

**PRESBYTERIAN HOMES AND
FAMILY SERVICES, INCORPORATED
dba HumanKind**

LYNCHBURG, VIRGINIA

FINANCIAL STATEMENTS

**YEARS ENDED
DECEMBER 31, 2021 AND 2020**

**PRESBYTERIAN HOMES AND
FAMILY SERVICES, INCORPORATED
Dba HumanKind**

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
Presbyterian Homes and Family Services, Incorporated dba HumanKind
Lynchburg, Virginia**

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Presbyterian Homes and Family Services, Incorporated dba HumanKind ("HumanKind") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of HumanKind as of December 31, 2021 and 2020, 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 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HumanKind and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 HumanKind'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 auditors' 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 and *Government 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 and *Government 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 HumanKind'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 HumanKind'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2022, on our consideration of HumanKind'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 HumanKind'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 HumanKind's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
June 1, 2022

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- Financial Statements -

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PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
dba HumanKind
Statements of Financial Position
At December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 1,127,430	\$ 1,216,583
Accounts receivable, net of allowance for uncollectible accounts of \$145,314 and \$123,222 in 2021 and 2020	1,561,327	1,481,458
Contributions receivable	122,931	38,424
Prepaid expenses	124,752	87,308
Bequests and gift annuities receivable	20,850	18,656
Beneficial interest in perpetual trusts	5,051,728	4,635,366
Investments	30,141,810	27,324,557
Movie investment	50,000	50,000
Land, buildings, and equipment, net of accumulated depreciation	<u>11,752,652</u>	<u>9,975,236</u>
Total assets	<u>\$ 49,953,480</u>	<u>\$ 44,827,588</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable, trade	\$ 762,752	\$ 1,000,771
Accrued compensation and other expenses	169,754	177,043
Deferred revenue	-	261,484
Line of credit	177,968	-
Notes payable	<u>4,602,658</u>	<u>3,678,152</u>
Total liabilities	<u>\$ 5,713,132</u>	<u>\$ 5,117,450</u>
Net Assets		
Without donor restrictions	\$ 32,267,062	\$ 28,919,597
With donor restrictions	<u>11,973,286</u>	<u>10,790,541</u>
Total net assets	<u>\$ 44,240,348</u>	<u>\$ 39,710,138</u>
Total liabilities and net assets	<u>\$ 49,953,480</u>	<u>\$ 44,827,588</u>

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

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
dba HumanKind
Statement of Activities
Year Ended December 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions			
Bequests	\$ 8,078	\$ -	\$ 8,078
Individuals, churches, foundations and corporations	476,591	429,843	906,434
In-kind donations	-	92,508	92,508
Total contributions	\$ 484,669	\$ 522,351	\$ 1,007,020
Program related revenue			
Tuition and resident fees	\$ 216,954	\$ -	\$ 216,954
Medicaid	3,205,623	-	3,205,623
Grants	5,882,428	-	5,882,428
Other	1,336,205	-	1,336,205
Total program related revenue	\$ 10,641,210	\$ -	\$ 10,641,210
Other revenue (loss)			
Investment return	\$ 3,153,006	\$ 679,682	\$ 3,832,688
Distributions from perpetual trusts	155,609	50,679	206,288
Net unrealized gain (loss), perpetual trusts	-	416,362	416,362
Net unrealized gain (loss), gift annuities	-	2,194	2,194
Net unrealized gains, bequests			-
Gain (loss) on disposal of assets	419,454	-	419,454
PPP loan forgiveness	1,576,642	-	1,576,642
Other	373,996	121,211	495,207
Total other revenue (loss)	\$ 5,678,707	\$ 1,270,128	\$ 6,948,835
Net assets released from restrictions			
Satisfaction of restrictions	\$ 609,734	\$ (609,734)	\$ -
Total revenues, gains, and other support	\$ 17,414,320	\$ 1,182,745	\$ 18,597,065
Expenses			
Supporting services			
Administrative services	\$ 2,366,834	\$ -	\$ 2,366,834
Development	960,481	-	960,481
Program services			
Community based services	7,133,253	-	7,133,253
Residential services	3,606,287	-	3,606,287
Total expenses	\$ 14,066,855	\$ -	\$ 14,066,855
Changes in net assets	\$ 3,347,465	\$ 1,182,745	\$ 4,530,210
Net assets at beginning of year	28,919,597	10,790,541	39,710,138
Net assets at end of year	\$ 32,267,062	\$ 11,973,286	\$ 44,240,348

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

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
dba HumanKind
Statement of Activities
Year Ended December 31, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions			
Bequests	\$ 2,000	\$ -	\$ 2,000
Individuals, churches, foundations and corporations	295,251	180,845	476,096
In-kind donations	-	32,966	32,966
Total contributions	\$ 297,251	\$ 213,811	\$ 511,062
Program related revenue			
Tuition and resident fees	\$ 332,463	\$ -	\$ 332,463
Medicaid	2,041,947	-	2,041,947
Grants	4,564,011	-	4,564,011
Other	951,313	-	951,313
Total program related revenue	\$ 7,889,734	\$ -	\$ 7,889,734
Other revenue (loss)			
Investment return	\$ 589,819	\$ (72,073)	\$ 517,746
Distributions from perpetual trusts	400,277	49,550	449,827
Net unrealized gain (loss), perpetual trusts	-	832,132	832,132
Net unrealized gains (loss), gift annuities	-	1,939	1,939
PPP loan forgiveness	1,456,900	-	1,456,900
Other	27,774	56,083	83,857
Total other revenue (loss)	\$ 2,474,770	\$ 867,631	\$ 3,342,401
Net assets released from restrictions			
Satisfaction of restrictions	\$ 312,797	\$ (312,797)	\$ -
Total revenues, gains, and other support	\$ 10,974,552	\$ 768,645	\$ 11,743,197
Expenses			
Supporting services			
Administrative services	\$ 2,270,807	\$ -	\$ 2,270,807
Development	856,935	-	856,935
Program services			
Community based services	5,733,442	-	5,733,442
Residential services	2,478,490	-	2,478,490
Total expenses	\$ 11,339,674	\$ -	\$ 11,339,674
Changes in net assets	\$ (365,122)	\$ 768,645	\$ 403,523
Net assets at beginning of year	29,284,719	10,021,896	39,306,615
Net assets at end of year	\$ 28,919,597	\$ 10,790,541	\$ 39,710,138

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

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
dba HumanKind
Statement of Functional Expenses
Year Ended December 31, 2021

	Supporting Services		
	Administrative Services	Development	Total
Auto Expenses	\$ 2,331	2,281	\$ 4,612
Bad Debt Expense	-	-	-
Board Expenses	698	-	698
Community Relations	8,012	3,489	11,500
Computer Expenses	99,385	8,305	107,690
Depreciation	431,311	-	431,311
Direct Mail Appeals	-	19,689	19,689
Dues	7,768	1,515	9,283
Electricity and Water	40,636	19,631	60,267
Employee Insurance	85,143	67,206	152,350
Food Purchases	-	-	-
Fuel	-	-	-
Household Supplies	-	-	-
In-Kind Donations	-	17,553	17,553
Insurance	20,686	7,623	28,309
Interest Expense	128,570	-	128,570
Medicaid Contractor	-	-	-
Medical Attention & Drugs	-	-	-
Miscellaneous	47,001	6	47,007
Office Supplies	12,667	3,700	16,368
Payroll Taxes	68,136	33,579	101,715
Pensions	67,874	25,027	92,901
Postage	3,515	10,968	14,482
Printing	-	18,502	18,502
Professional Fees	64,883	-	64,883
Professional Resources	195,769	58,239	254,008
Promotion	376	135,606	135,982
Rent	-	-	-
Repairs & maintenance	-	-	-
Salaries	993,336	463,965	1,457,300
School & Education	-	-	-
Small Equip & Tools	-	-	-
Staff Training	28,136	25,406	53,542
Student/Resident Expenses	-	-	-
Telephone	18,918	2,142	21,060
Travel	41,683	36,050	77,733
Totals	\$ 2,366,834	\$ 960,481	\$ 3,327,315

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

Program Services				
Community Based Services	Residential Services	Total	Total Expenses	
\$ 132,382	\$ 11,871	\$ 144,253	\$ 148,864	
7,743	-	7,743	7,743	
-	-	-	698	
-	-	-	11,500	
85,008	9,255	94,263	201,954	
-	-	-	431,311	
-	-	-	19,689	
7,043	1,539	8,582	17,865	
164,886	22,798	187,685	247,952	
623,057	176,870	799,927	952,277	
1,041	32,803	33,844	33,844	
27,924	3,619	31,543	31,543	
61,374	14,330	75,704	75,704	
57,900	-	57,900	75,453	
66,141	29,272	95,413	123,722	
-	-	-	128,570	
103	1,917,830	1,917,933	1,917,933	
15,438	1,756	17,194	17,194	
8,255	16,391	24,646	71,653	
47,060	11,384	58,444	74,812	
311,948	75,297	387,245	488,960	
186,923	53,780	240,703	333,604	
2,864	1,247	4,111	18,593	
3,564	-	3,564	22,066	
23,135	-	23,135	88,019	
12,156	10,619	22,775	276,784	
6,681	303	6,984	142,967	
341,734	36,355	378,089	378,089	
492,229	27,333	519,562	519,562	
4,217,182	1,085,888	5,303,070	6,760,370	
121,755	-	121,755	121,755	
1,306	1,656	2,962	2,962	
43,215	4,257	47,472	101,014	
933	46,039	46,972	46,972	
40,303	6,250	46,553	67,613	
21,968	7,545	29,513	107,247	
<u>\$ 7,133,253</u>	<u>\$ 3,606,287</u>	<u>\$ 10,739,540</u>	<u>\$ 14,066,855</u>	

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
dba HumanKind
Statement of Functional Expenses
Year Ended December 31, 2020

	Supporting Services		
	Administrative Services	Development	Total
Auto expenses	\$ 1,652	1,280	\$ 2,932
Bad debt expense	18,950	-	18,950
Board expenses	747	-	747
Community relations	9,767	243	10,010
Computer expenses	324,209	3,341	327,550
Depreciation	473,011	-	473,011
Direct mail appeals	-	39,260	39,260
Dues	9,129	1,155	10,284
Electricity and water	1,234	1,234	2,468
Employee insurance	73,083	56,460	129,543
Food purchases	-	-	-
Fuel	-	-	-
Household supplies	-	-	-
In-kind donations	-	18,358	18,358
Insurance	19,601	8,853	28,454
Interest expense	102,396	-	102,396
Investment consultant	-	-	-
Medicaid contract services	-	-	-
Medical attention and drugs	-	-	-
Miscellaneous	24,222	760	24,982
Office supplies	8,685	4,057	12,742
Payroll taxes	63,042	26,333	89,375
Pension	62,284	22,944	85,228
Postage	1,885	2,086	3,971
Printing	-	18,078	18,078
Professional fees	58,567	-	58,567
Professional resources	62,593	144,796	207,389
Promotion	-	100,467	100,467
Rent	-	-	-
Repairs and maintenance	-	-	-
Salaries	896,961	361,210	1,258,171
School and education	-	-	-
Small equipment and tools	-	-	-
Staff training	35,505	32,805	68,310
Student/resident expenses	-	-	-
Telephone	14,356	2,506	16,862
Travel	8,928	10,709	19,637
Totals	\$ <u>2,270,807</u>	\$ <u>856,935</u>	\$ <u>3,127,742</u>

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

Program Services					
Community Based Services		Residential Services	Total	Total Expenses	
\$	423,507	\$ 11,670	\$ 435,177	\$	438,109
	30,038	-	30,038		48,988
	-	-	-		747
	-	-	-		10,010
	67,214	137	67,351		394,901
	-	-	-		473,011
	-	-	-		39,260
	6,827	1,678	8,505		18,789
	84,729	27,862	112,591		115,059
	519,038	176,949	695,987		825,530
	5,919	51,133	57,052		57,052
	21,193	3,959	25,152		25,152
	92,546	19,740	112,286		112,286
	14,608	-	14,608		32,966
	61,082	33,395	94,477		122,931
	513	-	513		102,909
	-	-	-		-
	15	714,495	714,510		714,510
	1,349	6,733	8,082		8,082
	19,543	-	19,543		44,525
	55,588	10,776	66,364		79,106
	259,612	81,869	341,481		430,856
	188,268	69,036	257,304		342,532
	3,157	800	3,957		7,928
	-	-	-		18,078
	10,458	-	10,458		69,025
	3,559	5,470	9,029		216,418
	6,559	1,579	8,138		108,605
	100,231	-	100,231		100,231
	233,460	50,222	283,682		283,682
	3,416,976	1,140,700	4,557,676		5,815,847
	2,065	-	2,065		2,065
	1,859	4,546	6,405		6,405
	46,898	2,925	49,823		118,133
	604	48,867	49,471		49,471
	39,430	11,196	50,626		67,488
	16,597	2,753	19,350		38,987
\$	<u>5,733,442</u>	<u>\$ 2,478,490</u>	<u>\$ 8,211,932</u>	\$	<u>11,339,674</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
dba HumanKind
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 4,530,210	\$ 403,523
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	431,311	473,011
(Gain) loss on disposal of assets	195,429	194,408
Realized and unrealized (gains) losses on investments	(3,973,444)	(634,934)
Income on investments	140,756	117,188
PPP loan forgiveness	(1,576,642)	(1,456,900)
(Increase) decrease in operating assets:		
Accounts receivable, net	(79,869)	(566,466)
Pledges receivable	(84,507)	20,776
Prepaid expenses	(37,444)	(23,428)
Bequests and gift annuities receivable	(2,194)	(1,938)
Beneficial interest in perpetual trusts	(416,362)	(832,132)
Increase (decrease) in operating liabilities:		
Accounts payable, trade	(238,019)	683,972
Accrued compensation and other expenses	(7,289)	(139,537)
Deferred revenue	(261,484)	261,484
Net cash provided by (used for) operating activities	<u>\$ (1,379,548)</u>	<u>\$ (1,500,973)</u>
Cash flows from investing activities		
Purchases of land, buildings, and equipment	\$ (2,404,156)	\$ (967,506)
Net change in investments	<u>1,015,435</u>	<u>667,035</u>
Net cash provided by (used for) investing activities	<u>\$ (1,388,721)</u>	<u>\$ (300,471)</u>
Cash flows from financing activities		
Issuance of note payable	\$ 1,401,000	\$ 3,658,761
Proceeds from line of credit	397,059	-
Proceeds from PPP loan	1,576,642	1,456,900
Payments on line of credit	(219,091)	-
Principal retirement of notes payable	<u>(476,494)</u>	<u>(3,049,012)</u>
Net cash provided by (used for) financing activities	<u>\$ 2,679,116</u>	<u>\$ 2,066,649</u>
Net increase (decrease) in cash and cash equivalents	\$ (89,153)	\$ 265,205
Cash and cash equivalents at beginning of year	<u>1,216,583</u>	<u>951,378</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,127,430</u></u>	<u><u>\$ 1,216,583</u></u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	<u><u>\$ 128,570</u></u>	<u><u>\$ 117,941</u></u>

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

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
dba Humankind

Notes to Financial Statements
At December 31, 2021 and 2020

NOTE 1 – NATURE OF ORGANIZATION

The financial statements of Presbyterian Homes and Family Services, Incorporated dba HumanKind (“HumanKind”) have been prepared on the accrual basis. HumanKind provides high-quality prevention, education, economic empowerment, mental health, and residential services to individuals, families, and communities. Various services are provided in many cities and counties across Virginia with offices or residential facilities located in Fredericksburg, Lexington, Lynchburg, Richmond, South Hill, Stuarts Draft, and Zuni, Virginia. Accounting policies considered to be significant are described below.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.
- *Net assets with donor restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions

Unconditional promises to give are recorded in the period in which the promise is received and allowances are provided for promises estimated to be uncollectible. Promises to give are received from a broad base of individuals, churches, corporations, and foundations. Pledges and bequests expected to be received after one year have been discounted at 5%. Management records bequests receivables at a conservative estimate of asset value.

Contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations which limit their use. When donor restrictions are satisfied, 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. When donor restrictions are satisfied in the year the gift is recognized, the amounts are reported as net assets without donor restrictions.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
dba HumanKind

Notes to Financial Statements
At December 31, 2021 and 2020 (Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Contributions: (Continued)

Contributions of property and equipment are recorded as support at their estimated fair value. Such contributions are reported as net assets without donor restrictions unless the donor has restricted the contributed asset to a specific purpose. Assets contributed with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those contributed assets must be maintained, HumanKind reports expirations of donor restrictions when the contributed or acquired assets are placed in service as instructed by the donor. HumanKind reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Cash and Cash Equivalents

HumanKind considers cash and cash equivalents to include cash on hand and temporary investments purchased with an original maturity of three months or less.

HumanKind has been designated as representative payee for a number of residents receiving benefits from the Social Security Administration (“SSA”). In accordance with SSA guidelines, HumanKind maintains a separate bank account for funds received on behalf of these residents.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight line basis. Betterments and major renewals which extend the lives of properties are capitalized and maintenance, repairs, and minor renewals are expensed as costs are incurred. Acquisitions of buildings and equipment in excess of \$2,500 are capitalized.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values, as determined by quoted market prices, in the statements of financial position. Investments in private investment funds are reported at estimated fair value. Realized and unrealized gains and losses on investments are reflected in the statements of activities. Management believes the carrying value of real estate investments is not less than fair market value. Investment return that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires or is satisfied during the reporting period in which the investment return is recognized.

HumanKind has a spending policy, based on the total return concept that governs the rate at which funds are transferred from the Endowment Fund to the operating budget. The spending policy, in general, allows for spending at a specified percentage of average investment market value for the previous twelve quarters. The spending rate is determined annually by the Programs and Resources Committee and voted upon by the Board of Directors as part of the budgeting process.

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Notes to Financial Statements
At December 31, 2021 and 2020 (Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Accounts Receivable

Accounts receivable consist of amounts due from Medicaid, governmental agencies, third-party payers, and individuals for program service fees and are stated at invoiced amount less an allowance for uncollectible accounts. Management's determination of the allowance for uncollectible accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the accounts receivable portfolio.

Income Taxes

HumanKind is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. In addition, HumanKind has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Contributed Services

HumanKind receives services from a variety of unpaid volunteers. Contributed services are recognized in the financial statements only if they create or enhance nonfinancial assets or if they require specialized skills and would typically need to be purchased if not received by contribution.

Use of Estimates

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

NOTE 3 – REVENUE RECOGNITION

The Organization adopted ASC 606, which requires an entity to recognize revenue when it transfers the promised goods or services to a customer in an amount that reflects consideration to which the entity expects to be entitled to in exchange for those goods and services. The Organization adopted ASC 606 using the modified retrospective method which recognizes the cumulative effect of initial adoption as of the effective date to net assets. There was no impact to net assets as of January 1, 2020 as a result of the adoption of ASC 606.

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Notes to Financial Statements
At December 31, 2021 and 2020 (Continued)

NOTE 3 – REVENUE RECOGNITION: (CONTINUED)

The Organization recognizes revenue for services in accordance with the following five steps outlined in ASC 606:

- Identification of the contract or contracts with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction prices
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when or as the Organization satisfies a performance obligation

The Organization has analyzed the provisions of ASC 606 and has concluded the following:

Resident Fees - Such revenue is included in tuition and resident fees and Medicaid revenue in the statement of activities. Revenue is recognized at a point in time as the resident receives the benefit of the Organization's services and when collectability is reasonably assured.

NOTE 4 – INVESTMENTS

Investments are presented in the financial statements at fair value and are comprised of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Temporary investments	\$ 445,207	\$ 1,406,556
Bonds	4,652,947	4,492,630
Corporate stocks, domestic	9,306,076	8,075,181
Corporate stocks, foreign	5,185,309	4,467,305
Government agencies	734,781	1,598,329
Private investment funds	<u>9,817,490</u>	<u>7,284,556</u>
Total	<u>\$ 30,141,810</u>	<u>\$ 27,324,557</u>

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Notes to Financial Statements
At December 31, 2021 and 2020 (Continued)

NOTE 4 - INVESTMENTS: (CONTINUED)

Investment return for the years ended December 31, 2021 and 2020 consisted of the following:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 5,853	\$ -	\$ 5,853
Realized and unrealized gains, net	3,293,762	679,682	3,973,444
Management fees	(146,609)	-	(146,609)
Total investment return (loss)	<u>\$ 3,153,006</u>	<u>\$ 679,682</u>	<u>\$ 3,832,688</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 65,461	\$ -	\$ 65,461
Realized and unrealized gains, net	707,007	(72,073)	634,934
Management fees	(182,649)	-	(182,649)
Total investment return (loss)	<u>\$ 589,819</u>	<u>\$ (72,073)</u>	<u>\$ 517,746</u>

HumanKind has investments with eight fund managers which invest in private investment funds as part of HumanKind's asset allocation. The investment in private investment funds is an alternative investment strategy with the purpose of increasing the diversification of HumanKind's holdings and is consistent with HumanKind's overall investment objectives. The private investment funds are not traded on any organized exchange, and accordingly, investments in such funds may not be as liquid as investments in marketable equity or debt securities. The private investment funds may invest in other private investment funds, equity or debt securities which may or may not have readily available fair values, and foreign exchange or commodity forward contracts.

NOTE 5 – BENEFICIAL INTEREST IN PERPETUAL TRUSTS AND GIFT ANNUITIES

HumanKind is the beneficiary of various trusts created by donors, the assets of which are not in the possession of HumanKind. HumanKind has enforceable rights and claims to these assets, including the right to the income earned by the trust assets. Net realized and unrealized gains and losses related to the beneficial interests are reported as changes in net assets with donor restrictions. HumanKind's beneficial interests in these trusts are carried at the fair value of the trust assets held for HumanKind's benefit.

The gift annuities provide the annuitants with income for life, after which the designated remaining funds will be distributed to HumanKind as directed by the donor. The amount of gift annuities is reported at present value net of the amounts that are expected to be paid to the donors during their lifetime. The gift annuities are discounted at 6%. These actuarially determined amounts fluctuate over time according to the life expectancies of the donors.

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Notes to Financial Statements
At December 31, 2021 and 2020 (Continued)

NOTE 6 – CONTRIBUTIONS, BEQUESTS, AND GIFT ANNUITIES RECEIVABLE

Contributions and bequests receivable at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 132,073	\$ 38,424
Receivable in one to five years	<u>20,850</u>	<u>18,656</u>
Total contributions and bequests receivable	\$ 152,923	\$ 57,080
Less discounts to net present value	<u>(9,142)</u>	<u>-</u>
Net contributions and bequests receivable	<u><u>\$ 143,781</u></u>	<u><u>\$ 57,080</u></u>

Bequests receivable include gifts totaling \$20,850 and \$18,656 as of December 31, 2021 and 2020, respectively, which represent amounts receivable under gift annuity agreements which are administered by the Presbyterian Church (U.S.A.) Foundation (the “Foundation”). These agreements were established between the Foundation and the donor with HumanKind being named as the beneficiary. The Foundation is responsible for investing these funds and making required payments to annuitants. HumanKind has recorded as assets the net present value of the amounts expected to be received after all required payments to annuitants have been made. Contributions and bequests receivable in more than one year are discounted at 5%. Uncollectible contributions and bequests are expected to be 5% of the balance.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

	<u>2021</u>	<u>2020</u>
Subject to the passage of time:		
Contributions receivable	\$ <u>122,931</u>	\$ <u>38,424</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Community trust endowment	\$ 10,264	\$ 10,264
Advanced education	518,423	199,886
Community scholarships	157,943	60,321
Early education	35,628	26,135
Pastoral counseling	<u>282,881</u>	<u>28,851</u>
Total subject to appropriation and expenditure	\$ <u>1,005,139</u>	\$ <u>325,457</u>
Subject to NFP endowment spending policy and appropriation:		
Endowment funds required to be held in perpetuity by donor	\$ <u>5,772,638</u>	\$ <u>5,772,638</u>
Total Endowments	\$ <u>6,777,777</u>	\$ <u>6,098,095</u>
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trusts	\$ 5,051,728	\$ 4,635,366
Gift annuities receivable	<u>20,850</u>	<u>18,656</u>
Total not subject to spending policy or appropriation	\$ <u>5,072,578</u>	\$ <u>4,654,022</u>
Grand Total	<u><u>\$ 11,973,286</u></u>	<u><u>\$ 10,790,541</u></u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
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Notes to Financial Statements
At December 31, 2021 and 2020 (Continued)

NOTE 8 – ACCOUNTS RECEIVABLE

Accounts receivable include \$338,910 and \$205,369 at December 31, 2021 and 2020, respectively, for services rendered under the Medicaid health insurance program in connection with the operation of adult group homes. All other accounts receivable are due primarily from governmental agencies, third-party payers, and individuals.

NOTE 9 – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following as of December 31:

	2021		
	Cost	Accumulated Depreciation	Book Value
Land and improvements	\$ 5,780,014	\$ 852,281	\$ 4,927,733
Buildings and improvements	11,244,518	6,092,473	5,152,045
Machinery and equipment	1,218,449	1,148,289	70,160
Automobiles	1,053,095	852,983	200,112
Furniture and fixtures	918,605	916,349	2,256
Intangibles	11,500	11,500	-
Construction in progress	1,400,346	-	1,400,346
Totals	<u>\$ 21,626,527</u>	<u>\$ 9,873,875</u>	<u>\$ 11,752,652</u>
	2020		
	Cost	Accumulated Depreciation	Book Value
Land and improvements	\$ 4,113,919	\$ 835,367	\$ 3,278,552
Buildings and improvements	11,301,279	6,166,482	5,134,797
Machinery and equipment	1,223,287	1,149,873	73,414
Automobiles	1,136,108	890,380	245,728
Furniture and fixtures	957,946	954,798	3,148
Intangibles	11,500	11,500	-
Construction in progress	1,239,597	-	1,239,597
Totals	<u>\$ 19,983,636</u>	<u>\$ 10,008,400</u>	<u>\$ 9,975,236</u>

NOTE 10 – RETIREMENT PLAN

HumanKind has a tax deferred annuity plan which covers substantially all full-time employees. The plan includes provisions for voluntary employee contributions and discretionary contributions by HumanKind. After twelve months of service, employees are eligible for discretionary contributions made by HumanKind. During the year ended December 31, 2021, HumanKind elected to contribute an amount equal to 4% of eligible payroll in addition to matching up to 4% voluntary employee contributions. During the year ended December 31, 2021, HumanKind elected to contribute an amount equal to 4% of eligible payroll. Contributions to the plan amounted to \$333,604 and \$342,532 in 2021 and 2020, respectively.

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Notes to Financial Statements
At December 31, 2021 and 2020 (Continued)

NOTE 11 – FUNCTIONAL ALLOCATION OF EXPENSES

Functional expenses are apportioned between program and supporting services based on personnel time and space utilized for the related activities. Some expense apportionments are estimates because of the overlap of activities and the difficulty of record keeping for usage. Specifically, identifiable expenses are directly allocated.

NOTE 12 – SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

HumanKind maintains cash balances at financial institutions located within its market area. The amount at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, the balances maintained at one or more institutions may exceed the maximum amount insured by the FDIC.

NOTE 13 – NOTES PAYABLE

Details of notes payable at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Note payable to Bank of the James issued in February 2021. In 2021, interest payments were due monthly. Beginning in March of 2022, principal and interest are due in monthly payments of \$6,499 through February 2026. Monthly payments of \$6,762 are then due until maturity in February 2046.	\$ 1,401,000	\$ -
Note payable to Bank for purchase of four vehicles. Principal and interest are due in monthly payments of \$1,459 through March 2022. Interest at 3.20%. Loan secured by vehicles.	2,924	20,024
Note payable to Bank for purchase of vehicle. Principal and interest are due in monthly payments of \$627 through February 2023. Interest at 4.75%. Loan secured by vehicles.	-	15,386
Note payable to Bank for purchase of vehicle. Principal and interest are due in monthly payments of \$627 through February 2023. Interest at 4.75%. Loan secured by vehicles.	-	15,389
Note payable to Bank for purchase of vehicle. Principal and interest are due in monthly payments of \$671 through October 2023. Interest at 5.99%. Loan secured by vehicles.	-	20,837

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Notes to Financial Statements
At December 31, 2021 and 2020 (Continued)

NOTE 13 – NOTES PAYABLE: (CONTINUED)

Note payable to Bank for purchase of vehicle. Principal and interest are due in monthly payments of \$351 through February 2023. Interest at 1.90%. Loan secured by vehicles.	\$	4,854	8,930
Note payable to Bank for purchase of vehicle. Principal and interest are due in monthly payments of \$356 through July 2023. Interest at 1.90%. Loan secured by vehicles.		6,611	10,717
Note payable to Bank for purchase of four vehicles. Principal and interest are due in monthly payments of \$1,459 through March 2022. Interest at 3.20%. Loan secured by vehicles.		7,269	17,847
Note payable to Bank for purchase of eight vehicles. Principal and interest are due in monthly payments of \$2,564 through October 2024. Interest rates varying from 4.25-4.75%. Loan secured by vehicles.		-	99,879
Note payable to Bank for purchase of four vehicles. Principal and interest are due in monthly payments of \$1,091 through January 2025. Interest rates varying from 4.25%. Loan secured by vehicles.		-	49,143
In February 2020, HumanKind paid off the promissory note to First National Bank with a promissory note for \$3,600,000 from The Northern Trust Company. The note is payable in 119 consecutive principal installments of \$20,000 each, payable on the 15th day of each month beginning March 15, 2020, plus one final installment of all then remaining unpaid principal and interest, payable on February 15, 2030. Interest on the unpaid principal amount is paid from time to time at a rate per year equal to the Overnight LIBOR-Based Rate which shall be equal to the greater 2.75% or the sum of Overnight LIBOR plus the Rate Margin.		3,180,000	3,420,000
Total	\$	<u>4,602,658</u>	<u>\$ 3,678,152</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
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Notes to Financial Statements
At December 31, 2021 and 2020 (Continued)

NOTE 13 – NOTES PAYABLE: (CONTINUED)

Annual payments of principal and interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 292,716	\$ 71,212
2023	288,687	78,057
2024	284,925	77,986
2025	286,170	77,986
2026	285,609	80,620
2027-2031	3,164,551	1,555,315
Totals	<u>\$ 4,602,658</u>	<u>\$ 1,941,176</u>

NOTE 14 - LINE OF CREDIT

The Organization has an operating line of credit in the amount of \$400,000 which bears interest at a variable rate based on the monthly prime rate plus 1%. The line of credit is secured by real property owned by the Organization. The balance outstanding as of December 31, 2021 was \$177,968. The terms of the line of credit are for five years with the option of renewal.

NOTE 15 – ENDOWMENT

HumanKind's endowment (Investment Pool) consists of approximately 12 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

HumanKind has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, HumanKind retained in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors, in making a determination to appropriate or accumulate donor-restricted endowment funds:

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Notes to Financial Statements
At December 31, 2021 and 2020 (Continued)

NOTE 15 – ENDOWMENT: (CONTINUED)

- (1) The duration and preservation of the fund,
- (2) The purposes of the Organization and the donor-restricted endowment fund,
- (3) General economic conditions,
- (4) The possible effect of inflation and deflation,
- (5) The expected total return from income and the appreciation of investments,
- (6) Other resources of the organization, and
- (7) The investment policies of the Organization.

Endowment Net Asset Composition by Type of Fund as of December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Endowment funds required to be held in perpetuity by donor	\$ -	\$ 5,772,638	\$ 5,772,638
Subject to appropriation and expenditure when a specified event occurs	-	1,005,139	1,005,139
Board-designated endowment funds	<u>23,364,033</u>	<u>-</u>	<u>23,364,033</u>
Total Funds	<u>\$ 23,364,033</u>	<u>\$ 6,777,777</u>	<u>\$ 30,141,810</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Endowment funds required to be held in perpetuity by donor	\$ -	\$ 5,772,638	\$ 5,772,638
Subject to appropriation and expenditure when a specified event occurs	-	325,457	325,457
Board-designated endowment funds	<u>21,226,462</u>	<u>-</u>	<u>21,226,462</u>
Total Funds	<u>\$ 21,226,462</u>	<u>\$ 6,098,095</u>	<u>\$ 27,324,557</u>

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Notes to Financial Statements
At December 31, 2021 and 2020 (Continued)

NOTE 15 – ENDOWMENT: (CONTINUED)

Changes in Endowment Net Assets for the Year Ended December 31, 2021			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 21,226,462	\$ 6,098,095	\$ 27,324,557
Investment return:			
Net appreciation (realized and unrealized)	\$ 3,293,762	\$ 679,682	\$ 3,973,444
Interest and dividends	5,853	-	5,853
Management fees	(146,609)	-	(146,609)
Total investment return	\$ 3,153,006	\$ 679,682	\$ 3,832,688
Contributions	\$ -	\$ -	\$ -
Appropriation of endowment assets for expenditure	\$ (1,015,435)	\$ -	\$ (1,015,435)
Endowment net assets, end of year	\$ 23,364,033	\$ 6,777,777	\$ 30,141,810

Changes in Endowment Net Assets for the Year Ended December 31, 2020			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 21,331,102	\$ 6,142,744	\$ 27,473,846
Investment return:			
Net appreciation (realized and unrealized)	\$ 707,007	\$ (72,073)	\$ 634,934
Interest and dividends	65,461	-	65,461
Management fees	(182,649)	-	(182,649)
Total investment return	\$ 589,819	\$ (72,073)	\$ 517,746
Contributions	\$ -	\$ 27,424	\$ 27,424
Appropriation of endowment assets for expenditure	\$ (694,459)	\$ -	\$ (694,459)
Endowment net assets, end of year	\$ 21,226,462	\$ 6,098,095	\$ 27,324,557

Return Objectives and Risk Parameters

HumanKind has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to accommodate investment styles and strategies that are considered reasonable and prudent, while providing long-term growth.

Notes to Financial Statements
At December 31, 2021 and 2020 (Continued)

NOTE 15 – ENDOWMENT: (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, HumanKind relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). HumanKind targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

HumanKind has a spending policy, based on the total return concept that governs the rate at which funds are transferred from the Endowment Fund to the operating budget. The spending policy, in general, allows for spending at a specified percentage of average investment market value for the previous twelve quarters. The spending rate is determined annually by the Programs and Resources Committee and voted upon by the Board of Directors as part of the budgeting process.

NOTE 16 – INVESTMENTS FAIR VALUE MEASUREMENTS

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

HumanKind has investments with eight fund managers which invest in private investment funds as part of HumanKind's asset allocation. The investment in private investment funds is an alternative investment strategy with the purpose of increasing the diversification of HumanKind's holdings and is consistent with HumanKind's overall investment objectives. The private investment funds are not traded on any organized exchange, and accordingly, investments in such funds may not be as liquid as investments in marketable equity or debt securities. The private investment funds may invest in other private investment funds, equity or debt securities which may or may not have readily available fair values, and foreign exchange or commodity forward contracts. Investments in private investment funds are reported at estimated fair value provided by fund managers. The framework permits to measure the fair value of its funds' investments as pro-rata interest in the net asset value (NAV) of such investment funds as reported by the fund management, if the NAV is prepared on a fair value basis as of December 31, 2021.

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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Notes to Financial Statements
At December 31, 2021 and 2020 (Continued)

NOTE 16 – INVESTMENTS FAIR VALUE MEASUREMENTS: (CONTINUED)

HumanKind is providing the following information related to its investments:

Fair Value Measurements at Reporting Date Using				
	12/31/21	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Temporary investments	\$ 445,207	\$ 445,207	\$ -	\$ -
Bonds	4,652,947	4,652,947	-	-
Corporate stocks, domestic	9,306,076	9,306,076	-	-
Corporate stocks, foreign	5,185,309	-	5,185,309	-
Government agencies	734,781	734,781	-	-
Private investment funds	9,817,490	-	9,817,490	-
Beneficial interest in perpetual trusts	-	-	-	5,051,728
Total	<u>\$ 30,141,810</u>	<u>\$ 15,139,011</u>	<u>\$ 15,002,799</u>	<u>\$ -</u>

Fair Value Measurements at Reporting Date Using				
	12/31/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Temporary investments	\$ 1,406,556	\$ 412,735	\$ 993,821	\$ -
Bonds	4,492,630	4,492,630	-	-
Corporate stocks, domestic	8,075,181	8,075,181	-	-
Corporate stocks, foreign	4,467,305	-	4,467,305	-
Government agencies	1,598,329	1,598,329	-	-
Private investment funds	7,284,556	-	7,284,556	-
Beneficial interest in perpetual trusts	-	-	-	4,635,366
Total	<u>\$ 27,324,557</u>	<u>\$ 14,578,875</u>	<u>\$ 12,745,682</u>	<u>\$ -</u>

Valuation Techniques

Beneficial interest in perpetual trust: Valued using the fair value of the assets held in the trust reported by the trustee as of December 31, 2021. The Organization considers the measurement of its beneficial interest in Perpetual Trust to be a Level 3 measurement within the hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
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Notes to Financial Statements
At December 31, 2021 and 2020 (Continued)

NOTE 17 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the statements of financial position to fund expenses without limitations:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,127,430	\$ 1,216,583
Accounts receivable, net of allowance for uncollectible accounts of \$123,222 and \$139,235 in 2021 and 2020	1,561,327	1,481,458
Contributions receivable, due within one year	122,931	38,424
Investments	30,141,810	27,324,557
Less investments with donor restrictions	<u>(6,777,777)</u>	<u>(6,098,095)</u>
Total	<u>\$ 26,175,721</u>	<u>\$ 23,962,927</u>

NOTE 18 – PPP LOAN FORGIVENESS

During 2021 and 2022, the Organization received Paycheck Protection Program loans from the Small Business Administration as created by the Coronavirus Aid, Relief, and Economic Security Act (the “CARES” Act) in the amount of \$1,576,642, and \$1,456,900, respectively. During 2021, the Organization’s second Paycheck Protection Program loan was fully forgiven, and during 2020, the Organization’s first Paycheck Protection Program loan was fully forgiven.

NOTE 19 – SUBSEQUENT EVENTS

In preparing these financial statements, management of HumanKind, Inc. has evaluated events and transactions for potential recognition or disclosure through June 1, 2022, the date the financial statements were issued. The financial effects of the ongoing COVID-19 pandemic on the operations of the Organization for fiscal year 2022 cannot be estimated at this time.

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- Compliance -

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**To the Board of Directors
Presbyterian Homes and Family Services, Incorporated dba HumanKind
Lynchburg, Virginia**

We have audited, in accordance with the 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, the financial statements of HumanKind (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HumanKind's control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HumanKind's internal control. Accordingly, we do not express an opinion on the effectiveness of HumanKind's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HumanKind's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
June 1, 2022



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

**To the Board of Directors
Presbyterian Homes and Family Services, Incorporated dba HumanKind
Lynchburg, Virginia**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited HumanKind's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of HumanKind's major federal programs for the year ended December 31, 2021. HumanKind's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, HumanKind complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of HumanKind and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of HumanKind's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to HumanKind's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on HumanKind's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HumanKind's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 HumanKind's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of HumanKind's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of HumanKind's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
June 1, 2022

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
dba HumanKind
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Direct Payments:			
Head Start (Head Start Cluster)	93.600	Not Available	\$ 1,766,507
Pass-Through Payments:			
Virginia Department of Social Services:			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	Not Available	17,828
Affordable Care Act - Maternal, Infant, and Early Childhood Home Visiting Program	93.505	Not Available	214,624
Temporary Assistance to Needy Families (TANF)	93.558	SVC-07-070-02	<u>337,179</u>
Total Department of Health and Human Services			\$ <u>2,336,138</u>
Department of Housing and Urban Development:			
Pass-Through Payments:			
LISC:			
Section 4 Capacity Building for Community Development and Affordable Housing	14.252	Not Available	<u>98,673</u>
Total Department of Housing and Urban Development			\$ <u>98,673</u>
Total Expenditures of Federal Awards			\$ <u><u>2,434,811</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
dba HumanKind
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Note 1 - Basis of Presentation

of the Presbyterian Homes and Family Services, Inc. dba HumanKind under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Presbyterian Homes and Family Services, Inc. dba HumanKind, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Presbyterian Homes and Family Services, Inc. dba HumanKind.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - De Minimis Cost Rate

The Organization did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Relationship to Financial Statements

Federal expenditures and revenues are reported in the Organization's financial statements as follows:

Per the financial statements:

Grants	\$ 5,882,428
Less: Non-federal grants	<u>(3,447,617)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 2,434,811</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
dba HumanKind
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major programs:

Assistance Listing

Name of Federal Program or Cluster

93.600

Head Start

Dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED
dba HumanKind
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2021

There were no findings or questioned costs in the prior year.

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