

**JOURNEY FOUND, INC.**

**Financial Statements with  
Independent Auditor's Report**

**June 30, 2020 and 2019**

**JOURNEY FOUND, INC.**

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GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Journey Found, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of Journey Found, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 judgement, 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 Journey Found, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Prior Period Financial Statements

The financial statements of Journey Found, Inc. as of June 30, 2019, were audited by other auditors whose report dated March 9, 2020, expressed an unmodified opinion on those statements.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020 on our consideration of Journey Found, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Journey Found, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Journey Found, Inc.'s internal control over financial reporting and compliance.

Guilford D.P. + Sokolowski, LLC

Middletown, Connecticut  
December 17, 2020

**JOURNEY FOUND, INC.**

**Statements of Financial Position**

**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b><u>Assets</u></b>		
Current assets:		
Cash	\$ 2,478,833	\$ 749,402
Accounts receivable, net	980,809	212,147
Prepaid expenses and other current assets	<u>8,524</u>	<u>18,357</u>
Total current assets	<u>3,468,166</u>	<u>979,906</u>
Property and equipment, net	<u>2,677,523</u>	<u>2,643,561</u>
Other assets:		
Security deposits	<u>95,560</u>	<u>95,560</u>
Total other assets	<u>95,560</u>	<u>95,560</u>
Total assets	<u>\$ 6,241,249</u>	<u>\$ 3,719,027</u>
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Accounts payable	\$ 89,609	\$ 79,101
Accrued expenses	959,545	441,039
Current portion of long-term debt	77,486	71,539
Current portion of capital lease obligations	182,184	172,536
Refundable advances	<u>1,850,000</u>	<u>-</u>
Total current liabilities	<u>3,158,824</u>	<u>764,215</u>
Long-term liabilities:		
Long-term debt, less current portion	1,335,523	1,391,548
Capital lease obligations, less current portion	246,397	214,174
DDS cash advances	<u>526,457</u>	<u>526,457</u>
Total long-term liabilities	<u>2,108,377</u>	<u>2,132,179</u>
Total liabilities	<u>5,267,201</u>	<u>2,896,394</u>
Net assets:		
Without donor restrictions	<u>974,048</u>	<u>822,633</u>
Total net assets	<u>974,048</u>	<u>822,633</u>
Total liabilities and net assets	<u>\$ 6,241,249</u>	<u>\$ 3,719,027</u>

See accompanying notes to financial statements.

**JOURNEY FOUND, INC.**

**Statements of Activities**

**For the years ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b><u>Changes in Net Assets Without Donor Restrictions</u></b>		
Revenues, gains and other support:		
Program service revenue	\$ 15,359,486	\$ 13,396,112
Contributions	57,105	44,565
Fundraising	96,666	97,060
Other	98,387	63,171
Net assets released from satisfaction of program restrictions	-	9,791
Total revenues, gains and other support	<u>15,611,644</u>	<u>13,610,699</u>
Expenses:		
Program services	13,535,916	12,301,360
Supporting services:		
Administrative and general	1,801,765	1,433,646
Fundraising	122,548	164,039
Total supporting services	<u>1,924,313</u>	<u>1,597,685</u>
Total expenses	<u>15,460,229</u>	<u>13,899,045</u>
Change in net assets without donor restrictions	151,415	(288,346)
Net assets without donor restrictions, beginning of year	<u>822,633</u>	<u>1,110,979</u>
Net assets without donor restrictions, end of year	<u>\$ 974,048</u>	<u>\$ 822,633</u>

**Changes in Net Assets With Donor Restrictions**

Net assets released from satisfaction of program restrictions	\$ -	\$ (9,791)
Change in net assets with donor restrictions	-	(9,791)
Net assets with donor restrictions, beginning of year	-	9,791
Net assets with donor restrictions, end of year	<u>\$ -</u>	<u>\$ -</u>
Change in net assets	\$ 151,415	\$ (298,137)
Net assets, beginning of year	<u>822,633</u>	<u>1,120,770</u>
Net assets, end of year	<u>\$ 974,048</u>	<u>\$ 822,633</u>

See accompanying notes to financial statements.

**JOURNEY FOUND, INC.**

**Statement of Functional Expenses**

**For the year ended June 30, 2020**  
*(with comparative totals for 2019)*

	<b>Program Services</b>	<b>Fundraising</b>	<b>Administrative and General</b>	<b>2020 Total Expenses</b>	<b>2019 Total Expenses</b>
Salaries and wages	\$ 9,138,225	\$ 56,782	\$ 973,302	\$ 10,168,309	\$ 9,095,025
Fringe benefits/payroll taxes	2,354,409	22,530	248,857	2,625,796	2,219,588
Total salaries and fringe benefits	11,492,634	79,312	1,222,159	12,794,105	11,314,613
Transportation	204,085	-	6,973	211,058	209,102
Consultants and professional fees	207,529	10,983	178,268	396,780	389,301
Supplies	32,790	4,294	76,816	113,900	108,537
Depreciation and amortization	252,719	-	14,375	267,094	263,852
Repairs and maintenance	78,752	-	4,352	83,104	76,207
Interest	105,708	-	20,766	126,474	110,415
Food supplies	369,969	368	16,429	386,766	370,836
Insurance	52,114	-	12,623	64,737	60,873
Training and conferences	13,909	-	25,826	39,735	37,556
Occupancy	662,105	-	120,857	782,962	775,398
Licenses, dues and subscriptions	-	27	25,306	25,333	20,361
Travel	62,548	-	16,387	78,935	84,839
Miscellaneous	1,054	27,564	60,628	89,246	77,155
Total operating expenses	\$ 13,535,916	\$ 122,548	\$ 1,801,765	\$ 15,460,229	\$ 13,899,045

See accompanying notes to financial statements.

**JOURNEY FOUND, INC.**

**Statement of Functional Expenses**

**For the year ended June 30, 2019**

	<u>Program</u> <u>Services</u>	<u>Fundraising</u>	<u>Administrative</u> <u>and General</u>	<u>Total</u> <u>Expenses</u>
Salaries and wages	\$ 8,253,688	\$ 105,880	\$ 735,457	\$ 9,095,025
Fringe benefits/payroll taxes	2,016,814	23,274	179,500	2,219,588
Total salaries and fringe benefits	<u>10,270,502</u>	<u>129,154</u>	<u>914,957</u>	<u>11,314,613</u>
Transportation	171,468	-	37,634	209,102
Consultants and professional fees	188,036	10,509	190,756	389,301
Supplies	37,277	4,417	66,843	108,537
Depreciation and amortization	263,852	-	-	263,852
Repairs and maintenance	76,207	-	-	76,207
Interest	104,198	-	6,217	110,415
Food supplies	369,979	857	-	370,836
Insurance	48,742	-	12,131	60,873
Training and conferences	37,556	-	-	37,556
Occupancy	630,785	-	144,613	775,398
Licenses, dues and subscriptions	276	-	20,085	20,361
Travel	84,839	-	-	84,839
Miscellaneous	17,643	19,102	40,410	77,155
Total operating expenses	<u>\$ 12,301,360</u>	<u>\$ 164,039</u>	<u>\$ 1,433,646</u>	<u>\$ 13,899,045</u>

See accompanying notes to financial statements.



**JOURNEY FOUND, INC.****Statements of Cash Flows****For the years ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 151,415	\$ (298,137)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	267,094	263,852
Bad debts	46,583	20,413
(Gain) on disposal of property and equipment	(32,674)	(31,022)
Changes in operating assets and liabilities:		
Accounts receivable, net	(790,128)	139,683
Prepaid expenses and other current assets	9,833	25,546
Security deposits	-	(7,433)
Accounts payable	10,508	15,242
Accrued expenses	518,506	87,909
Refundable advances	1,850,000	-
Net cash provided by operating activities	<u>2,031,137</u>	<u>216,053</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	42,000
Purchase of property and equipment	(40,709)	(66,668)
Net cash (used in) investing activities	<u>(40,709)</u>	<u>(24,668)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	22,000	-
Payments on long-term debt	(72,076)	(64,884)
Proceeds from line of credit	2,150,000	-
Payments on line of credit	(2,150,000)	-
Payments on capital lease obligations	(210,921)	(182,693)
Net cash (used in) financing activities	<u>(260,997)</u>	<u>(247,577)</u>
Net increase (decrease) in cash	1,729,431	(56,192)
Cash, beginning of year	<u>749,402</u>	<u>805,594</u>
Cash, end of year	<u>\$ 2,478,833</u>	<u>\$ 749,402</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	<u>\$ 126,474</u>	<u>\$ 110,415</u>
<b>Non-cash transactions:</b>		
Property and equipment acquired through capital lease obligations	<u>\$ 280,841</u>	<u>\$ 144,947</u>
Property and equipment acquired through long-term debt	<u>\$ -</u>	<u>\$ 507,942</u>

See accompanying notes to financial statements.

# JOURNEY FOUND, INC.

## Notes to Financial Statements

June 30, 2020 and 2019

### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of organization

Journey Found, Inc. (the Organization) was founded in May 2013 and manages residential facilities in Central and Southeastern Connecticut and community day programs for individuals with special needs. The Organization also manages continuous residential supports and in-home supports for individuals with special needs.

#### Summary of significant accounting policies:

##### Basis of accounting and presentation

The accounts of the Organization are maintained, and the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. They are described as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

##### Recent accounting pronouncements adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* including amendments. This update establishes a comprehensive revenue recognition standard. The core principle of the guidance is that an entity should recognize 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. The Organization implemented this ASU using a modified retrospective method of application as of July 1, 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. If the transaction is deemed to be a contribution, the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction, which will then govern the revenue and expense recognition methodology and timing of the transaction. This ASU was adopted on July 1, 2019.

The adoption of these standards did not have a material impact on our financial position or results of operations for any periods presented and a cumulative adjustment was not recorded to our beginning net asset balance.

##### Use of estimates

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

# **JOURNEY FOUND, INC.**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

### **Income taxes**

The Organization has received exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(vi).

Management has reviewed the Organization's reporting and believe they have not taken tax positions that are more likely than not to be determined to be incorrect by the Internal Revenue Service and therefore, no adjustments or disclosures are required. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

### **Cash and cash equivalents**

For the purpose of the statements of cash flows, the Organization considers all highly liquid investments available for current use, with an initial maturity of three months or less when purchased, to be cash equivalents. The Organization had no cash equivalents as of June 30, 2020 and 2019.

### **Accounts receivable**

The Organization has accounts receivable primarily related to grants and third-party reimbursements. Based on historical experience, grants are considered fully collectible. Management performs an assessment of collectability related to other receivables and will write off receivables from individuals and other sources after all attempts at collection are exhausted. When appropriate, management maintains an allowance for doubtful accounts, which is based on a review of significant delinquent balances and past collection experience. The allowance for doubtful accounts at June 30, 2020 and 2019 was \$71,700 and \$0, respectively.

### **Property and equipment**

The Organization follows the practice of capitalizing all property and equipment with a cost exceeding \$2,500 or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets with a range in lives from 2 to 30 years. Repairs and maintenance are charged to expense as incurred.

### **Realization of long-lived assets**

Management evaluates the long-lived assets for impairment using an undiscounted cash flow method whenever events or circumstances indicate the carrying value of an asset may not be recoverable. There were no impairment losses related to long-lived assets as of June 30, 2020 and 2019.

### **Refundable advances**

The Organization presents refundable advances when grant advances and other revenue exceed the eligible costs incurred. Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors.

### **Revenue recognition**

#### ***Contributions***

The Organization receives contributions to support operating activities, endowments and capital projects. These contributions can be from individuals, foundations, corporations or trusts. The Organization records contributions receivable, net of allowances for estimated uncollectable amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional gifts, with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

# JOURNEY FOUND, INC.

## Notes to Financial Statements

June 30, 2020 and 2019

### *Contributions, continued*

The Organization reports gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets, as support without donor restrictions if all such donor restrictions are met in the year the award is received. Gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets are reported as net assets with donor restrictions if such donor stipulations are not fully met in the year the award is received. When a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. However, many volunteers have donated significant amounts of time in supporting the Organization's mission and fundraising campaign.

### *Government grant and contracts*

The Organization receives grant and contract funding from various federal and state governments, which may be considered exchange transactions or contributions. The funding received is to provide a variety of program services to the public based on certain performance requirements included in the agreement and/or the incurrence of allowable qualifying expenses and other requirements. Grants and contracts considered to be contributions are representative of nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions. Public support is recognized as revenue when conditions are satisfied, typically when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization recognizes grants and contracts considered to be exchange transactions once the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided. The revenue recognized would be reported at the amount reflecting the consideration the Organization expects to receive in exchange for the services provided.

Conditional government grants and contracts not recognized as of June 30, 2020 totaled \$12,551,497.

The Organization received Paycheck Protection Program (PPP) funds from the SBA in April 2020 that is being accounted for as a grant under ASC 958-605 and is shown as a refundable advance within the statements of financial position.

Because the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *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. There are no incremental costs of obtaining a contract and no significant financing components.

### *Special events*

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to the donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

### **Functional allocation of expenses**

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of activities and by nature and function in the statements of functional expenses. The Organization charges direct expenses incurred for a specific function directly to the program or supporting service category. These costs are those that can be specifically identified as being incurred for the activities of that program or supporting service. Other costs incurred that benefit more than one program or supporting service are allocated. Expenses allocated based on square footage include occupancy charges, building operations, technology, depreciation and amortization. Salaries, not directly

# JOURNEY FOUND, INC.

## Notes to Financial Statements

June 30, 2020 and 2019

### Functional allocation of expenses, continued

charged, are allocated on the basis of estimates of time and effort. Employee benefits are allocated based on the program percentage of salary. Administrative and general expenses are allocated based on the percentage of a program expense to the total. The Organization reevaluates its allocation method each year.

### Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through December 17, 2020, which is the date the financial statements were available to be issued.

### Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

### NOTE 2 – CONCENTRATIONS

The Organization maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federal depository insurance limits. At June 30, 2020 the cash balance exceeded the federally insured limit by \$2,191,970.

A substantial portion of the Organization's revenue is derived from grant contracts. Since the contracts are evidenced by signed contracts with government and other agencies, management believes there is nominal credit risk associated with any outstanding grants receivable. For the years ended June 30, 2020 and 2019, approximately 81% and 83% of its revenue is due from the State of Connecticut Department of Developmental Services (DDS), respectively. Approximately 100% and 0% of its accounts receivable is due from DDS, respectively.

### Collective bargaining agreement

The Organization has an agreement with the New England Health Care Employees Union. The collective bargaining agreement pertains to approximately 70% and 82% of the Organization's employees for the years ended June 30, 2020 and 2019, respectively. The agreement is effective through March 31, 2021.

### NOTE 3 – LIQUIDITY AND AVAILABILITY

The Organization manages its liquid resources by focusing on collecting receivables timely to maximize the cash collections due to the Organization. The Organization prepares budgets and monitors expenses. The Organization took out two lines of credit totaling \$1,200,000, to assist in meeting cash needs if they experience a lag between the receipt of contributions and grants and the payment of costs, which will be a last resort option for the Organization.

The Organization's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$2,478,833	\$749,402
Accounts receivable	<u>980,809</u>	<u>212,147</u>
	<u>\$3,459,642</u>	<u>\$961,549</u>

### NOTE 4 – ACCOUNTS RECEIVABLE/DDS BRIDGE FUNDING ADVANCES

The Organization retains bridge funding advances from DDS to fund the cash flow requirements of the Organization's DDS programs in the amount of \$1,032,937 as of June 30, 2020 and 2019.

# JOURNEY FOUND, INC.

## Notes to Financial Statements

June 30, 2020 and 2019

### Accounts receivable/DDS bridge funding advances, continued

As shown below, these advances are offset against DDS accounts receivable on the accompanying statements of financial position.

	<u>2020</u>	<u>2019</u>
DDS accounts receivable	\$2,013,945	\$1,006,892
Less: DDS advance	<u>1,032,937</u>	<u>1,032,937</u>
Net DDS receivable (advance)	981,008	(26,045)
Room and board	62,387	38,248
Other receivables	9,114	199,944
Less: allowance for doubtful accounts	<u>(71,700)</u>	<u>-</u>
Accounts receivable, net	<u>\$ 980,809</u>	<u>\$ 212,147</u>

### NOTE 5 – LINES OF CREDIT

The Organization has two lines of credit with limits of \$900,000 and \$300,000 which provides borrowings up to a maximum of \$900,000 and \$300,000, respectively. Borrowings under these lines bear interest at The Wall Street Journal prime rate plus 1% and are collateralized by all business assets of the Organization. There were no outstanding balances on the lines of credit at June 30, 2020 and 2019.

### NOTE 6 – LONG-TERM DEBT

Long-term debt consists of the following at June 30:

#### Mortgages payable

	<u>2020</u>	<u>2019</u>
6.00% note payable to DDS, collateralized by real estate. Monthly principal and interest payments of \$2,350 are payable through September 2037.	\$ 302,622	\$ 312,347
6.63% mortgages payable to Connecticut Housing Finance Authority (CHFA), collateralized by real estate. Monthly principal and interest payments of \$2,311 are payable through October 2030.	183,267	195,230
6.93% mortgages payable to CHFA, collateralized by real estate. Monthly principal and interest payments of \$2,627 are payable through August 2027.	157,797	174,227
6.93% mortgage payable to CHFA, collateralized by real estate. Monthly principal and interest payments of \$2,159 are payable through February 2028.	136,522	149,569
6.93% mortgage payable to CHFA, collateralized by real estate. Monthly principal and interest payments of \$2,129 are payable through September 2026.	114,005	127,880
6.00% notes payable to DDS, collateralized by real estate. Monthly principal and interest payments of \$3,045 are payable through October 2048.	497,334	503,834

**JOURNEY FOUND, INC.**

**Notes to Financial Statements**

**June 30, 2020 and 2019**

**Mortgages payable, continued**

	<u>2020</u>	<u>2019</u>
6.00% note payable to DDS, collateralized by real estate. Monthly principal and interest payments of \$186 are payable through November 2034.	\$ <u>21,462</u>	\$ <u>-</u>
	1,413,009	1,463,087
Less: current portion	<u>(77,486)</u>	<u>(71,539)</u>
 Total	 <u>\$1,335,523</u>	 <u>\$1,391,548</u>

Future maturities of the long-term debt are as follows:

2021	\$ 77,486
2022	82,875
2023	88,641
2024	94,810
2025	101,410
Thereafter	<u>967,787</u>
 Total	 <u>\$1,413,009</u>

Interest expense was \$92,317 and \$86,027 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 7 – CAPITAL LEASE OBLIGATIONS**

The Organization leased vehicles under capital leases that expire at various times through June 30, 2024. Accordingly, the assets were capitalized and have the following book values at June 30:

	<u>2020</u>	<u>2019</u>
Vehicles	\$ 825,349	\$ 772,337
Less: accumulated amortization	<u>(357,410)</u>	<u>(371,744)</u>
 Total	 <u>\$ 467,939</u>	 <u>\$ 400,593</u>

Related interest expense for the years ended June 30, 2020 and 2019 was \$13,899 and \$18,172, respectively. Amortization expense relating to the capital lease obligations for the years ended June 30, 2020 and 2019 was \$193,001 and \$193,990, respectively. Amortization of the assets under the capital leases is included in depreciation expense.

At June 30, 2020, future minimum lease payments due under the capital leases are as follows:

2021	\$ 202,157
2022	107,353
2023	108,264
2024	50,758
2025	<u>-</u>
 Total future minimum lease payments	 468,532
Less: amount representing interest	<u>(39,951)</u>
 Present value of net minimum lease payments	 428,581
Less: current portion capital lease obligation	<u>(182,184)</u>
 Long-term portion capital lease obligation	 <u>\$ 246,397</u>

**JOURNEY FOUND, INC.**

**Notes to Financial Statements**

**June 30, 2020 and 2019**

**NOTE 8 – OPERATING LEASES**

**Real estate**

The Organization is leasing 20 facilities as of June 30, 2020, expiring at various times through February 2024. The Organization leases administrative office space through February 2024. Monthly payments for the leased facilities and office space range between \$1,150 and \$7,061. The Organization is responsible for utilities, maintenance and insurance. Related rent expense for the years ended June 30, 2020 and 2019 was \$433,439 and \$431,759, respectively.

**Furniture and equipment**

The Organization also leases office equipment ranging from \$35 to \$345 per month through September 2020. Equipment lease expense for the years ended June 30, 2020 and 2019 was \$35,320 and \$31,327, respectively.

Future minimum lease payments due under all noncancelable operating leases are as follows:

2021	\$238,697
2022	133,596
2023	104,671
2024	18,160
2025	-
Thereafter	<u>-</u>
Total	<u>\$495,124</u>

**NOTE 9 – DDS CASH ADVANCES**

When a facility commences operations, the Organization may receive an operational advance equal to the service revenue for one month based on full capacity. These operational advances are applied against the final reimbursement when a facility ceases their agency relationship with DDS. Total operational advances were \$526,457 for both years ended June 30, 2020 and 2019.

**NOTE 10 – REFUNDABLE ADVANCE (PPP)**

In April 2020, the Organization received a Paycheck Protection Program (PPP) loan of \$1,850,000 granted by the U.S. Small Business Administration (the SBA) pursuant to Title 1 of the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). While the Payroll Protection Program funds are known as a loan, the Organization is treating them as a cost-reimbursement grant from the government for accounting purposes. Management considers PPP loans to be conditional contributions, with a right-of-return in the form of an obligation to be repaid if barriers to entitlement are not met. These barriers include qualifying expenses to be used to pay for payroll costs, including salaries, commissions and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain other outstanding debt. Management considers the review of the Organization's application for forgiveness by the lender and the SBA, as well as potential audits, to be administrative in nature rather than barriers to entitlement. While the primary barriers are identifiable, the evolving nature of guidance has not been adequately met at June 30, 2020. Accordingly, for the year ended June 30, 2020, the Organization did not recognize any contribution income as management had not yet concluded that any portion of the barriers has been met with certainty. The balance of the PPP loan is reported as a refundable advance in the accompanying statements of financial position.

At the time of issuance of the financial statements, notice of forgiveness has not been received from the lender. If not forgiven, the lending institution will provide the Organization with a schedule of payments once the amounts to be forgiven have been determined and the principal balance to be repaid becomes known. Any portion of the loan that must be repaid will bear interest at the rate of 1% per annum and shall be due and payable in full in April 2022. At June 30, 2020 this represents a conditional government grant not recognized in the amount of \$1,850,000.



**JOURNEY FOUND, INC.**

**Notes to Financial Statements**

**June 30, 2020 and 2019**

**NOTE 11 – PENSION PLAN**

The Organization maintains a 403(b) retirement plan covering all eligible employees. Annually, the Board of Directors determines the profit-sharing contribution, if any, to the plan. The Organization contributed \$50,000 and \$20,000 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 12 – CONTINGENCIES**

**Litigation**

The Organization is subject to legal proceedings, claims and liabilities which arise in the ordinary course of business. In the opinion of management, the amount of the ultimate liability with respect to those actions will not materially affect the Organization's financial position or cash flows.

**NOTE 13 – RISKS AND UNCERTAINTIES**

Recently, the outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. Depending on the severity and length of the outbreak, the novel coronavirus could present material uncertainty and risk with respect to this entity and its operations and financial results.