) is a non-stock, not-for-profit organization that provides education, training, and services to intellectually disabled citizens of the Commonwealth. The Organization's mission is to provide, operate and maintain a community-integrated residential setting for individuals that have been diagnosed with intellectual disabilities and to afford these individuals choices in their daily lives and the ability to build relationships within the community. The Organization's income is primarily through Medicaid waiver payments, client fees and other organizational funding for services provided.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**Basis of Accounting and Financial Statement Presentation:**

The Organization prepares its financial statements on the modified cash basis of accounting which includes depreciation on capitalized fixed assets, fair value of investments in debt and equity securities, liabilities associated with payroll and current and long-term debt. Under this basis, revenues are recognized when collected rather than when earned and expenses are recognized when paid rather than when incurred. Consequently, amounts of reimbursements receivable and amount due to vendors and suppliers at June 30, 2020 are not included in the financial statements.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash in bank deposit accounts and investment accounts. The amounts held in bank deposit accounts may, at times, exceed FDIC limits. Amounts held in cash and cash equivalent investment accounts may, at times, exceed SIPC limits. However, the Organization has not experienced any losses in such accounts.

Property and Equipment:

Property and equipment are recorded at cost for items with a useful life of more than one year and that have an original cost of \$1,000 or more. Donated property and equipment and transactions where there is a donation component are recorded at estimated fair market value at the date of the donation. Depreciation is provided on the straight-line method over the assets estimated useful lives, ranging from 5 – 40 years. Maintenance and repairs are charged to operations and major improvements are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

Improvements or repairs to real estate owned or leased by the Organization are considered for capitalization based on whether the property's assessment has been increased or only maintained. Items are capitalized where the useful life of the fixed asset is extended, or the general assessment of the real estate is determined to have increased. Any other improvements or repairs are charged to operations.

Investments in Securities:

The Organization records investments in marketable equity securities with readily determinable market values at their fair market value. Unrealized gains and losses are recorded in the change in net assets in the accompanying statement of revenues, expenses and changes in net assets – modified cash basis.

SHENANDOAH VALLEY COMMUNITY RESIDENCES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**Accrued Paid Time Off:**

The Organization offers paid time off to full time employees only. Full time employees are considered to be administrative employees based on a forty-hour work week and direct service employees based on a minimum of thirty-five hours a week. Paid time off is accrued weekly based on regular rates of pay per employee. The accrual is based on 120 hours for eligible employees with 0 – 3 years of service, 144 hours for eligible employees with 4 – 8 years of service, and 168 hours for eligible employees with 9 or more years of service. Paid time off can only be carried over from the immediately preceding year, all other paid time off is forfeited.

Classification of Net Assets:

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are reduced by liabilities and are reported in the financial statements in two classes: net assets without donor restrictions and net assets with donor restrictions, based on the absence or existence of donor-imposed restrictions.

Net assets with donor restrictions generally result from assets donated for a specific purpose with a donor stipulation that the assets be preserved and not be sold, or from assets donated with donor stipulations that they be invested to provide a permanent source of income, e.g., endowment funds, or assets donated for (a) support of particular operating activities, (b) temporary investment for a specified term, (c) use in a specified future period, or (d) acquisition and use of long-lived assets. The Organization has elected to reflect donor-restricted contributions and grants whose restrictions are met in the same reporting period as unrestricted support.

Net assets without donor restrictions generally result from receipt of unrestricted contributions, grants, revenues from providing services, producing and delivering goods, raising contributions, and performing administrative functions. The only limitations on the use of net assets without donor restrictions are broad limits resulting from the nature of the entity, the environment in which it operates, the purposes specified in the articles of incorporation or bylaws, limits from contractual agreements with suppliers and creditors, and self-imposed limits such as voluntary resolutions by the Board to designate net assets without donor restrictions to function as an endowment.

Income Taxes:

The Organization is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined to be a charitable organization which qualifies contributions, bequests, and legacies as deductions by the donor for income, estate and gift tax purposes. Tax years ending on or after June 30, 2017 are still open for inspection by the Internal Revenue Service.

Use of Estimates:

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

SHENANDOAH VALLEY COMMUNITY RESIDENCES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

2. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

Land	\$ 489,231
Buildings and Improvements	1,784,881
Automobiles	253,017
Furniture & Fixtures	51,900
Equipment	<u>35,453</u>
Total Cost	\$ 2,614,482
Less: Accumulated Depreciation	<u>(720,381)</u>
Undepreciated Cost	<u>\$ 1,894,101</u>

Depreciation expense for the year ended June 30, 2020 was \$62,516.

See Note 5 and Note 6 for information about property that has been pledged as collateral.

3. FAIR VALUE MEASUREMENT:

Guidance provided by the FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring a fair value, a fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access at the measurable date. The type of investments included in Level 1 includes listed equities and listed derivatives.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs that are unobservable for the asset or liability and includes situations where there is little, if any, market activity for the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methods used may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2020 .

All securities are valued at the closing price reported on the active or observable market on which the individual securities are traded.

SHENANDOAH VALLEY COMMUNITY RESIDENCES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

3. FAIR VALUE MEASUREMENT, Continued:

The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash Equivalents:				
Institutional Money Market Funds	\$ <u>94,131</u>	\$ _____ -	\$ _____ -	\$ <u>94,131</u>
Investments:				
Mutual Funds	<u>397,051</u>	_____ -	_____ -	<u>397,051</u>
Total	\$ <u>491,182</u>	\$ _____ -	\$ _____ -	\$ <u>491,182</u>

The institutional money market fund amount in the previous table is included in cash and cash equivalents on the statement of assets, liabilities and net assets – modified cash basis. The investment amounts in the previous table are reported as investments under the other assets section of the statement of assets, liabilities and net assets – modified cash basis.

4. INVESTMENTS IN MARKETABLE DEBT AND EQUITY SECURITIES:

Investments in marketable securities at their fair market values at June 30, 2020 are summarized as follows:

	<u>Market Value</u>	<u>Cumulative Unrealized Gain/(Loss)</u>
Mutual Funds	\$ 397,051	\$ 80,772
Money Market Funds	<u>94,131</u>	_____ -
Total Investments	\$ <u>491,182</u>	\$ <u>80,772</u>

Interest and dividends earned during fiscal year June 30, 2020 from the investment account amounted to \$20,827.

Realized gains/losses on investments are recognized based on the historical cost basis and sales price, when securities are sold. The current year unrealized gains/losses are adjusted for prior recognition of unrealized gains/losses.

5. REVOLVING LINE-OF-CREDIT:

The Organization has an open-ended line-of-credit with Bank of Clarke County. It is secured by the first credit line deed of trust on the property located at 100 Fortress Drive, Winchester, Virginia and 210 Beechcroft Road, Winchester, Virginia, which have current carrying values of \$207,590 and \$128,781 respectively. The interest rate is based on the Wall Street Journal prime rate. The line-of-credit matures on April 30, 2021. At June 30, 2020 the revolving line-of-credit had a zero balance.

SHENANDOAH VALLEY COMMUNITY RESIDENCES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

6. LONG-TERM DEBT:

The Organization's long-term debt consisted of the following at June 30, 2020:

KOVAR Corporation secured mortgage, free of interest but imputed at 5.00%, due monthly, principal due in full in August 2028, secured by property located at 113 Forrest Drive.	\$	59,125
KOVAR Corporation secured mortgage, free of interest but imputed at 5.00%, due monthly, principal due in full in July 2029, secured by property located at 115 Forrest Drive.	\$	60,625
KOVAR Corporation secured mortgage, free of interest but imputed at 5.00%, due monthly, principal due in full in July 2029, secured by property located at 117 Forrest Drive.	\$	60,625

The carrying amount of the buildings which serve as collateral for the mortgages are \$121,869 for the 113 Forrest Drive property, \$130,310 for 115 Forrest Drive property, and \$130,310 for 117 Forrest Drive property at June 30, 2020.

For periods ending after June 30, 2020, the long-term debt maturities under present arrangements are as follows:

June 30, 2021	\$	23,250
June 30, 2022		23,250
June 30, 2023		23,250
June 30, 2024		23,250
June 30, 2025		23,250
Thereafter		64,125

7. CONCENTRATIONS:

The Organization receives a large amount of reimbursements through the Medicaid waiver program. Changes in the calculation of the reimbursement rates or other changes to the program could lead to a decrease in program income for the Organization.

8. RETIREMENT PLAN:

The Organization has a SIMPLE IRA retirement plan. The Organization contributed \$28,353 to the plan for the year ended June 30, 2020.

9. INTEREST:

The Organization expenses all interest as incurred.

SHENANDOAH VALLEY COMMUNITY RESIDENCES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

10. RENTAL LEASE AGREEMENT:

The Organization is leasing office space from Our Health, Inc. The Organization pays its pro rata share of the operating costs of the facility based on square footage occupied. The amount charged to rent for this lease for the year ended June 30, 2020 was \$6,042. The lease runs through December 31, 2020. The lease can be terminated by the lessee at the end of its term by giving ninety (90) day advance written notice. Future minimum lease payments under the agreement are as follows:

June 30, 2021	\$ 3,070
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The Organization is leasing copiers under an operating lease agreement. The amount charged to rent for these leases for the year ended June 30, 2020 is \$4,261. The leases expire between September 2022 and March 2023. Future minimum lease payments under the operating leases are as follows:

June 30, 2021	\$ 3,780
June 30, 2022	3,780
June 30, 2023	1,935

11. FUNCTIONAL EXPENSE CLASSIFICATION:

Total expenses are broken down functionally as follows:

	Program Service	Management & General	Total
Activities	\$ 5,544	\$ 460	\$ 6,004
Depreciation	62,516	-	62,516
Dues and Subscriptions	945	16	961
Employee Benefits	331,048	53,239	384,287
Insurance	3,309	11,501	14,810
Interest	10,924	-	10,924
Lodging and Travel	2,082	-	2,082
Other	3,510	2,936	6,446
Paid Time Off Expense	59,402	23,816	83,218
Payroll Taxes	94,778	21,484	116,262
Postage and Shipping	163	954	1,117
Professional Fees	-	11,235	11,235
Rent	-	7,842	7,842
Repairs and Maintenance	36,453	794	37,247
Salaries and Wages	1,182,359	280,888	1,463,247
Staff Training and Conferences	2,865	75	2,940
Supplies	133,323	18,154	151,477
Telephone	-	2,482	2,482
Utilities	51,684	-	51,684
Vehicle Expense	<u>21,453</u>	<u>280</u>	<u>21,733</u>
Total	<u>\$ 2,002,358</u>	<u>\$ 436,156</u>	<u>\$ 2,438,514</u>

The Organization has no fundraising expenses for the year ended June 30, 2020.

SHENANDOAH VALLEY COMMUNITY RESIDENCES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

11. **FUNCTIONAL EXPENSE CLASSIFICATION**, Continued:

The costs of operation have been reported on a functional basis. Expenses have been classified based on estimates by management from analysis of current operations and historical trends of the Organization's operations.

12. **CASH FLOW SUPPLEMENTAL:**

Cash payments for interest and income taxes for the year ended June 30, 2020 were zero. Interest is imputed on the KOVAR loans at five percent (see Note 6), but an offsetting noncash contribution is recorded for the interest imputed.

13. **CONTRIBUTED SERVICES:**

The Organization receives contributed services from its Board of Directors for the management, control, maintenance, and operation of the Organization. No amounts have been recognized as income related to contributed services.

14. **LIQUIDITY AND RESERVES:**

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. The following financial assets exist at June 30, 2020 that could be readily made available within one year of the financial statement date to fund expenses without limitations:

Cash and Cash Equivalents	\$ 200,850
Investments	<u>397,051</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 597,901</u>

As of June 30, 2020, the Organization does not have any funds which are donor or board designated; similarly, at year end the Organization has no contractual restrictions on its financial assets.

The Organization has a revolving line-of-credit in the amount of \$320,000. The Organization did not draw on this line-of-credit during the fiscal year and the balance is zero at year-end. For more information regarding the line-of-credit see Note 5.

15. **SUBSEQUENT EVENTS:**

The Organization has evaluated all subsequent events through October 13, 2020, the date the financial statements were available to be issued.