



FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Living, Inc.

We have audited the accompanying financial statements of Community Living, Inc. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial position of Community Living, Inc. as of June 30, 2018 and 2017, 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.



November 1, 2018

SFW Partners, LLC

COMMUNITY LIVING, INC.

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2018 and 2017

ASSETS

	2018	2017
Current assets:		
Cash and cash equivalents	\$ 2,792,868	\$ 2,260,090
Certificates of deposit	303,166	302,260
Investments	67,089	16,551
Accounts receivable, net of allowance for doubtful accounts of \$25,000	1,224,096	1,351,946
Promises-to-give	101,281	107,390
Prepaid expenses	144,972	132,236
Total current assets	4,633,472	4,170,473
Property and equipment, net of accumulated depreciation	7,274,286	7,158,292
Custodial funds	65,186	39,932
Deposits	3,100	10,055
Total assets	\$ 11,976,044	\$ 11,378,752

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 217,061	\$ 266,249
Accrued expenses	641,406	593,924
Deferred revenue	27,633	5,225
Funds held for residents	65,186	39,932
Total current liabilities	951,286	905,330
Net assets:		
Unrestricted	10,528,744	10,219,852
Unrestricted, board designated	250,000	200,000
Temporarily restricted	230,382	38,708
Permanently restricted	15,632	14,862
Total net assets	11,024,758	10,473,422
Total liabilities and net assets	\$ 11,976,044	\$ 11,378,752

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

COMMUNITY LIVING, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2018 and 2017

	2018			2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Program revenue:								
Federal and state programs	\$ 8,715,105	\$ -	\$ -	\$ 8,715,105	\$ 8,575,915	\$ -	\$ -	\$ 8,575,915
St. Charles County Developmental Disabilities Resource Board	2,977,975	-	-	2,977,975	3,150,013	-	-	3,150,013
Private pay	348,188	-	-	348,188	395,761	-	-	395,761
Vocational rehabilitation	93,030	-	-	93,030	101,900	-	-	101,900
Community and Children's Resource Board	61,318	-	-	61,318	45,686	-	-	45,686
Total program revenue	<u>12,195,616</u>	<u>-</u>	<u>-</u>	<u>12,195,616</u>	<u>12,269,275</u>	<u>-</u>	<u>-</u>	<u>12,269,275</u>
Support and other revenue:								
Donations	455,585	85,032	-	540,617	315,285	27,116	-	342,401
In-kind donations	262,737	170,000	-	432,737	143,670	-	-	143,670
United Way	206,166	-	-	206,166	214,779	-	-	214,779
Rent	157,190	-	-	157,190	162,190	-	-	162,190
Miscellaneous	31,440	-	-	31,440	19,701	-	-	19,701
Interest and investment income	15,745	771	770	17,286	3,351	878	879	5,108
Total support and other revenue	<u>1,128,863</u>	<u>255,803</u>	<u>770</u>	<u>1,385,436</u>	<u>858,976</u>	<u>27,994</u>	<u>879</u>	<u>887,849</u>
Total support and revenue	<u>13,324,479</u>	<u>255,803</u>	<u>770</u>	<u>13,581,052</u>	<u>13,128,251</u>	<u>27,994</u>	<u>879</u>	<u>13,157,124</u>
Net assets released from restrictions	64,129	(64,129)	-	-	48,330	(48,330)	-	-
Functional expenses:								
Program services	11,193,002	-	-	11,193,002	10,882,349	-	-	10,882,349
General and administrative	1,466,635	-	-	1,466,635	1,457,717	-	-	1,457,717
Development	370,079	-	-	370,079	316,564	-	-	316,564
Total functional expenses	<u>13,029,716</u>	<u>-</u>	<u>-</u>	<u>13,029,716</u>	<u>12,656,630</u>	<u>-</u>	<u>-</u>	<u>12,656,630</u>
Change in net assets	358,892	191,674	770	551,336	519,951	(20,336)	879	500,494
Net assets, beginning of the year	<u>10,419,852</u>	<u>38,708</u>	<u>14,862</u>	<u>10,473,422</u>	<u>9,899,901</u>	<u>59,044</u>	<u>13,983</u>	<u>9,972,928</u>
Net assets, end of the year	<u>\$ 10,778,744</u>	<u>\$ 230,382</u>	<u>\$ 15,632</u>	<u>\$ 11,024,758</u>	<u>\$ 10,419,852</u>	<u>\$ 38,708</u>	<u>\$ 14,862</u>	<u>\$ 10,473,422</u>

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

COMMUNITY LIVING, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018**

	Program Services									Supporting Services				
	Respite Care Home	In-Home Respite	Facility Respite	Support Services for Adults	Residential Care	Employment Services	Recreational Services	SOAR Summer Camp	SOAR Teen Club	SOAR Break Camp	Total Program Services	General and Administrative	Development	Total
Salaries	\$ 479,444	\$ 48,979	\$ 162,649	\$ 1,215,941	\$ 3,512,258	\$ 216,186	\$ 205,408	\$ 451,295	\$ 431,946	\$ 99,129	\$ 6,823,235	\$ 846,630	\$ 207,189	\$ 7,877,054
Health benefits	38,460	10,032	8,051	215,788	422,287	24,268	31,330	9,923	12,755	5,888	778,782	80,914	9,562	869,258
Payroll taxes	32,850	3,794	12,273	88,340	259,424	15,859	14,257	33,798	34,328	7,556	502,479	61,569	15,336	579,384
Pension	4,838	1,180	2,217	29,567	52,239	4,771	4,203	2,187	2,594	1,047	104,843	36,167	6,628	147,638
Worker's compensation	9,254	853	2,723	21,477	62,737	3,583	3,560	7,998	8,419	1,702	122,306	14,482	3,411	140,199
Other personnel costs	7,403	1,618	3,111	5,603	35,543	582	3,147	7,574	31,091	149	95,821	47,871	1,179	144,871
Total salaries and related expenses	572,249	66,456	191,024	1,576,716	4,344,488	265,249	261,905	512,775	521,133	115,471	8,427,466	1,087,633	243,305	9,758,404
Depreciation and amortization	3,614	7,162	28,338	164,299	87,886	4,439	39,806	62,875	55,403	9,459	463,281	72,270	5,895	541,446
Dues and subscriptions	39	27	19	71	138	8	32	46	41	9	430	12,479	766	13,675
Food	17,790	31	6,349	2,609	56,263	-	-	5,067	4,060	1,180	93,349	-	-	93,349
Insurance	4,100	707	4,501	34,817	32,093	953	5,628	11,626	9,144	2,041	105,610	27,774	-	133,384
Maintenance and repairs	8,650	2,144	7,370	33,863	51,010	539	11,317	15,002	13,529	2,792	146,216	26,635	1,100	173,951
Materials and supplies	13,769	16,442	14,781	58,486	85,093	7,054	128,949	45,609	18,242	4,005	392,430	102,290	80,809	575,529
Miscellaneous	2,878	729	1,609	6,109	20,087	858	7,673	3,163	7,458	21	50,585	31,242	5,653	87,480
Printing and postage	85	1,215	343	444	1,353	278	4,118	1,390	1,447	196	10,869	45,247	19,906	76,022
Professional fees	-	-	-	1	5,400	-	-	20,080	21,094	-	46,575	37,685	4,514	88,774
Rent	18,000	-	-	-	158,981	-	-	8,250	-	-	185,231	-	-	185,231
Respite payments to parents	-	834,802	-	-	-	-	-	-	-	-	834,802	-	-	834,802
Staff training and education	1,856	167	2,325	9,197	23,434	2,716	2,162	7,453	7,504	124	56,938	(7,202)	1,133	50,869
Staff travel	413	344	319	2,406	23,955	11,779	4,725	1,542	2,167	49	47,699	3,797	3,100	54,596
Taxes and licenses	74	2	204	282	181	7	99	130	302	88	1,369	11,670	-	13,039
Communications	6,166	2,558	3,744	10,735	31,247	2,228	3,532	4,005	5,583	38	69,836	7,859	1,892	79,587
Utilities	11,058	2,063	6,003	32,720	60,198	982	9,886	14,329	13,018	2,688	152,945	7,098	2,006	162,049
Vehicle fuel and maintenance	2,685	18	2,865	21,373	52,303	6	5,523	13,493	8,455	650	107,371	158	-	107,529
	<u>\$ 663,426</u>	<u>\$ 934,867</u>	<u>\$ 269,794</u>	<u>\$ 1,954,128</u>	<u>\$ 5,034,110</u>	<u>\$ 297,096</u>	<u>\$ 485,355</u>	<u>\$ 726,835</u>	<u>\$ 688,580</u>	<u>\$ 138,811</u>	<u>\$11,193,002</u>	<u>\$ 1,466,635</u>	<u>\$ 370,079</u>	<u>\$13,029,716</u>

The accompanying notes to the financial statements
are an integral part of this statement.

COMMUNITY LIVING, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017**

	Program Services									Supporting Services				
	Respite Care Home	In-Home Respite	Facility Respite	Support Services for Adults	Residential Care	Employment Services	Recreational Services	SOAR Summer Camp	SOAR Teen Club	SOAR Break Camp	Total Program Services	General and Administrative	Development	Total
Salaries	\$ 466,853	\$ 54,114	\$ 155,211	\$ 1,176,327	\$ 3,372,427	\$ 178,770	\$ 183,241	\$ 430,254	\$ 456,225	\$ 83,286	\$ 6,556,708	\$ 816,928	\$ 202,602	\$ 7,576,238
Health benefits	41,579	9,584	5,300	211,100	388,800	12,227	19,300	8,526	15,338	3,408	715,162	77,020	11,899	804,081
Payroll taxes	35,137	3,824	11,840	85,055	248,604	13,386	12,933	32,135	36,371	6,047	485,332	52,417	14,951	552,700
Pension	6,590	1,112	1,729	20,209	45,875	3,203	3,050	1,820	2,457	420	86,465	45,606	5,614	137,685
Worker's compensation	7,091	1,002	2,310	18,161	54,125	2,640	2,914	12,191	9,938	1,162	111,534	12,335	2,979	126,848
Other personnel costs	6,041	1,611	1,643	6,225	31,136	1,648	1,496	4,926	22,196	135	77,057	63,537	175	140,769
Total salaries and related expenses	563,291	71,247	178,033	1,517,077	4,140,967	211,874	222,934	489,852	542,525	94,458	8,032,258	1,067,843	238,220	9,338,321
Depreciation and amortization	2,828	-	27,675	137,356	74,860	4,205	37,649	67,994	62,606	8,256	423,429	57,118	5,093	485,640
Dues and subscriptions	155	150	-	-	-	120	-	590	-	-	1,015	13,190	847	15,052
Food	27,581	16	7,035	2,230	58,951	73	-	2,575	5,640	2,006	106,107	-	-	106,107
Insurance	4,369	-	2,936	35,125	31,455	1,106	7,080	13,741	11,933	2,376	110,121	27,171	-	137,292
Maintenance and repairs	16,433	-	8,158	43,935	67,043	596	12,657	21,373	21,223	3,316	194,734	27,826	1,074	223,634
Materials and supplies	34,179	4,010	16,216	58,032	97,497	3,172	121,355	72,767	31,194	4,702	443,124	93,596	39,110	575,830
Miscellaneous	4,024	171	1,694	6,979	22,071	945	8,398	4,030	9,289	-	57,601	45,824	7,908	111,333
Printing and postage	303	989	350	726	1,727	267	4,185	1,014	1,677	207	11,445	17,570	9,972	38,987
Professional fees	-	-	-	-	5,410	-	-	18,250	25,950	-	49,610	53,715	6,665	109,990
Rent	18,000	-	-	-	156,800	-	-	8,050	-	-	182,850	-	-	182,850
Respite payments to parents	-	807,167	-	-	-	-	-	-	-	-	807,167	-	-	807,167
Staff training and education	2,350	210	1,461	10,503	29,169	2,526	529	7,573	11,576	312	66,209	10,579	1,753	78,541
Staff travel	1,560	291	184	2,002	32,051	12,971	4,009	690	2,640	26	56,424	6,381	1,692	64,497
Taxes and licenses	-	-	56	988	868	-	-	366	-	-	2,278	21,309	-	23,587
Communications	5,870	2,636	4,289	10,992	26,108	1,234	2,936	3,914	5,627	-	63,606	6,921	2,225	72,752
Utilities	12,666	-	5,980	31,025	61,684	925	9,468	15,947	14,820	3,619	156,134	7,420	2,005	165,559
Vehicle fuel and maintenance	4,903	-	2,504	27,946	54,525	-	4,456	13,015	8,229	2,659	118,237	1,254	-	119,491
	<u>\$ 698,512</u>	<u>\$ 886,887</u>	<u>\$ 256,571</u>	<u>\$ 1,884,916</u>	<u>\$ 4,861,186</u>	<u>\$ 240,014</u>	<u>\$ 435,656</u>	<u>\$ 741,741</u>	<u>\$ 754,929</u>	<u>\$ 121,937</u>	<u>\$10,882,349</u>	<u>\$ 1,457,717</u>	<u>\$ 316,564</u>	<u>\$12,656,630</u>

The accompanying notes to the financial statements
are an integral part of this statement.

COMMUNITY LIVING, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 551,336	\$ 500,494
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	541,446	485,640
Loss (gain) on sales of property and equipment	1,016	(2,095)
Dividends reinvested	(819)	(342)
Unrealized loss (gain) on investments	281	(1,415)
In-kind donations	(432,737)	(143,670)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable, net	127,850	(177,260)
Promises-to-give	6,109	-
Prepaid expenses	(12,736)	(32,251)
Custodial funds	(25,254)	2,325
Deposits	6,955	1,394
Increase (decrease) in liabilities:		
Accounts payable	(49,188)	(18,186)
Accrued expenses	47,482	19,478
Deferred revenue	22,408	(9,158)
Funds held for residents	25,254	(2,325)
Net cash provided by operating activities	809,403	622,629
Cash flows from investing activities:		
Purchases of certificates of deposit	(906)	(200,601)
Purchases of investment securities	(50,000)	-
Proceeds from sales of property and equipment	-	2,095
Purchases of property and equipment	(225,719)	(106,374)
Net cash used in investing activities	(276,625)	(304,880)
Net increase in cash and cash equivalents	532,778	317,749
Cash and cash equivalents, beginning of the year	2,260,090	1,942,341
Cash and cash equivalents, end of the year	\$ 2,792,868	\$ 2,260,090

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

COMMUNITY LIVING, INC.

NOTES TO THE FINANCIAL STATEMENTS

(1) Operations

Community Living, Inc. (the “Organization”), a not-for-profit organization, was established in 1978 to provide residential care, recreation services, employment and education services, and other support services for developmentally disabled individuals in St. Charles County. The Organization is supported primarily through federal, state, and local agency funding.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Organization’s financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Pursuant to the Not-for-Profit Entities topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), the Organization is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Restricted and Unrestricted Support and Revenue

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Gifts of cash and other assets received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Unrestricted contributions include resources available for the support of operations, which have no donor imposed restrictions.

Contributions that are temporarily restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction has been accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Deferred Revenue

Deferred revenue represents program service fees and advance payments received for special events to be recognized in the next fiscal year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMMUNITY LIVING, INC.

NOTES TO THE FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

Contributions

All contributions are considered to be available for the general programs of the Organization unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are 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 a purpose restriction has been accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donor Restricted Endowment Fund

The Organization's donor restricted endowment consists of a single fund established for the general operation of the Organization and its various endeavors and activities. As required by generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Under the Not-for-Profit Organizations topic of the FASB ASC, a guideline is provided for identifying net asset classifications under generally accepted accounting principles. Under the terms of the governing documents, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board, in its sole discretion, shall determine. In accordance with Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the funds, the purpose of the organization and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the organization, and the investment policies of the organization.

To date, the Organization has reinvested interest and dividends earned on the endowment. In accordance with the endowment terms, the Organization may use half of the annual income from the endowment to provide funding for needs and/or wishes of individuals with disabilities, served by Community Living, Inc. Expenditures will be approved by a three person committee including the donor or their representative, and a Community Living, Inc. social worker and executive level staff member. The remaining half of the income is an increase in permanently restricted net assets.

Investments

Investments are adjusted to market value at year end. Gains or losses on the sale of investments are recognized on a specific identification basis. Unrealized holding gains or losses, realized gains or losses, and interest and dividend income earned on the investments are included in interest and investment income, net of fees, on the statements of activities and changes in net assets for the years ended June 30, 2018 and 2017. Investment fees for the years ending June 30, 2018 and 2017, were immaterial.

COMMUNITY LIVING, INC.

NOTES TO THE FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

Accounts Receivable, Net

The Organization carries its accounts receivable at cost, less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable, estimates the allowance, and recognizes bad debts, based on an analysis of specific balances, taking into consideration the age of the past due accounts and an assessment of the customer's ability to pay.

Unconditional Promises-To-Give

Unconditional promises to give are recognized as revenue when the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional promises to give expected to be collected in less than one year are reported at net realizable value. Contributions to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with the donors, and accordingly, has made no allowance for doubtful accounts.

Property and Equipment

Property and equipment are stated at cost if purchased or fair market value if contributed, less an allowance for depreciation. Major expenditures for property acquisitions and those expenditures which substantially increase useful lives are capitalized. Expenditures for maintenance, repairs, and minor replacements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. Loss and gain on sales of property and equipment of (\$1,016) and \$2,095 for the years ended June 30, 2018 and 2017, respectively, are included in miscellaneous income in the accompanying statements of activities and changes in net assets.

Depreciation

The Organization provides for depreciation using the straight-line method based upon the estimated useful lives of the assets as follows: buildings and improvements, 15 to 30 years; vehicles, 5 years; furniture, fixtures, and equipment, 5 to 10 years; leasehold improvements, 5 years.

Program Services

Program services include those expenses for programs and other items that enable the Organization to provide people with disabilities the opportunity to learn, live, work, and play in the community. Major program services are identified on the accompanying statements of functional expenses.

Supporting Services

Supporting services include the general and administrative and development expenses that enable the Organization to coordinate its program strategy, secure proper administrative function of the Board of Directors, and manage the financial and budgetary responsibilities of the Organization.

COMMUNITY LIVING, INC.

NOTES TO THE FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs associated with providing the Organization's activities have been summarized on the functional basis. Certain expenses represent costs associated with multiple activities and require allocation among the program and supporting services benefited. Such allocations are based on relevant factors that represent management's best estimate of the costs of providing such activities.

Income Taxes

The Internal Revenue Service has advised the Organization that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's management does not believe that its exempt status has been significantly affected by any changes in its activities since the date of the most recent determination letter received. Accordingly, no provision for income taxes has been included in these financial statements.

The Organization accounts for any uncertain tax positions in accordance with the Income Taxes topic of the FASB ASC. The topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. In evaluating the Organization's exempt status, interpretations and tax planning strategies are considered. The Organization believes it is not exposed to any current or future tax liability based on its current operations.

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are primarily the years ended June 30, 2015 through June 30, 2018.

Concentration of Credit Risk

The Organization, on occasion, maintains cash deposits with banks that include funds greater than the FDIC limits. The Organization has not experienced any losses in such accounts. The Board believes the Organization is not exposed to any significant credit risk related to cash. The amounts on deposit at June 30, 2018 and 2017 did not exceed the insured limits.

To reduce credit risk, the Organization utilizes a non-depository sweep account, where the underlying investments are US Government Treasury and Agency securities. The sweep account investments are subject to investment risk, including possible loss of the principal amount invested; however, the Organization has not experienced any losses in such accounts. The Board believes the Organization is not exposed to significant credit risk related to the sweep account. The balance in the sweep account at June 30, 2018 and 2017 was \$1,750,000 and \$840,000, respectively.

Statements of Cash Flows

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

COMMUNITY LIVING, INC.

NOTES TO THE FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

(3) Investments

Cost and market value of investments consist of the following at:

	Cost	Net Unrealized Gain	Market Value
June 30, 2018			
Mutual funds and ETF's	\$ 62,748	\$ 4,341	\$ 67,089
June 30, 2017			
Mutual funds and ETF's	\$ 11,929	\$ 4,622	\$ 16,551

Net (depreciation) appreciation in market value of investments was (\$281) and \$1,415 for the years ended June 30, 2018 and 2017, respectively.

(4) Fair Value Measurements

Under the Fair Value Measurements and Disclosures topic of the FASB ASC, a guideline is provided for measuring fair value under generally accepted accounting principles. The topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority; Level 2 inputs include quoted prices in active markets for similar assets or liabilities, quoted prices in inactive markets for identical or similar assets or liabilities, or inputs that are observable or can be corroborated by observable market data or other means for substantially the full term of the asset or liability; and Level 3 inputs have the lowest priority and are based on prices or valuation techniques that are unobservable and not corroborated by market data. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of their assets and liabilities. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The Organization uses Level 2 inputs when an active market comparable is not available and Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. There were no Level 2 or Level 3 inputs for the Organization.

Level 1 Fair Value Measurements

The fair value of the certificates of deposits and investments are based on quoted market prices.

COMMUNITY LIVING, INC.

NOTES TO THE FINANCIAL STATEMENTS

(4) Fair Value Measurements (Continued)

The Company's assets reported at fair value in the accompanying statements of financial position consist of the following:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<i>June 30, 2018:</i>				
Assets:				
Certificates of deposit	\$ 303,166	\$ 303,166	\$ -	\$ -
Investments	67,089	67,089	-	-
Total assets	<u>\$ 370,255</u>	<u>370,255</u>	<u>-</u>	<u>\$ -</u>
<i>June 30, 2017:</i>				
Assets:				
Certificates of deposit	\$ 302,260	\$ 302,260	\$ -	\$ -
Investments	16,551	16,551	-	-
Total assets	<u>\$ 318,811</u>	<u>318,811</u>	<u>-</u>	<u>-</u>

(5) Board Designated Endowment Funds

As of June 30, 2018 and 2017, the Organization's Board of Directors had designated \$50,000 and \$0, respectively, of unrestricted net assets as a general endowment fund to support the mission of the Agency. Since that amount resulted from an internal designation and is not donor-restricted, it is classified as unrestricted net assets (see Note 2).

The Organization's objective is to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return. To achieve that objective, the Endowment has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. The Endowment's assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in asset growth above the rate of inflation. Investment risk is measured in terms of the total Endowment; investment assets and allocation between asset classes and strategies are managed to not expose the Endowment to unacceptable levels of risk.

COMMUNITY LIVING, INC.

NOTES TO THE FINANCIAL STATEMENTS

(5) Board Designated Endowment Funds (Continued)

Composition of and changes in the Endowment's net assets for the years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Unrestricted Endowment net assets, beginning of year	\$ -	\$ -
Investment income	410	-
Net realized and unrealized loss on investments	(1,413)	-
Contributions	50,000	-
Amounts appropriated for expenditure	-	-
Board designated Endowment net assets, end of year	\$ 48,997	\$ -

(6) Property and Equipment

Property and equipment consists of the following at June 30:

	2018	2017
Buildings and improvements	\$ 8,665,383	\$ 8,566,587
Vehicles	1,752,695	1,489,958
Furniture, fixtures, and equipment	565,525	641,053
Land	736,977	566,977
Intangible assets	12,370	-
Leasehold improvements	7,000	7,000
	11,739,950	11,271,575
Accumulated depreciation and amortization	(4,465,664)	(4,113,283)
	\$ 7,274,286	\$ 7,158,292

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$541,446 and \$485,640, respectively.

(7) Note Payable

The Organization has a line-of-credit agreement with a bank whereby it can borrow up to \$1,000,000, with interest payable monthly at 1.95% plus LIBOR. The agreement matures December 12, 2018. The agreement is secured by collateral described in a Uniform Commercial Code Security Agreement dated December 9, 2015. There were no amounts outstanding as of June 30, 2018 and 2017.

COMMUNITY LIVING, INC.

NOTES TO THE FINANCIAL STATEMENTS

(8) Unrestricted Board Designated Fund

As of June 30, 2018 and 2017, the Board of Directors designated \$200,000, as a means of creating a cash reserve that can only be used with a majority vote of the Board of Directors. During the year ended June 30, 2018, the Board of Directors designated another \$50,000 into a board designated endowment fund (see Note 5).

(9) Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets consist of the following at June 30:

	2018		2017	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Land	\$ 170,000	\$ -	\$ -	\$ -
Sensory equipment	21,072	-	1,541	-
Andrew's Hugs	15,193	-	15,128	-
Residential	15,000	-	-	-
SOAR scholarship fund	5,622	-	19,527	-
Endowment fund	2,460	15,632	1,689	14,862
Memorials	1,035	-	-	-
Technology	-	-	823	-
	<u>\$ 230,382</u>	<u>\$ 15,632</u>	<u>\$ 38,708</u>	<u>\$ 14,862</u>

Net assets released from restrictions consist of the following at June 30:

	2018	2017
SOAR scholarship fund	\$ 36,951	\$ 15,000
Andrew's Hugs	24,935	4,872
Sensory Equipment	1,420	-
Technology	823	17,458
SOAR field trips	-	7,000
Demsey - Respite Center	-	4,000
	<u>\$ 64,129</u>	<u>\$ 48,330</u>

The SOAR scholarship fund was started during the year ended June 30, 2014 to provide financial assistance to teens attending the Organization's Social Opportunities and Recreation ("SOAR") camps.

During the years ended June 30, 2018 and 2017, the Organization received a donation from Andrew's Hugs, which is an organization started in honor of a former participant, to provide funds for the adult recreation programs.

During the year ended June 30, 2018 the Organization received a donation of land with a restriction to not sell the property for three years.

COMMUNITY LIVING, INC.

NOTES TO THE FINANCIAL STATEMENTS

(10) Non-Cash Transactions

The Organization received non-cash donations of vehicles valued at \$262,737 and \$143,670 for the years ended June 30, 2018 and 2017, respectively.

The Organization received non-cash donations of land valued at \$170,000 for the year ended June 30, 2018.

(11) Leases

Rental Income

The Organization owns buildings which it leases to unrelated parties. The leases are classified as operating leases and are due to expire at various dates through 2019. Total rental income amounted to \$157,190 and \$162,190 for the years ended June 30, 2018 and 2017, respectively.

Rent Expense

The Organization leases homes, copiers, and phone equipment under non-cancellable operating leases expiring at various dates through April 2022. Total lease expense amounted to \$185,231 and \$182,850 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments required under the leases that have remaining non-cancellable lease terms in excess of one year as of June 30, 2018 are as follows:

Year ending June 30:	
2019	\$ 105,576
2020	98,376
2021	68,068
2022	27,280
	<hr/>
	\$ 299,300

(12) Employee Benefit Plan

The Organization maintains a 401(k) and profit-sharing plan to establish safe-harbor contributions for all eligible employees. Under the terms of the plan, employees may contribute up to the maximum amount allowed by law. The Organization may elect to match employee contributions to the plan. Additional Organization contributions may be made at the discretion of the Board of Directors. Employees are 100% vested in their deferred compensation and the Organization's safe-harbor contributions and 20% vested after year 1, 40% after year 2, 60% after year 3, 80% after year 4, and 100% vested after year 5 in the Organization's discretionary and non-safe-harbor contributions. Safe-harbor contributions charged to expense for the years ended June 30, 2018 and 2017 were \$134,991 and \$120,607, respectively.

COMMUNITY LIVING, INC.

NOTES TO THE FINANCIAL STATEMENTS

(13) Concentrations

During the years ended June 30, 2018 and 2017, the Organization received 87% and 90%, respectively, of its support from state and local governmental entities. In addition, the Organization had 94% and 99% of its accounts receivable due from state and local governmental entities at June 30, 2018 and 2017, respectively.

(14) Commitments and Contingencies

On June 29, 2018, the organization purchased a property used as a respite home from the Developmental Disabilities Resource Board of St. Charles County ("DDRB"). As part of the agreement, the Organization received a \$62,500 credit against the purchase price and the DDRB received a second deed of trust in the property. If the Organization sells the property, it would have to pay the DDRB \$62,500. As of June 30, 2018, management has no intention to sell the property; therefore, management feels the contingency is remote and has not recorded it in the accompanying financial statements.

(15) Accounting Standard Update

The Financial Accounting Standard Board issued Accounting Standard Update No. 2016-14 "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities". ASU 2016-14 requires a number of changes to the financial statements of the Organization. These changes will be effective for the fiscal year ending June 30, 2019.