

**WENDELL FOSTER'S CAMPUS
FOR DEVELOPMENTAL DISABILITIES, INC.**

FINANCIAL STATEMENTS

OCTOBER 31, 2022 AND 2021

**WENDELL FOSTER'S CAMPUS
FOR DEVELOPMENTAL DISABILITIES, INC.
Contents
October 31, 2022 and 2021**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Wendell Foster's Campus
for Developmental Disabilities, Inc.

Opinion

We have audited the accompanying financial statements of Wendell Foster's Campus for Developmental Disabilities, Inc. (a nonprofit organization), which comprise the balance sheets as of October 31, 2022 and 2021, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wendell Foster's Campus for Developmental Disabilities, Inc. as of October 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wendell Foster's Campus for Developmental Disabilities, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wendell Foster's Campus for Developmental Disabilities, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Wendell Foster's Campus for Developmental Disabilities, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wendell Foster's Campus for Developmental Disabilities, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Almaden & Company CPAs PSC

Owensboro, Kentucky
February 15, 2023

WENDELL FOSTER'S CAMPUS FOR DEVELOPMENTAL DISABILITIES, INC.

Balance Sheets

October 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,667,640	\$ 6,364,629
Patient receivables	1,889,790	1,718,076
Other receivables	93,851	146,805
Investments	7,324,118	8,282,017
Promises to give	52,338	158,999
Supplies	148,374	145,518
Prepaid insurance	22,458	14,910
Prepaid expenses	<u>110,638</u>	<u>68,720</u>
TOTAL CURRENT ASSETS	<u>15,309,207</u>	<u>16,899,674</u>
 Assets limited as to use	 <u>526,093</u>	 <u>631,545</u>
 PROPERTY AND EQUIPMENT		
Land	1,537,320	1,537,320
Land improvements	1,771,202	1,754,689
Buildings	15,770,272	15,743,649
Equipment	2,600,398	2,278,344
Vehicles	887,601	829,041
Construction in progress	<u>-</u>	<u>89,566</u>
	22,566,793	22,232,609
Accumulated depreciation	<u>(14,284,195)</u>	<u>(13,534,773)</u>
 PROPERTY AND EQUIPMENT, NET	 <u>8,282,598</u>	 <u>8,697,836</u>
 OTHER ASSETS		
Website development, net	1,472	5,004
Mineral interest	165	165
Investments	630,448	611,991
Investments - restricted	<u>42,078</u>	<u>45,497</u>
 TOTAL OTHER ASSETS	 <u>674,163</u>	 <u>662,657</u>
 TOTAL ASSETS	 <u><u>\$ 24,792,061</u></u>	 <u><u>\$ 26,891,712</u></u>

See accompanying notes.

WENDELL FOSTER'S CAMPUS FOR DEVELOPMENTAL DISABILITIES, INC.**Balance Sheets****October 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Liabilities and Net Assets		
CURRENT LIABILITIES		
Accounts payable	\$ 373,358	\$ 454,925
Accrued payroll and withholdings	470,146	422,755
Accrued compensated absences	559,688	529,390
Accrued self-insurance claims	78,526	83,666
Accrued expenses	183,097	170,750
Current portion of long-term debt	217,404	208,366
Estimated third-party payor settlements	447,452	484,610
Deferred revenue	93,963	73,673
	<u>2,423,634</u>	<u>2,428,135</u>
TOTAL CURRENT LIABILITIES	<u>2,423,634</u>	<u>2,428,135</u>
LONG-TERM DEBT, net of current portion	<u>1,769,158</u>	<u>1,986,162</u>
TOTAL LIABILITIES	<u>4,192,792</u>	<u>4,414,297</u>
NET ASSETS		
Without donor restrictions	20,005,434	21,739,866
With donor restrictions	593,835	737,549
	<u>20,599,269</u>	<u>22,477,415</u>
TOTAL NET ASSETS	<u>20,599,269</u>	<u>22,477,415</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,792,061</u>	<u>\$ 26,891,712</u>

See accompanying notes.

WENDELL FOSTER'S CAMPUS FOR DEVELOPMENTAL DISABILITIES, INC.
Statements of Operations and Changes in Net Assets
Years ended October 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Net client service revenues	\$ 21,921,758	\$ 20,533,812
Contributions	615,204	456,467
In-kind contributions	68,345	31,631
Other	353,939	3,401,113
TOTAL REVENUES WITHOUT DONOR RESTRICTIONS	<u>22,959,246</u>	<u>24,423,023</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	98,845	729,609
TOTAL REVENUE WITHOUT DONOR RESTRICTIONS AND RECLASSIFICATIONS	<u>23,058,091</u>	<u>25,152,632</u>
EXPENSES		
Salaries and wages	14,430,117	13,118,979
Payroll taxes	1,099,855	998,746
Employee benefits	2,147,759	1,827,655
Supplies and other expense	4,412,273	4,136,140
In-kind expense	30,716	25,041
Purchased services and professional fees	783,107	728,277
Depreciation and amortization	854,497	804,457
Interest	82,498	113,783
TOTAL EXPENSES	<u>23,840,822</u>	<u>21,753,078</u>
OTHER INCOME		
Investment income, net	(951,702)	1,966,797
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(1,734,433)</u>	<u>5,366,351</u>

See accompanying notes.

WENDELL FOSTER'S CAMPUS FOR DEVELOPMENTAL DISABILITIES, INC.
Statements of Operations and Changes in Net Assets
Years ended October 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	\$ 60,584	\$ 580,867
Net assets released from restrictions	(98,845)	(729,609)
Change in unrealized gains and losses on investments	<u>(105,452)</u>	<u>112,654</u>
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(143,713)</u>	<u>(36,088)</u>
INCREASE (DECREASE) IN NET ASSETS	(1,878,146)	5,330,263
NET ASSETS, BEGINNING OF YEAR	<u>22,477,415</u>	<u>17,147,152</u>
NET ASSETS, END OF YEAR	<u><u>\$ 20,599,269</u></u>	<u><u>\$ 22,477,415</u></u>

See accompanying notes.

WENDELL FOSTER'S CAMPUS FOR DEVELOPMENTAL DISABILITIES, INC.**Statements of Cash Flows****Years ended October 31, 2022 and 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	<u>\$ (1,878,146)</u>	<u>\$ 5,330,263</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	854,497	804,457
Unrealized (gain) loss	1,476,330	(1,899,071)
Realized gain	(157,071)	-
Allowance for bad debts	(11,499)	(76,695)
Donated equipment included in contributions in-kind	(37,629)	-
(Gain) loss on disposition of assets	65,225	325
Change in debt issuance costs	1,192	1,192
(Increase) decrease in assets:		
Patient accounts receivable	(160,215)	14,977
Other receivables	52,954	89,120
Promises to give	106,661	(91,930)
Supplies	(2,856)	(53,278)
Prepaid insurance and expenses	(49,466)	(7,740)
Increase (decrease) in liabilities:		
Accounts payable	(81,567)	176,590
Payroll and withholdings	47,391	72,296
Compensated absences	30,298	44,935
Accrued self-insurance	(5,140)	(222,706)
Accrued expenses	12,347	(2,714)
Accrued interest	-	(18,408)
Estimated third-party payor settlements	(37,158)	(21,021)
Deferred revenue	<u>20,290</u>	<u>(257,284)</u>
TOTAL ADJUSTMENTS	<u>2,124,584</u>	<u>(1,446,955)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>246,438</u>	<u>3,883,308</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments, net	(403,959)	(117,327)
(Increase) decrease in assets limited as to use	105,452	(112,654)
Proceeds from sale of assets	37,885	1,900
Payments for the purchase of property	<u>(473,647)</u>	<u>(800,841)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(734,269)</u>	<u>(1,028,922)</u>

See accompanying notes.

WENDELL FOSTER'S CAMPUS FOR DEVELOPMENTAL DISABILITIES, INC.

Statements of Cash Flows

Years ended October 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>\$ (209,158)</u>	<u>\$ (3,121,048)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(209,158)</u>	<u>(3,121,048)</u>
NET DECREASE IN CASH AND RESTRICTED CASH	(696,989)	(266,662)
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>6,364,629</u>	<u>6,631,291</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u><u>\$ 5,667,640</u></u>	<u><u>\$ 6,364,629</u></u>

See accompanying notes.

**WENDELL FOSTER'S CAMPUS
FOR DEVELOPMENTAL DISABILITIES, INC.
Notes to the Financial Statements
October 31, 2022 and 2021**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Wendell Foster's Campus for Developmental Disabilities, Inc. DBA Wendell Foster, is a private non-profit multi-service organization located in the heart of Owensboro, Kentucky. Serving over 2,000 children and adults, their services are known for supporting people with intellectual and developmental disabilities across 34 counties in Western Kentucky and Southern Indiana; however, they are much more of a universal agency capable of supporting an array of individuals in need. Wendell Foster also provides therapy services, support for community living, outpatient rehabilitation, and rental housing to individuals with disabilities. Wendell Foster's mission is to empower people with developmental disabilities to realize their dreams and potentials.

Programs and Services

Wendell Foster's wide array of services provides support to children, adolescents and adults with special needs. These programs and services include:

- *Intermediate Care Facilities* – Wendell Foster's licensed Intermediate Care Facility (ICF) for individuals with disabilities consists of four, eight bedroom/four bathroom homes for 63 individuals. Residential, active treatment, and nursing supports are offered 24 hours per day. Each person living in the ICF has a person-centered, individualized support plan, based on their strengths, interests, and needs.
- *Outpatient Therapies* – Wendell Foster's Comprehensive Outpatient Rehabilitation Facility (CORF) houses all outpatient therapies including Physical, Occupational, and Speech Therapies. The therapies include the evaluation and treatment of people of all ages, birth through adulthood. Services are offered both at our site and within the school setting through contractual arrangements with some area school systems. Depending on coverage, Medicaid, Medicare, and private insurance may pay for expenses related to the services.
- *Community Living Arrangements (CLA)* – Wendell Foster Community Living Services offer individualized community based supports to participants who meet ICF/IID criteria. Participants and their team work to develop supports that ensures individuals are active contributing members of their community. Community Services are offered with respect, designed to ensure participants are afforded choice, and provided in a manner whereby participants feel, and are safe in the community. Wendell Foster Community Services provide supports to individuals allocated funding through the Supports for Community Living and Michelle P Waivers. Supports can also be provided on a fee-for-service basis.
- *Day Services* – Wendell Foster offers services so adults can become more self-sufficient in their home, during community and volunteer activities, or to prepare for work. Training is offered in small group community-based activities or classroom settings. These services are funded by the Supports for Community Living and Michelle P Waivers, as well as fee-for-service
- *Community Transportation* – Wendell Foster provides non-emergency medical transportation for people with disabilities through a subcontract with GRITS at Audubon Area Community Services. Wendell Foster offers additional transportation services for those participating in our ICF/SCL programs. This helps those participants maintain or increase their community involvement and lead a meaningful quality of life.

**WENDELL FOSTER'S CAMPUS
FOR DEVELOPMENTAL DISABILITIES, INC.
Notes to the Financial Statements
October 31, 2022 and 2021**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Programs and Services (continued)

- *Assistive Technology* – Wendell Foster is a participating member of the Kentucky Assistive Technology Services (KATS) Network whose mission is to make AT information, devices, and services easily obtainable throughout the state. Assistive Technology (AT) is defined as “any item, piece of equipment or product system, whether acquired commercially off the shelf, modified, or customized, that is used to increase, maintain, or improve the functional capabilities of individuals with disabilities.”

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Wendell Foster and changes therein are classified and reported as follows:

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

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity and are included in net assets with donor restrictions. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Net Client Service Revenue and Client Receivables

Net client service revenue is reported at the amount that reflects the consideration to which Wendell Foster expects to be entitled for providing client care. These amounts are due from clients, third-party payors, and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Generally, Wendell Foster bills the clients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Wendell Foster. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. Wendell Foster believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to clients receiving therapy care services. Wendell Foster measures the performance obligation from the commencement of the outpatient service to the point when it is no longer required to provide services to that client, which is generally the completion of the outpatient service.

**WENDELL FOSTER'S CAMPUS
FOR DEVELOPMENTAL DISABILITIES, INC.**
Notes to the Financial Statements
October 31, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Client Service Revenue and Client Receivables (continued)

These services are considered to be a single performance obligation. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and Wendell Foster does not believe it is required to provide additional services to the client.

Because all of its performance obligations relate to contracts with a duration of less than one year, Wendell Foster has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) ASC Paragraph 606-10-50-14a, *Revenue From Contracts With Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to therapy care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the clients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Wendell Foster is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to net client service revenue. Wendell Foster accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the clients within each portfolio. The portfolios consist of major payor classes for client revenue and outpatient revenue. Based on historical collection trends and other analyses, Wendell Foster has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

Wendell Foster has agreements with third-party payors that generally provide for payments to Wendell Foster at amounts different from its established rates. For uninsured clients who do not qualify for charity care, Wendell Foster recognizes revenue based on established rates, subject to certain discounts and implicit price concessions as determined by Wendell Foster. Wendell Foster determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured clients in accordance with Wendell Foster's policy, and implicit price concessions provided to uninsured clients. Explicit price concessions are based on contractual agreements, discount policies and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration Wendell Foster expects to receive from clients, which are determined based on historical collection experience, current market conditions and other factors.

Generally, clients who are covered by third-party payors are responsible for client responsibility balances, including deductibles and coinsurance, which vary in amount. Wendell Foster estimates the transaction price for clients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to client service revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant in 2022 or 2021. Subsequent changes that are determined to be the result of an adverse change in the client's ability to pay are recorded as bad debt expense.

Wendell Foster is paid a prospectively determined rate for the majority of outpatient, skilled nursing, and rehabilitation services provided (principally Medicare, Medicaid, and certain insurers). These rates vary according to a client classification system that is based on clinical, diagnostic, and other factors. Payments

**WENDELL FOSTER'S CAMPUS
FOR DEVELOPMENTAL DISABILITIES, INC.
Notes to the Financial Statements
October 31, 2022 and 2021**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Client Service Revenue and Client Receivables (continued)

for capital are received on a prospective basis for Medicare and on a cost reimbursement methodology for Medicaid. Wendell Foster is paid for cost reimbursable items at a tentative rate, for ICF services, with final settlement determined after submission of annual cost reports by Wendell Foster and audits thereof.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation as well as significant regulatory action, and, in the normal course of business, Wendell Foster is subject to contractual audits, reviews and investigations, including audits initiated by the Kentucky Department for Medicaid Services. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. Wendell Foster believes it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and that adequate provisions have been made for any adjustments that may result from final settlements.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing client care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Wendell Foster's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (i.e., as new information becomes available) or as years are settled or are no longer subject to audits, reviews and investigations. Adjustments arising from a change in estimated settlements reduced net client service revenue by \$447,452 and \$484,610 in 2022 and 2021, respectively.

Promises to Give

Contributions are recognized when the donor makes a promise to give to Wendell Foster that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Bequests are recognized as revenue once the probate process is complete.

Wendell Foster uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Gifts-in-kind

Wendell Foster's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow Wendell Foster to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

All gifts-in-kind received by Wendell Foster for the years ended October 31, 2022 and 2021 were considered without donor restrictions and able to be used by the organization as determined by the board of directors and management.

**WENDELL FOSTER'S CAMPUS
FOR DEVELOPMENTAL DISABILITIES, INC.
Notes to the Financial Statements
October 31, 2022 and 2021**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services

During the years ended October 31, 2022 and 2021, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Functional Allocation of Expenses

The functional allocation of expenses in Note 22 report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include the executive, business, human relations, information systems and development offices and occupancy, which are allocated based on square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Wendell Foster reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Wendell Foster reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Wendell Foster capitalizes fixed assets with a value greater than \$ 5,000 and a life greater than a year. Property and equipment are depreciated using the straight-line method as follows:

Land improvements	10-40 years
Buildings	15-40 years
Equipment	5-20 years
Vehicles	5 years

Depreciation expense for the year ended October 31, 2022 and 2021 charged to operations was \$850,964 and \$ 800,923, respectively.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities (level 1 measurement) are reported at their fair values based on quoted prices in active markets in the balance sheets.

**WENDELL FOSTER'S CAMPUS
FOR DEVELOPMENTAL DISABILITIES, INC.
Notes to the Financial Statements
October 31, 2022 and 2021**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Return

Investment return (including realized gains and losses on investments, interest and dividends, net of investment fees) is included in the increase in net assets without donor restrictions unless the income is restricted by donor or law. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions.

Assets Limited as to Use

Assets limited as to use include primarily assets held by trustees, assets restricted by donors and assets set aside by the board of directors for future capital improvements over which the board retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of Wendell Foster are included in current assets.

Tax Position

Wendell Foster maintains the tax position that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for Federal income taxes in the accompanying financial statements. In addition, Wendell Foster maintains that it has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Wendell Foster did not pay any interest or penalties as a result of its tax position. The tax years 2019 through 2021 remain subject to examination by the Internal Revenue Service.

Cash and Cash Flows Information

For purposes of the balance sheets and the statements of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, other than those limited as to use, with an original maturity of three months or less when purchased. Restricted cash consists of those amounts required by a contractual agreement with an insurer to be set aside for the payment of specific workers' compensation claims. Restricted cash included in other long-term assets on the balance sheets consists of cash pledged as collateral for long-term financing arrangements per the contractual requirements of the lender. When the related long-term debt is paid off, the restriction will lapse. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the totals of the same such amounts presented in the statements of cash flows.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,641,523	\$ 6,300,251
Restricted cash	<u>26,117</u>	<u>64,378</u>
Total cash, cash equivalents, and restricted cash presented in the statement of cash flows	<u>\$ 5,667,640</u>	<u>\$ 6,364,629</u>

**WENDELL FOSTER'S CAMPUS
FOR DEVELOPMENTAL DISABILITIES, INC.
Notes to the Financial Statements
October 31, 2022 and 2021**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Flows Information (continued)

Interest paid for the year ended October 31, 2022 and 2021 was \$ 82,498 and \$ 113,783 respectively. Income tax paid was \$ 0 each year.

Wendell Foster is required under Kentucky Revised Statute 528.130(8) to maintain a separate checking account for all gaming activities.

At October 31, 2022, the bank carrying amount of Wendell Foster's cash and cash equivalents was \$5,709,441. Of the total cash balance, \$ 804,243 was covered by Federal depositary insurance and \$4,905,198 was uninsured and uncollateralized.

At October 31, 2021, the bank carrying amount of Wendell Foster's cash and cash equivalents was \$6,356,088. Of the total cash balance, \$ 750,000 was covered by Federal depositary insurance and \$5,606,088 was uninsured and uncollateralized.

Client Accounts Receivable

Wendell Foster reports accounts receivable for services rendered at net realizable amounts due from third-party payers, residents, and others. Wendell Foster provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Client accounts receivable are due in full when billed. Interest is not charged on delinquent accounts. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

Advertising

Advertising costs are charged to expense in the period incurred and totaled \$ 2,050 and \$ 15,539 for the years ended October 31, 2022 and 2021, respectively.

Supplies

Supply inventory consists of medical and food supplies for residents, along with general housekeeping and office supplies. These supplies are valued at cost using the weighted average cost method.

Special Events

Wendell Foster conducts a charity auction each year in September. Auction income was \$ 160,756 and \$154,181 for the years ended October 31, 2022 and 2021, respectively. Direct expenses were \$ 41,753 and \$46,100 for the years ended October 31, 2022 and 2021, respectively.

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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Reclassifications

Certain amounts in 2021 have been reclassified to conform to the 2022 presentation.

Recently Adopted Accounting Standards

On November 1, 2021, Wendell Foster adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure and reclassification of nonfinancial assets on the statements of activities.

Adopted In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires expanded disclosures about revenue recognition. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Wendell Foster adopted ASU 2014-09 on November 1, 2020 using the modified retrospective method of transition. Wendell Foster performed an analysis of revenue streams and transactions under ASU 2014-09. In particular, for net client service revenue, Wendell Foster performed an analysis into the application of the portfolio approach as a practical expedient to group client contracts with similar characteristics, such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract by-contract basis. Upon adoption, the majority of what was previously classified as provision for uncollectible accounts and presented as a reduction to net client service revenue on the statements of operations and changes in net assets is treated as a price concession that reduces the transaction price, which is reported as net client service revenue. The new standard also requires enhanced disclosures related to the disaggregation of revenue and significant judgments made in measurement and recognition. The impact of adopting ASU 2014-09 was not material to total revenues without donor restrictions or increase in net assets.

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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. These amendments are effective for entities other than public business entities, certain non-profit entities, and certain employee benefit plans for fiscal years beginning after December 15, 2019. ASU 2019-10 deferred the effective date for another year to years beginning after December 15, 2020. Application is to be applied using a modified retrospective approach with optional practical expedients and other special transition provisions. Early adoption is permitted. This new standard would have been effective November 2021, however due to the uncertainties surrounding the COVID-19 pandemic, the FASB has granted a one-year effective date delay. Therefore, this new standard will go into effect November 2022. Application is to be applied using a modified retrospective approach with optional practical expedients and other special transition provisions. Management is evaluating the impact of adopting this new accounting standard on the financial statements.

NOTE 2 - PROMISES TO GIVE

Unconditional promises to give consist of the following

	2022	2021
Unrestricted	\$ -	\$ -
Restricted	52,338	130,259
Total unconditional promises to give	52,338	158,999
Less discount to net present value	-	-
	52,338	158,999
Less amounts due within one year	(52,338)	(158,999)
Amounts due in one to five years.	\$ -	\$ -

NOTE 3 – ASSETS LIMITED AS TO USE

At October 31, 2022 and 2021, \$ 526,093 and \$631,545, respectively, are held in a perpetual trust, the investment of which is determined by the trustee rather than Wendell Foster.

**WENDELL FOSTER'S CAMPUS
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NOTE 4 – INVESTMENTS

Investments, stated at fair value, at October 31, 2022 and 2021, include:

	2022			2021		
	Cost	Fair Value	Unrealized Gains (Losses)	Cost	Fair Value	Unrealized Gains (Losses)
Money market funds	\$ 289,801	\$ 289,801	\$ -	\$ 189,429	\$ 189,429	\$ -
Corporate stocks	2,862,984	3,944,883	1,081,899	2,627,035	4,190,377	1,563,342
Fixed income securities	1,199,075	1,089,948	(109,127)	849,677	856,929	7,252
Preferreds/fixed Rate	798,179	696,162	(102,017)	1,094,758	1,121,819	27,061
Mutual funds	1,629,471	1,933,772	304,301	1,593,510	2,535,454	941,944
	<u>6,779,510</u>	<u>7,954,566</u>	<u>1,175,056</u>	<u>6,354,409</u>	<u>8,894,008</u>	<u>2,539,599</u>
Restricted:						
Money market funds	2,078	2,078	-	1,728	1,728	-
Bonds	40,000	40,000	-	44,468	43,769	(699)
	<u>42,078</u>	<u>42,078</u>	<u>-</u>	<u>46,196</u>	<u>45,497</u>	<u>(699)</u>
Total investments	<u>\$ 6,821,588</u>	<u>\$ 7,996,644</u>	<u>\$ 1,175,056</u>	<u>\$ 6,400,605</u>	<u>\$ 8,939,505</u>	<u>\$ 2,538,900</u>
Current	\$ 6,068,307	\$ 7,324,118	\$ 1,255,811	\$ 5,750,232	\$ 8,282,017	\$ 2,531,785
Long-term	711,203	630,448	(80,755)	604,177	611,991	7,814
Restricted	<u>42,078</u>	<u>42,078</u>	<u>-</u>	<u>46,196</u>	<u>45,497</u>	<u>(699)</u>
Total investments	<u>\$ 6,821,588</u>	<u>\$ 7,996,644</u>	<u>\$ 1,175,056</u>	<u>\$ 6,400,605</u>	<u>\$ 8,939,505</u>	<u>\$ 2,538,900</u>

Investment income comprised the following for the years ended October 31 is as follows:

	2022	2021
Investment income:		
Interest and dividend income, net of investment fees	\$ 261,104	\$ 179,380
Perpetual trust distributions	1,000	1,000
Net realized gains	157,071	-
Net unrealized gains and losses	<u>(1,370,877)</u>	<u>1,786,417</u>
Investment income, net	<u>\$ (951,702)</u>	<u>\$ 1,966,797</u>

Investment fees totaled \$ 53,173 and \$ 52,433 for the years ending October 31, 2022 and 2021, respectively.

NOTE 5 – DEFERRED REVENUE

During the year ended October 31, 2020, Wendell Foster received \$321,704 of distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided Wendell Foster is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS). Wendell Foster is accounting for such payments as voluntary nonexchange transactions.

**WENDELL FOSTER'S CAMPUS
FOR DEVELOPMENTAL DISABILITIES, INC.
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NOTE 5 – DEFERRED REVENUE (continued)

Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on Wendell Foster's operating revenues and expenses through October 31, 2022 and 2021, Wendell Foster recognized \$0 and \$313,650, respectively, related to the Provider Relief Fund, and these payments are recorded as contribution revenues in the statements of operations and changes in net assets.

NOTE 6 - LONG-TERM DEBT

Long-term debt at October 31 consists of the following:

	<u>2022</u>	<u>2021</u>
Note payable Old National Bank, due in 6 monthly consecutive interest payments, beginning February 15, 2020 with an interest rate of 3.82%, then 47 monthly payments of \$25,407 (principal and interest), and one estimated balloon payment of \$1,655,181 due July 15, 2024, secured by 815 Triplett building.	1,994,508	2,203,665
Less: unamortized debt issuance costs	<u>(7,946)</u>	<u>(9,137)</u>
	1,986,562	2,194,528
Less: current portion	<u>(217,404)</u>	<u>(208,366)</u>
Long-term debt, net of current portion	<u>\$1,769,158</u>	<u>\$1,986,162</u>

The loan agreement contains various covenants, which among other things, require them to maintain certain financial ratios. As of the date of this report, Wendell Foster was in compliance with all loan covenants.

The future scheduled maturities of long-term debt are as follows:

Years ending October 31:	
2023	\$ 217,404
2024	<u>1,777,104</u>
	<u>\$ 1,994,508</u>

Interest incurred on the above notes amounted to \$82,498 for the year ending October 31, 2022 and \$113,783 for the year ending October 31, 2021.

Forgivable Loans Received Under the Small Business Administration Paycheck Protection Program

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, Wendell Foster obtained a PPP loan for \$2,913,000, which is included in Wendell Foster's loan payable balance at October 31, 2020.

**WENDELL FOSTER'S CAMPUS
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Notes to the Financial Statements
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NOTE 6 - LONG-TERM DEBT (continued)

Forgivable Loans Received Under the Small Business Administration Paycheck Protection Program
(continued)

The note matures in April 2022 and bears interest at a fixed annual rate of 1%, with the first six months of interest deferred. Wendell Foster used all of the proceeds from the note for qualifying expenses and received approval of its application. The loan was forgiven on August 17, 2021. Wendell Foster recognized a gain on forgiveness of the loan, which is shown on the statement of operations as "other income."

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted contributions are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 737,549	\$ 773,636
Additions:		
CORF	2,909	3,361
Maintenance equipment	1,000	14,000
ICF	3,952	1,377
Other	16	16
Recreation Department - Residents	240	45,218
AED devices	7,500	-
Employee meals and rewards	-	9,000
Aktion Club	1,236	520
ICF Sensory Park	9,400	9,274
Security cameras	-	346
New CORF Equipment	15,700	25,384
Speech feeding room	17,130	-
Green Outpatient Therapy Renovation	1,500	158,722
Cares Act for lost revenue	-	313,650
Change in value of perpetual trust	(105,452)	112,654
	<u>(44,869)</u>	<u>693,522</u>
Funds recognized as unrestricted in current year	<u>98,845</u>	<u>729,609</u>
Balance, end of year	<u>\$ 593,835</u>	<u>\$ 737,549</u>

**WENDELL FOSTER'S CAMPUS
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Notes to the Financial Statements
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NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Donor restricted net assets are available for the following purpose or periods as of October 31:

	<u>2022</u>	<u>2021</u>
CORF	\$ 3,541	\$ 2,535
ICF	1,033	163
ICF Sensory Park	-	1,300
Recreation Department - Residents	4,539	41,074
Go Baby Go program event	504	2,252
New CORF equipment	9,000	13,480
AED devices	7,500	-
Day training	-	2,219
Green Outpatient Therapy Renovations	-	1,356
Perpetual trust	<u>567,718</u>	<u>673,170</u>
	<u>\$ 593,835</u>	<u>\$ 737,549</u>

Donor restricted net assets include assets held in a trust administered by a third-party trustee under which Wendell Foster is the income beneficiary, and the principal portion of endowment assets to be invested in perpetuity. The donor restricted perpetual net assets as of October 31 are as follows:

	<u>2022</u>	<u>2021</u>
Assets limited as to use (third-party trust) to be held in perpetuity, the income is unrestricted	\$ 526,093	\$ 631,545
Assets to be held in perpetuity, the income is unrestricted	<u>41,625</u>	<u>41,625</u>
Total perpetual trust assets	<u>\$567,718</u>	<u>\$ 673,170</u>

NOTE 8 - LEASES

Wendell Foster's leasing operations (as lessor) consist principally of the leasing of office, activity and parking facilities and rental homes. Property leased at October 31, 2022 and 2021 include a small portion of Wendell Foster's facilities that is currently not being utilized for services provided by Wendell Foster. All these leases have less than one year in duration remaining.

Wendell Foster's leasing operations (as lessee) during 2022 and 2021 consist of various equipment leases and rental homes. Total rent expense under these lease agreements for the years ended October 31, 2022 and 2021, totaled \$37,120 and \$ 37,620, respectively.

The future minimum lease payments under lessee operations at October 31, 2022 are as follows:

2023	\$ 28,220
2024	13,124
2025	<u>3,764</u>
Total minimum lease payments	<u>\$ 45,108</u>

**WENDELL FOSTER'S CAMPUS
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NOTE 9 - THIRD PARTY REIMBURSEMENT

Wendell Foster is licensed with the Commonwealth of Kentucky, Cabinet for Health Services, Department for Medicaid Services, to provide an intermediate care facility with 63 beds.

In exchange for this service, Wendell Foster was reimbursed \$ 612.78 for each bed day of service for the period July 1, 2020 through June 30, 2021, \$ 630.24 for the period July 1, 2021 through June 30, 2022 and \$ 664.14 for the period July 1, 2022 through October 31, 2022. For the year ended October 31, 2022 and 2021, reimbursements totaling \$ 14,748,724 and \$ 14,223,110, respectively, were received.

Wendell Foster is licensed by the Commonwealth of Kentucky, Cabinet for Health Services, Department for Medicaid Services, to provide staff in each of the seven licensed homes to qualified clients. This program is known as the Community Living Options program (CLO).

In exchange for this service, Wendell Foster was reimbursed \$189.71 for each day of service beginning July 2018. An emergency increase due to COVID-19 was granted beginning March 6, 2020, which increased the rate to \$ 284.57 for certain individuals. For the year ended October 31, 2022 and 2021, reimbursements totaling \$ 1,903,847 and \$1,635,975 were received.

NOTE 10 - CONCENTRATIONS

Revenues

Wendell Foster is primarily supported through its intermediate care facility, comprehensive outpatient rehabilitation facility, and Community Living Options program, accounting for approximately 72.9%, 6.2%, and 11.3% of revenues for the year ended October 31, 2022 and 64.4%, 5.2%, and 9.3% of revenues for the year ended October 31, 2021.

NOTE 11 - RETIREMENT PLAN

Wendell Foster provides a tax-deferred annuity plan covering substantially all employees. Wendell Foster contributes 2% of the eligible employees' annual salaries and matches up to 3% of the eligible employees' voluntary contributions. Wendell Foster's expense related to this plan was \$470,789 and \$418,040 for 2022 and 2021, respectively.

NOTE 12 - RELATED PARTY TRANSACTIONS

Wendell Foster is involved in various transactions with board members including legal fees and other goods and services. These related party transactions totaled \$17,056 and \$20,189 for the years ended October 31, 2022 and 2021, respectively, of which \$6,885 and \$1,500 was payable at each fiscal year end, respectively.

During the years ended October 31, 2022 and 2021, Wendell Foster paid a construction company related to management \$153,811 and \$68,472 for work associated with various capital improvement projects.

NOTE 13 – RISK MANAGEMENT

Wendell Foster maintains professional liability insurance with a commercial carrier for losses up to \$1,000,000 for each professional incident and up to \$3,000,000 in the aggregate. Wendell Foster also maintains general liability insurance with the same limits.

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NOTE 13 – RISK MANAGEMENT (continued)

Wendell Foster maintains malpractice liability insurance with a commercial carrier as part of its professional liability coverage. Claims-made coverage is \$ 1,000,000 per occurrence and \$3,000,000 in the aggregate.

Wendell Foster is subject to various claims and lawsuits arising in the normal course of business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the financial statements. Additionally, management is unaware of any unasserted claims that would have a material effect on the accompanying financial statements, however, claims from unknown incidents may be asserted arising from services provided to clients.

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject Wendell Foster to credit risk consist principally of cash on deposit at financial institutions. Although uninsured cash balances existed at October 31, 2022 and 2021, Wendell Foster reduces this risk by placing its deposits with credit-worthy, high-quality financial institutions.

NOTE 15 – HEALTH SELF-INSURANCE PROGRAM

Wendell Foster has a self-insurance program for its employees' health care costs. Wendell Foster is liable in fiscal 2022 and 2021 for losses on claims up to \$ 100,000 per insured and \$0 aggregate retention amount, with an aggregate excess loss amount, which varies based on participants but was \$1,590,856 and \$1,674,238 at October 31, 2022 and 2021, respectively. Wendell Foster has third party insurance coverage for any losses in excess of such amounts with an unlimited specific lifetime maximum per insured and a maximum annual reimbursement of \$1,000,000.

Self-insurance costs are accrued based on claims reported as of the balance sheet date as well as claims incurred but not reported. The total accrued liability for self-insurance costs was \$ 78,526 and \$83,666 as of October 31, 2022 and 2021, respectively.

NOTE 16 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market. This level includes common stocks, corporate bonds or mutual funds based on the closing price reported in the active market where the securities are traded.
- Level 2—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation, or other means.

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NOTE 16 - FAIR VALUE MEASUREMENTS (continued)

- Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities itemized below were measured at fair value during the year ended using the market and income approaches. The market approach was used for Level 1 and level 2. The income approach was used for Level 3.

Fair values of assets and liabilities measured on a recurring basis at October 31, 2022 are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 291,879	\$ 291,879	\$ -	\$ -
Corporate stocks	3,944,883	3,944,883	-	-
Fixed income sec.	1,129,948	1,129,948	-	-
Preferred/fixed rate	696,162	696,162	-	-
Mutual funds	1,933,772	1,933,772	-	-
Total investments	7,996,644	7,996,644	-	-
Beneficial interest in perpetual trust	526,093	-	-	526,093
Total Assets	\$ 8,522,737	\$ 7,996,644	\$ -	\$ 526,093

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance at November 1, 2021	\$ 631,545
Net activity	(67,465)
Change in market value	(37,987)
Balance October 31, 2022	\$ 526,093

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NOTE 16 - FAIR VALUE MEASUREMENTS (continued)

Fair values of assets and liabilities measured on a recurring basis at October 31, 2021 are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 191,158	\$ 191,158	\$ -	\$ -
Corporate stocks	4,190,376	4,190,376	-	-
Fixed income sec.	900,698	900,698	-	-
Preferred/fixed rate	1,121,819	1,121,819	-	-
Mutual funds	2,535,454	2,535,454	-	-
Total investments	8,939,505	8,939,505	-	-
Beneficial interest in perpetual trust	631,545	-	-	631,545
Total Assets	\$ 9,571,050	\$ 8,939,505	\$ -	\$ 631,545

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance at November 1, 2020	\$ 518,892
Net activity	(9,652)
Change in market value	122,305
Balance October 31, 2021	\$ 631,545

**WENDELL FOSTER'S CAMPUS
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NOTE 16 - FAIR VALUE MEASUREMENTS (continued)

Fair value for the beneficial interest in a perpetual trust is measured using the fair value of the assets held in the trust as reported by the trustee as of October 31, 2022 and 2021. The Organization considers the measurement of its beneficial interest in the trust to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values of the trust assets reported by the trustee, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

NOTE 17 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2022</u>	<u>2021</u>
Financial assets, at year end:		
Cash	\$ 5,667,640	\$ 6,364,629
Accounts receivable	1,889,790	1,718,076
Other receivables	93,851	146,805
Investments	8,522,902	9,571,215
Promises to give	<u>52,338</u>	<u>158,999</u>
Total financial assets, at year end	<u>16,226,521</u>	<u>17,959,724</u>
Less those unavailable for general expenditure within one year:		
Trust assets, restricted in perpetuity	(526,093)	(631,545)
Trust assets, non-perpetual	(41,625)	(41,625)
Investments in bonds with durations greater than 1 year	(630,448)	(611,991)
Mineral interest	(165)	(165)
Donor restrictions for specific purposes	<u>(26,117)</u>	<u>(64,378)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$15,002,073</u>	<u>\$16,610,020</u>

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets, at year end:		
Cash	\$ 5,641,523	\$ 6,300,251
Accounts receivable	1,889,790	1,718,076
Other receivables	93,851	146,805
Investments	7,324,571	8,285,889
Promises to give	<u>52,338</u>	<u>158,999</u>
Total financial assets, at year end	<u>\$15,002,073</u>	<u>\$16,610,020</u>

**WENDELL FOSTER'S CAMPUS
FOR DEVELOPMENTAL DISABILITIES, INC.
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NOTE 17 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

Wendell Foster generates significant cash flows from its client services. Thus, financial assets are generally readily available for general expenditures within one year. The Organization's board of directors approved in 2022 and 2021 distributions from investments of \$390,000 if needed for operations. In the event of further unanticipated liquidity needs, Wendell Foster could use its substantial amount of cash reserves, collect outstanding accounts receivable, liquidate additional investment reserves, open a line of credit with local financial institution, or implement cost cutting measures to enhance operating cash flows.

NOTE 18 - CONTRIBUTED MATERIALS AND SERVICES

Wendell Foster records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

The Organization received the following donated items during the periods ending October 31, 2022 and 2021:

	2022	2021
Supplies	\$ 2,688	\$ 7,424
Promotional items	3,550	7,950
Equipment	62,107	16,257
	<u>\$ 68,345</u>	<u>\$ 31,631</u>

In addition, a number of volunteers have donated over 1,095 and 1,127 hours to Wendell Foster's program and support services for the years ended October 31, 2022 and 2021, respectively. These contributions in-kind are not reflected in the financial statements since these services do not meet the criteria for recognition.

NOTE 19 – NET CLIENT SERVICE REVENUE AND RECEIVABLES

Net client service revenue by major payor source, net of price concessions, for the year ended October 31, 2022, is as follows

	2022		2021	
Medicaid and managed care	\$ 19,518,147	89.1%	\$18,457,336	89.8%
Commercial	877,850	4.0%	872,695	4.3%
Medicare	221,520	1.0%	179,240	0.9%
Contract	1,040,858	4.7%	754,255	3.7%
Self-pay	263,383	1.2%	270,286	1.3%
Net client service revenue	<u>\$ 21,921,758</u>	<u>100.0%</u>	<u>\$20,533,812</u>	<u>100.0%</u>

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NOTE 19 – NET CLIENT SERVICE REVENUE AND RECEIVABLES (continued)

Wendell Foster's concentration of credit risk relating to client receivables is limited due to the diversity of clients and payors. Client receivables consist of amounts due from government programs, commercial insurance companies, other group insurance programs, and private pay clients. Client receivables due from Medicaid account for approximately 95% and 93% at October 31, 2022 and 2021, respectively, of Wendell Foster's total client receivables. Revenues from Medicaid programs account for approximately 93% and 94% for October 31, 2022 and 2021, respectively, of Wendell Foster's net client service revenue. Excluding this payor, no one payor represents more than 10% of Wendell Foster's client receivables or net client service revenue. As a result of certain changes required by ASU 2014-09, the majority of Wendell Foster's provision for uncollectible accounts is recorded as a direct reduction to net client service revenue instead of being presented as a separate line item on the statements of operations and changes in net assets. The adoption of ASU 2014-09 has no impact on Wendell Foster's client receivables as it was historically recorded net of allowance for uncollectible accounts and contractual adjustments on the balance sheets.

NOTE 20 – COVID - 19

On March 11, 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) outbreak a global pandemic. A national state of emergency in the U.S. was declared on March 13, 2020. In mid-March, non-essential procedures and appointments were suspended based on government orders and to preserve hospital beds, equipment and supplies for COVID-19 patients. In May, Wendell Foster began reactivation of non-essential procedures and appointments while implementing several precautions to ensure the safety of clients, caregivers and visitors. Wendell Foster continues to work with public health partners at all levels to maintain the health and safety of clients, caregivers and visitors to prevent the spread of COVID-19. Throughout the pandemic, Wendell Foster has taken, and continues to take, actions to mitigate the effect of the pandemic on its financial condition and results of operations; however, the outcome and ultimate effect of the pandemic on Wendell Foster's financial statements cannot be determined at this time.

Wendell Foster has received support under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, including Provider Relief Funds (PRF). Wendell Foster accounted for the PRF payments as contributions that are recognized as revenue when any related conditions have been substantially met.

The PRF provides funding from the U.S. Department of Health and Human Services (HHS) to healthcare providers to support healthcare-related expenses or lost revenue attributable to COVID-19. Funds received from the PRF represent payments to providers and do not need to be repaid as long as Wendell Foster complies with certain terms and conditions imposed by HHS, including reporting and compliance requirements. See Note 5.

NOTE 21 - SUBSEQUENT EVENTS

As the COVID-19 pandemic continues, Wendell Foster is unable to determine all the short or long-term impacts of the public health crisis on its operations and financial statements as of the date of this report.

Wendell Foster did not have any other subsequent events through February 15, 2023, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended October 31, 2022.

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NOTE 22 - FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing Wendell Foster's programs and other activities is summarized on a functional basis. Expenses that can be directly identified with a specific program or support service are charged directly to that program or service. Costs common to multiple functions have been allocated among various functions benefited using a reasonable allocation method consistently applied. Each year the basis on which the costs are allocated is evaluated.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

A summary of expense by function for the year ended October 31, 2022, is as follows:

	Program Services							Supporting Services			
	Inter- mediate Care Facility	Outpatient Therapies	Community Living Arrange- ments	Day Services	Community Transportation	Assistive Technology	Total	Manage- ment and General	Fund Raising	Total	Total
Salaries and wages	\$ 9,269,231	\$ 983,094	\$1,492,956	\$ 257,564	\$ 276,130	\$ 87,398	\$ 12,366,373	\$2,063,744	\$ -	\$ 2,063,744	\$ 14,430,117
Payroll taxes	710,391	74,888	114,361	19,733	21,588	6,266	947,227	152,628	-	152,628	1,099,855
Employee benefits	1,326,310	146,072	201,677	46,076	35,478	17,868	1,773,481	374,278	-	374,278	2,147,759
Furnishings/equipment	117,694	10,993	16,919	250	536	13,570	159,962	34,463	-	34,463	194,425
Depreciation/amortization	593,204	113,611	41,144	7,248	48,207	3,576	806,990	47,507	-	47,507	854,497
Healthcare Provider Tax	891,660	-	135,935	10,279	-	-	1,037,874	-	-	-	1,037,874
Food/supplements	363,959	-	70,287	-	-	-	434,246	-	-	-	434,246
Vehicle expenses	55,141	-	5,328	-	134,367	-	194,836	-	-	-	194,836
Occupancy	268,569	46,303	109,705	834	3,450	-	428,861	559,299	-	559,299	988,160
Office and supplies	275,437	15,945	8,996	3,678	2,288	8,877	315,221	77,612	-	77,612	392,833
Medical supplies	378,676	-	-	-	-	-	378,676	-	-	-	378,676
Professional services	514,422	59,902	19,573	128	-	1,800	595,825	94,222	-	94,222	690,047
Licenses and fees	2,600	-	-	-	-	-	2,600	9,914	-	9,914	12,514
Staff training/travel	28,098	15,743	3,666	6,996	1,935	5,921	62,359	45,701	-	45,701	108,060
Day Program/Foster Care	2,227	-	415,148	509	-	-	417,884	-	-	-	417,884
Recruiting/retention	5,505	-	75	-	1,535	40	7,155	116,292	-	116,292	123,447
Resident activities	36,742	-	1,286	6	-	9,248	47,282	9,239	-	9,239	56,521
Fundraising and events	-	-	-	-	-	-	-	-	162,989	162,989	162,989
Other	27,967	16,303	276	1,758	-	3,016	49,320	66,762	-	66,762	116,082
	<u>\$ 14,867,833</u>	<u>\$ 1,482,854</u>	<u>\$ 2,637,332</u>	<u>\$ 355,059</u>	<u>\$ 525,514</u>	<u>\$157,580</u>	<u>\$ 20,026,172</u>	<u>\$ 3,651,661</u>	<u>\$162,989</u>	<u>\$ 3,814,650</u>	<u>\$ 23,840,822</u>

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Notes to the Financial Statements
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NOTE 22 - FUNCTIONAL ALLOCATION OF EXPENSES (continued)

A summary of expense by function for the year ended October 31, 2021, is as follows:

	Program Services							Supporting Services			
	Inter- mediate Care Facility	Outpatient Therapies	Community Living Arrange- ments	Day Services	Community Transportation	Assistive Technology	Total	Manage- ment and General	Fund Raising	Total	Total
Salaries and wages	\$ 8,641,567	\$ 939,511	\$1,237,780	\$ 161,759	\$ 159,928	\$ 86,474	\$ 11,227,020	\$1,891,959	\$ -	\$ 1,891,959	\$ 13,118,979
Payroll taxes	659,617	70,952	94,701	12,346	12,252	6,343	856,212	142,534	-	142,534	998,746
Employee benefits	1,131,253	135,270	184,096	27,520	15,395	14,865	1,508,401	319,255	-	319,255	1,827,655
Furnishings/equipment	104,882	8,894	4,323	850	-	9,905	128,854	39,096	-	39,096	167,949
Depreciation/amortization	558,832	102,494	41,144	7,248	61,717	2,546	773,981	30,476	-	30,476	804,457
Healthcare Provider Tax	892,063	-	128,466	4,375	-	-	1,024,905	-	-	-	1,024,905
Food/supplements	315,188	-	53,755	-	-	-	368,943	-	-	-	368,943
Vehicle expenses	40,268	-	4,308	-	63,655	-	108,231	-	-	-	108,231
Occupancy	87,381	50,920	101,990	-	4,472	-	244,762	571,500	-	571,500	816,263
Office and supplies	276,458	17,717	8,055	223	779	6,740	309,973	87,421	-	87,421	397,394
Medical supplies	325,388	-	-	-	-	-	325,388	-	-	-	325,388
Professional services	510,693	42,320	13,669	384	-	1,800	568,865	86,055	-	86,055	654,920
Licenses and fees	2,780	-	-	-	-	-	2,780	7,334	-	7,334	10,114
Staff training/travel	22,862	8,780	3,804	5,103	4,363	1,876	46,788	39,456	-	39,456	86,244
Day Program/Foster Care	858	-	426,978	357	-	-	428,193	-	-	-	428,193
Recruiting/retention	31,299	-	200	-	1,320	40	32,859	115,479	-	115,479	148,338
Resident activities	34,673	-	2,285	34	-	10,842	47,835	10,642	-	10,642	58,477
Fundraising and events	-	-	-	-	-	-	-	-	114,530	114,530	114,530
Other	183,147	30,799	1,713	1,260	-	922	217,842	75,512	-	75,512	293,354
	<u>\$ 13,819,209</u>	<u>\$ 1,407,657</u>	<u>\$ 2,307,267</u>	<u>\$ 221,460</u>	<u>\$ 323,882</u>	<u>\$142,356</u>	<u>\$ 18,221,830</u>	<u>\$ 3,416,718</u>	<u>\$114,530</u>	<u>\$ 3,531,248</u>	<u>\$ 21,753,078</u>