

Consolidated Financial Statements
and Consolidating Information

2022

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021



Consolidated Financial Statements
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Independent Auditors' Report

Board of Directors
Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates
Maysville, Kentucky

Opinion

We have audited the accompanying consolidated financial statements of Comprehend, Inc. Regional Mental Health - Mental Retardation Board, Inc. and Affiliates (the "Organization"), which are comprised of the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Adjustments

As described in Note S to the consolidated financial statements, revenue and liabilities were restated for the year ended June 30, 2021 to recognize the impact of adjustments to the allowance for doubtful accounts and to record a previously unknown liability for the repayment of grant receipts. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note B, the Organization adopted the requirements of Financial Accounting Standards Board, *Accounting Standards Update* No. 2020-07, *Not-for-Profit Entities* (Topic 958). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ("GAAS") 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 consolidated financial statements.

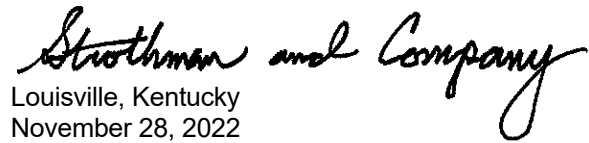
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 audits.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 25 through 27 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, functional expenses and cash flows of the individual entities, and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.


Louisville, Kentucky
November 28, 2022

Consolidated Statements of Financial Position

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

	June 30	
	2022	2021
		(Restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,142,688	\$ 4,968,450
Certificates of deposit	250,444	249,018
Client accounts receivable, less allowance for uncollectible accounts of \$34,000 (2022) and \$167,000 (2021)	734,252	1,118,734
Amounts receivable under federal contract	49,667	65,293
Other receivables		18,735
Prepaid expenses and other current assets	271,206	25,920
Total Current Assets	5,448,257	6,446,150
Other Assets		
Certificates of deposit, designated	1,122,421	1,119,615
Restricted deposits and funded reserves	232,673	248,820
Leverage loans receivable	3,870,717	3,870,717
Total Other Assets	5,225,811	5,239,152
Property and Equipment, net	8,035,063	8,150,270
	<u>\$ 18,709,131</u>	<u>\$ 19,835,572</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 126,883	\$ 135,053
Accrued payroll and related expenses	384,544	450,824
Accrued vacation pay and sick leave	294,694	273,340
Provider Relief Funds payable	645,311	645,311
Other liabilities	14,885	11,503
Deferred revenues	42,497	271,473
Current maturities of long-term debt	158,356	149,849
Total Current Liabilities	1,667,170	1,937,353
Long-Term Debt, less current maturities	10,891,891	10,947,942
Net Assets		
Net assets without donor restrictions		
Designated by the Board of Directors	1,122,421	1,119,615
Undesignated	5,027,649	5,830,662
Total Net Assets	6,150,070	6,950,277
	<u>\$ 18,709,131</u>	<u>\$ 19,835,572</u>

See Notes to Consolidated Financial Statements

Consolidated Statements of Activities

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

	Year Ended June 30	
	2022	2021 (Restated)
Net Assets Without Donor Restrictions		
Revenues and Support		
Net client service revenues	\$ 8,482,680	\$ 7,093,118
State and local grants	2,400,842	2,492,707
In-kind donations	60,959	75,525
Interest income	48,891	23,646
Workshop sales	58,545	52,402
Rental income	268,457	266,398
Other income	44,922	230,899
Total Revenues and Support	11,365,296	10,234,695
Expenses		
Program Expenses		
Behavioral Health	6,505,984	7,223,380
Intellectual Developmental	1,275,853	1,112,562
Housing	1,428,074	1,810,156
Physical Health	193,151	256,007
Total Program Expenses	9,403,062	10,402,105
Support Services Expenses		
General and Administrative	2,762,441	2,257,087
Total Expenses	12,165,503	12,659,192
Decrease in Net Assets Without Donor Restrictions	(800,207)	(2,424,497)
Net Assets Beginning of Year, as restated	6,950,277	9,374,774
Net Assets End of Year	\$ 6,150,070	\$ 6,950,277

See Notes to Consolidated Financial Statements

Consolidated Statement of Functional Expenses

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

Year Ended June 30, 2022

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Total</u>
	<u>Behavioral Health</u>	<u>Intellectual Developmental</u>	<u>Housing</u>	<u>Physical Health</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	
Payroll and fringe benefits	\$ 5,261,031	\$ 754,792	\$ 1,036,124	\$ 162,631	\$ 7,214,578	\$ 1,388,306	\$ 8,602,884
Transportation and travel	8,311	2,355	627		11,293	628	11,921
Rentals		34,400			34,400	5,289	39,689
Program supplies	227,374	147,404	47,836	10,056	432,670	80,335	513,005
Repairs and maintenance	72,121	24,820	48,901	1,395	147,237	141,907	289,144
Depreciation	166,006	9,773	59,481	9,837	245,097	102,146	347,243
Purchased services	371,010	4,933	34,419	1,421	411,783	268,866	680,649
Communications and utilities	81,248	26,908	50,805	2,035	160,996	330,831	491,827
Interest	212,527		59,975		272,502	202,820	475,322
Other expenses	106,356	270,468	89,906	5,776	472,506	241,313	713,819
	<u>\$ 6,505,984</u>	<u>\$ 1,275,853</u>	<u>\$ 1,428,074</u>	<u>\$ 193,151</u>	<u>\$ 9,403,062</u>	<u>\$ 2,762,441</u>	<u>\$ 12,165,503</u>

See Notes to Consolidated Financial Statements

Consolidated Statement of Functional Expenses

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

Year Ended June 30, 2021

	Program Services				Supporting Services			
	Behavioral Health	Intellectual Developmental	Housing	Physical Health	Total Program Services	General and Administrative	Fundraising	Total
Payroll and fringe benefits	\$ 5,554,444	\$ 635,417	\$ 1,345,076	\$ 225,321	\$ 7,760,258	\$ 1,015,799		\$ 8,776,057
Transportation and travel	5,126	2,688	1,204		9,018	226		9,244
Rentals		24,000			24,000	3,389		27,389
Program supplies	318,777	141,601	50,644	4,489	515,511	96,859		612,370
Repairs and maintenance	100,376	14,830	66,757	351	182,314	131,120		313,434
Depreciation	170,653	12,053	72,130	10,841	265,677	137,227		402,904
Purchased services	397,721	80	17,335	180	415,316	406,559		821,875
Communications and utilities	148,999	9,636	53,517	2,055	214,207	244,706		458,913
Interest	333,817		59,317		393,134	99,800		492,934
Other expenses	193,467	272,257	144,176	12,770	622,670	121,402		744,072
	<u>\$ 7,223,380</u>	<u>\$ 1,112,562</u>	<u>\$ 1,810,156</u>	<u>\$ 256,007</u>	<u>\$ 10,402,105</u>	<u>\$ 2,257,087</u>		<u>\$ 12,659,192</u>

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

	Year Ended June 30	
	2022	2021 (Restated)
Operating Activities		
Decrease in net assets	\$ (800,207)	\$ (2,424,497)
Adjustments		
Depreciation	347,243	402,904
Loss on disposal of asset	585	
Amortization of deferred financing costs	97,240	97,240
Change in allowance for uncollectible accounts receivable	(132,977)	(10,726)
Changes in operating assets and liabilities		
Client accounts receivable	517,459	(3,792)
Federal contract receivable	15,626	53,814
Pledges receivable		5,925
Other receivables	18,735	(18,735)
Prepaid expenses and other current assets	(219,318)	80,580
Accounts payable	(3,368)	10,222
Accrued payroll and related expenses	(66,280)	152,736
Accrued vacation pay and sick leave	21,354	(50,772)
Provider Relief Funds payable		645,311
Other liabilities	3,382	951
Deferred revenues	(228,976)	31,871
Net Cash Used In Operating Activities	(429,502)	(1,026,968)
Investing Activities		
Purchases of property and equipment	(263,391)	(104,410)
Increase in certificates of deposit	(4,232)	(15,850)
Net Cash Used In Investing Activities	(267,623)	(120,260)
Financing Activities		
Payments on long-term debt	(144,784)	(138,839)
Net Decrease in Cash and Cash Equivalents	(841,909)	(1,286,067)
Cash and Cash Equivalents Beginning of Year	5,217,270	6,503,337
Cash and Cash Equivalents End of Year	\$ 4,375,361	\$ 5,217,270
Cash and cash equivalents	\$ 4,142,688	\$ 4,968,450
Restricted deposits and funded reserves	232,673	248,820
Cash and Cash Equivalents End of Year	\$ 4,375,361	\$ 5,217,270
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 472,593	\$ 490,205

See Notes to Consolidated Financial Statements

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note A--Organization

Description of Business

Comprehend, Inc. Regional Mental Health - Mental Retardation Board, Inc. ("Comprehend") is a community mental health - mental retardation agency which provides planning, coordination and direct delivery of mental health, substance abuse and developmental and intellectual disability services, primarily on an outpatient basis at various locations throughout a five county area in northeast Kentucky.

It is Comprehend's mission to enhance the well-being of individuals, families and communities by advocating for and providing behavioral healthcare services in a welcoming and caring environment. Comprehend is committed to serving as a resource to assist people with disabilities and their families to be the decision makers in their own lives and to build a solid path toward self-determination.

Comprehend is affiliated through common management and control with Comprehend Properties, Inc., ("Properties") a nonprofit corporation which was organized to operate independent living apartments in Maysville, Kentucky. Operations of these apartments are supported by rent subsidies provided by the United States Department of Housing and Urban Development ("HUD").

Comprehend is also affiliated with CI Holding Corporation ("Holdings"), a nonprofit corporation, formed to construct and operate a new facility to provide clinical and administrative services for Comprehend. Holdings is affiliated through common management and control with Comprehend.

Comprehend is affiliated with Comprehend Parking Properties, Inc. ("Parking"), a nonprofit corporation, formed in November 2021 to acquire the parking lot adjacent to Comprehend's Maysville clinic and administrative building. Parking is affiliated through common management and control with Comprehend.

Principles of Consolidation--The accompanying consolidated financial statements include the accounts of Comprehend, Properties, Holdings and Parking, the consolidated group herein referred to as the "Organization". All significant intercompany transactions and balances have been eliminated.

Description of Programs

Behavioral Health

Behavioral health provides a full array of programs and services to adults and children who are experiencing mental health and addiction problems. Traditional outpatient services are offered in the form of individual, group and family therapy onsite and offsite by highly trained and skilled therapists. Board certified, board eligible psychiatrists and advanced practice registered nurses provide psychiatric evaluations and medication management services. Day services to adults are provided through clubhouse model and day services to children are provided through specialized children's summer programs.

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note A--Organization--Continued

Housing Services

Residential crisis units provide short-term crisis stabilization to children throughout the region. Support services are offered to adult and child consumers through a variety of programs, including case management, supported housing, supported employment, children community support services, peer support and consumer advocacy.

Addiction services are offered through intensive outpatient services. DUI assessment, education and outpatient services are offered throughout the region.

Intellectual Developmental Services

Intellectual developmental services provide an array of flexible support for children and adults who have intellectual and developmental disabilities.

Using person-centered processes, support plans are developed in partnership with the individual and his/her family. Support includes, but is not limited to the following: support coordination, crisis prevention/response, person-centered planning, community employment, respite, community resource development, independent and supported living and behavior support.

Note B--Summary of Significant Accounting Policies

The Organization follows generally accepted accounting principles as outlined in the Financial Accounting Standards Board's ("FASB") *Accounting Standards Codification* ("ASC"). Significant accounting policies are as follows:

Cash Equivalents--The Organization considers investments purchased with a maturity of three months or less, and which are not designated by the Board of Directors for a special purpose, to be cash equivalents.

Client Accounts Receivable and Allowance for Uncollectible Accounts--Client accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible accounts through a charge to contractual allowance and a credit to an allowance for uncollectible accounts receivable based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

Property and Equipment--Property and equipment are recorded at cost, if purchased, or fair market value at date of gift, if donated. The Organization has a policy of capitalizing property and equipment purchases greater than \$5,000 and a useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Continued

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note B--Summary of Significant Accounting Policies--Continued

Impairment of Long-Lived Assets--Management of the Organization reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. There were no charges for impairment of long-lived assets during the fiscal years ended June 30, 2022 or 2021.

Deferred Revenues--Contract revenues in advance of performance of services are deferred and recognized in revenues when services are performed.

Deferred Financing Costs--Deferred financing costs are being amortized using the straight-line method over the term of the mortgage and note payable. Amortization expense for each of the years ended June 30, 2022 and 2021 was \$97,240. Accounting principles generally accepted in the United States of America ("GAAP") required financing costs to be amortized over the term of the loan utilizing the effective interest method; however, the difference between the effective interest and straight-line method is immaterial to the consolidated financial statements and is reported in interest expense as required by GAAP.

Financial Statement Presentation--The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions--Net assets without donor restrictions are those used by the Organization which have not been limited by donors to a specific time period or purpose.

Net Assets With Donor Restrictions--Contributions and grants restricted by donors or third parties for a specific purpose are reported as donor restricted support when received, with unearned amounts being reported as net assets with donor restrictions at year-end. When the donor or third party restriction expires, that is when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Client Service Revenues--Revenue from services billed under Medicaid is recognized at the time services are provided on a fee-for-service basis using rates established by the Commonwealth of Kentucky. Charges for services rendered to eligible clients under the Kentucky Cabinet for Health and Family Services contract are recorded at rates established by the Commonwealth. These Medicaid and contractual rates are determined prospectively by the Commonwealth utilizing the annual cost reports submitted by the Organization.

Such reports and the eligibility of clients under the program are subject to regulatory audit by state and/or local agencies. Although rates are determined prospectively, the regulatory agencies retain the authority to adjust amounts due to the Organization under certain circumstances.

Continued

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note B--Summary of Significant Accounting Policies--Continued

Other client service revenues are recorded at rates established by the Organization. Contractual adjustments and allowances are recorded as deductions from revenues based upon an assessment of the client's ability to pay for services or based upon the terms of agreements with the respective third-party payers.

Support for client services provided under contract with the Commonwealth of Kentucky Department for Behavioral Health, Developmental and Intellectual Disabilities are being advanced to the Organization ratably over the fiscal year.

Payors include federal and state agencies, including Medicare and Medicaid, managed care health plans, commercial insurance companies and clients. The Commonwealth of Kentucky contracts with several managed care organizations ("MCO") to pay providers for services rendered to Medicaid recipients. For the five county area the Organization serves, recipients have the option of choosing to receive services through one of various MCOs: Aetna, Wellcare of Kentucky, United Healthcare, Passport Health Plan by Molina Healthcare, Anthem, and Humana.

Government Grants--Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, could be adjusted. Certain restricted grant support received and earned within the same period is recorded as support without donor restrictions in the accompanying consolidated statements of activities.

Revenues from Rental Activities--Rentals are reported in operating revenues as earned over the terms of the leases, which are accounted for as operating leases. Substantially all of Properties' leases are for periods of one year or less.

Contributions--Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor imposed restrictions. Donor restricted contributions whose restrictions are met within the same year as received are recorded as support without donor restrictions.

In-kind Donations--Donated services and supplies are reflected at their estimated values and are recorded as expenses for program services.

Fair Value of Financial Instruments--The carrying amounts for current assets and liabilities approximate their fair value due to their short maturity. The carrying amounts of long-term debt approximate their fair values based upon current interest rates available for similar types of instruments.

Continued

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note B--Summary of Significant Accounting Policies--Continued

Income Taxes--Comprehend and its Affiliates are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 141.010(1)(f) of the Kentucky Revised Statutes. Comprehend and its Affiliates had no unrelated business income for the fiscal years ended June 30, 2022 or 2021. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

GAAP prescribes a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2022 and 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements.

Allocation of Functional Expenses--The costs of providing the various programs and other activities have been summarized in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management estimates the expense allocations based on an allocation of employee hours, and other expenses by billable service and by the percentage of square footage for the benefited programs or functions.

Use of Estimates--The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and support, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Reclassifications--Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation of the current year consolidated financial statements. These reclassifications did not affect net assets nor the change in net assets.

New Accounting Standard--The Organization adopted the requirements of Financial Accounting Standards Board ("FASB"), Accounting Standard Updated ("ASU") No. 2020-07, *Not-for-Profit Entities* (Topic 958). The Standard is intended to increase transparency for contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets include property and equipment, use of property and equipment or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The Organization has adopted this guidance in the ASU as of July 1, 2020; however, adoption did not materially impact the consolidated financial statements (see Note J).

**Comprehend, Inc. Regional Mental Health -
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Note C--Concentrations of Credit Risk

Cash and Cash Equivalents

The Organization maintains bank accounts, cash equivalents and certificates of deposit in several commercial banks located in the Maysville, Kentucky area. These bank accounts, cash equivalents and certificates of deposit are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Organization's cash and certificates of deposit are further collateralized by the pledge of investments. The Organization had bank balances, cash equivalents and certificates of deposit exceeding its insurance and pledged collateral by approximately \$2,278,000 and \$828,000 as of June 30, 2022 and 2021, respectively

Client Service Revenues

The Organization grants credit without collateral to its clients, most of whom are local residents and are insured under third-party payor agreements. Client service revenues consist of the following:

	Year Ended June 30	
	2022	2021
Kentucky Department of Behavioral Health, Division of Developmental and Intellectual Disabilities	\$ 3,214,485	\$ 2,587,439
Medicaid	4,127,369	3,100,884
Support of Community Living	1,539,177	1,460,536
Commercial Insurance	549,145	615,626
Medicare	134,826	162,399
Client	256,810	330,630
CompTran (Transportation services)	157,426	114,091
Other	205,080	278,201
	<u>10,184,318</u>	<u>8,649,806</u>
Less provision for contractual and charity allowances, and uncollectible accounts	<u>1,701,638</u>	<u>1,556,688</u>
Net Client Service Revenues	<u>\$ 8,482,680</u>	<u>\$ 7,093,118</u>

Continued

Notes to Consolidated Financial Statements--Continued

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note C--Concentrations of Credit Risk--Continued

The mix of client accounts receivable from third-party payors are as follows:

	June 30	
	2022	2021
Medicaid		
Kentucky Department of Medicaid	13%	3%
Aetna	3%	10%
Wellcare of Kentucky	6%	4%
Anthem	12%	1%
Other Managed Care Organizations	8%	4%
SCL Medicaid	18%	27%
Medicare	3%	3%
State grants	22%	22%
Client	14%	10%
Commercial insurance and other	1%	16%
	<u>100%</u>	<u>100%</u>

Note D--Certificates of Deposit, Designated

The Board of Directors has designated certain funds for renewal and/or replacement of property and equipment, with these funds being invested in certificates of deposit. These certificates of deposit bear interest at rates ranging from 0.15% to 1.65% and mature on various dates through September 2023.

Note E--Restricted Deposits and Funded Reserves

Under the terms of the mortgage agreement with Midland Loan Services, LLC and the HUD Regulatory Agreement, Properties is required to set aside specified amounts for the replacement of property and other project expenditures as approved by HUD. Restricted Funds, which amounted to \$214,758 and \$229,101 at June 30, 2022 and 2021, respectively, are held in separate accounts and generally are not available for operating purposes.

Notes to Consolidated Financial Statements--Continued

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note F--Leverage Loans Receivable

These consists of receivables supporting and documenting the uses of proceeds from a note payable to U.S. Bank (see Note J) used to leverage additional investments in the construction of a new building by Holdings and to qualify for New Market Tax Credits. The leverage loans consist of the following at June 30, 2022 and 2021:

USBCDC Investment Fund 190, LLC (State Investment Fund)	\$ 3,352,484
USBCDC Investment Fund 248, LLC (Federal Investment Fund)	<u>518,233</u>
	<u>\$ 3,870,717</u>

Both loans bear interest at 1% receivable monthly, with principal due in June 2025, and are unsecured.

These leverage loans represent collateral for the note payable to U. S. Bank (see Note I).

Note G--Property and Equipment

Property and equipment consists of the following:

	June 30	
	2022	2021
Land	\$ 212,291	\$ 212,291
Buildings and improvements	9,872,806	9,827,373
Furniture and computer equipment	996,819	810,139
Vehicles	<u>171,941</u>	<u>173,891</u>
	11,253,857	11,023,694
Less accumulated depreciation	<u>(3,218,794)</u>	<u>(2,873,424)</u>
	<u>\$ 8,035,063</u>	<u>\$ 8,150,270</u>

Land, buildings and improvements include independent living apartments having a cost of \$1,279,790 with related accumulated depreciation of \$1,022,698 (2022) and \$990,841 (2021).

Notes to Consolidated Financial Statements--Continued

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note H--Line of Credit

The Organization has one line of credit with Citizen's Deposit Bank & Trust to provide funds for operating purposes. The line of credit has a maximum borrowing of \$200,000, with a fixed stated interest of 3% and is collateralized by the Organization's certificates of deposit. The line of credit expires in August 2023.

Note I--Long-Term Debt

Long-term debt consists of the following:

	<u>June 30</u>	
	<u>2022</u>	<u>2021</u>
Mortgage payable to Midland Loan Services, in monthly installments of \$6,818, including interest at 5.98%, through January 2042	\$ 942,703	\$ 965,368
Note payable to US Bank, in monthly installments of \$27,195, including interest at 5.44%, through May 2025	3,638,538	3,760,657
Note payable to CHHS Subsidiary CDE 39, LLC, in monthly interest only payments at 1.72%, with principal due in May 2025	3,870,717	3,870,717
Note payable to CHHS Subsidiary CDE 39, LLC, in monthly interest only payments at 1.72%, with principal due in May 2048	2,105,100	2,105,100
Note payable to CHHS Subsidiary CDE 39, LLC, in monthly interest only payments at 1.72%, with principal due in May 2048	814,183	814,183
Less deferred financing costs, net of accumulated amortization of \$436,094 (2022) and \$338,854 (2021)	<u>320,994</u>	<u>418,234</u>
	11,050,247	11,097,791
Less current maturities	<u>158,356</u>	<u>149,849</u>
	<u>\$ 10,891,891</u>	<u>\$ 10,947,942</u>

Continued

Notes to Consolidated Financial Statements--Continued

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note I--Long-Term Debt--Continued

Mortgage payable to Midland Loan Services is collateralized by real estate of Properties, and by certain cash funds, accounts receivable, revenues and other assets associated with the independent living apartments in Maysville, Kentucky.

Note payable to US Bank is collateralized by real estate and leverage loans receivable of Comprehend. Notes payable to CHHS Subsidiary CDE 39, LLC are collateralized by real estate and cash accounts of Holdings.

Aggregate annual principal requirements for long-term debt are summarized as follows:

<u>Year Ending June 30</u>	
2023	\$ 158,356
2024	167,338
2025	7,267,337
2026	31,427
2027	33,358
2028 and thereafter	<u>3,713,425</u>
	<u>\$ 11,371,241</u>

Certain financial covenants are required by the note payable to US Bank. The Organization was not in compliance with the financial covenants as of June 30, 2022 and is therefore in default. In the event of default, the bank may declare the entire unpaid principal balance of the note to be immediately payable, together with accrued and unpaid interest on the loan, unless subsequently waived in writing by the bank. The bank has waived compliance with these covenants.

Note J--In-kind Donations

The Organization runs a thrift and consignment store called Another Man's Treasure, where donated, gently used items are sold and participants in the Intellectual Developmental Program are provided on-the-job training, including sorting and selling the items. The Organization's in-kind donations consisted of donations of clothing and related items for the thrift store of \$60,959 and \$75,525 for the year ended June 30, 2022 and 2021, respectively. Donated thrift store items are recorded at their fair value. No in-kind donations were restricted.

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note K--Charity Care

Comprehend's total expenses of \$11,606,613 and \$12,126,223 for the fiscal years ended June 30, 2022 and 2021, respectively, included an estimated \$174,000 (2022) and \$261,000 (2021) for providing service to charity clients. The estimated costs of providing charity services are based upon data derived from Comprehend's cost accounting system.

Note L--Liquidity and Availability of Financial Assets

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

	June 30	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,142,688	\$ 4,968,450
Certificates of deposit	1,372,865	1,368,633
Client accounts receivable, net	734,252	1,118,734
Amounts receivable under federal contract	49,667	65,293
Other receivables		<u>18,735</u>
Total Financial Assets, Excluding Noncurrent Receivables	6,299,472	7,539,845
Less contractual or donor-imposed restrictions: Cash and certificates of deposit restricted or designated for specific uses	<u>1,355,094</u>	<u>1,368,435</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 4,944,378</u>	<u>\$ 6,171,410</u>

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note M--Lease Commitments

The Organization leases certain equipment and clinical space under non-cancellable operating lease agreements with terms of one year or more. Rent expense for the years ended June 30, 2022 and 2021 was \$62,081 and \$46,098, respectively.

Aggregate commitments under long-term operating lease agreements are as follows:

<u>Year Ending June 30</u>	
2023	\$ 52,538
2024	<u>35,190</u>
	<u>\$ 87,728</u>

Note N--Multi-Employer Defined Benefit Pension Plan

The Organization contributes to the Kentucky Employees Retirement System ("KERS"), a cost-sharing, multiple-employer defined benefit pension plan (the "Plan") administered by the Board of Trustees of Kentucky Retirement Systems ("KRS"). The risks of participating in a multi-employer plan are different from single-employer plans in the following aspects:

- a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If an employer chooses to stop participating in this multi-employer plan, it may be required to pay this plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Plan provides for retirement, disability and death benefits to Plan members. The Commonwealth of Kentucky assigns the authority to establish and amend benefit provisions to the KRS Board of Trustees. The KRS issues a publicly available financial report that includes financial statements and required supplementary information for KERS. That report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

The Organization's participation in this Plan for the fiscal years ended June 30, 2022 and 2021 is outlined in the Table below. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available is for the Plan's year-end at June 30, 2021 and 2020, respectively. The zone status is based on information that the Organization received from KERS and is certified by the Plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.

Continued

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note N--Multi-Employer Defined Benefit Pension Plan--Continued

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status</u>		<u>Surcharge Imposed</u>
		<u>2021</u>	<u>2020</u>	
Kentucky Employee Retirement System	61-1332884	Red	Red	No

Commencing on July 1, 2021, the Organization is required to contribute at an actuarially determined rate of 10.10% of annual covered payroll plus their actuarially calculated portion of the unfunded liability of the KERS plan. This requires the Organization to pay approximately \$1,600,000 in additional pension contribution expense per fiscal year, subject to adjustments in future years, payable monthly on this unfunded pension liability. The Organization's estimated portion of the KERS unfunded liability was a significant amount in relation to the consolidated financial statements.

The Organization was required to contribute at an actuarially determined rate of 49.47% of annual covered payroll for the year ended June 30, 2021.

The contribution requirements of Plan members are established by statute and may be changed only by the Kentucky General Assembly. The Organization's contributions to KERS for the years ended June 30, 2022 and 2021 were \$1,870,422 and \$2,202,796, respectively. These payments were equal to the required contributions for each year.

Due to a change in the KERS policies, the Organization became obligated to make payments to KERS for a portion of the unpaid sick leave accumulated by retiring employees. As of June 30, 2022 and 2021, this potential liability has been estimated to be \$67,318 and \$60,783, respectively, and has been accrued in the accompanying consolidated statements of financial position.

The Organization's fiscal year 2022 and 2021 contracts with the Kentucky Cabinet for Health and Family Services were amended to include additional community care funds which were intended to assist organizations participating in KERS with the rising contribution rates. The amounts received as a result of these amendments were approximately \$1,583,000 and \$1,542,000 for the years ended June 30, 2022 and 2021, respectively.

Note O--Post Employment Health Care Benefits

Retired employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the KERS plan.

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note P--Medical Malpractice Insurance

The Organization insures for medical malpractice losses through a claims made policy which, in the opinion of management, is adequate to cover losses, if any. The Organization intends to continue to carry medical malpractice insurance.

Note Q--Contingencies

Liquidity

The current economic environment presents not-for-profit organizations with circumstances and challenges, which in some cases have resulted in declines in the fair value of assets and declines in funding, constraints on liquidity and difficulty obtaining financing. In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change, resulting in material future adjustments in asset values and in allowances for accounts receivable that could negatively impact the Organization's ability to maintain sufficient liquidity. The consolidated financial statements have been prepared using values and information currently available to the Organization.

Grant Funding

The Organization receives funding from federal and state government agencies, which funds are to be used for designated purposes only. For government agency program fees (Medicaid and various grants), if the government agency's review indicates that the funds have not been used for the intended purpose, the government agency may request a refund of monies advanced or refuse to reimburse the Organization for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Organization's governmental funded programs is predicated upon the government agency's satisfaction that the funds provided are being spent as intended and the government agency's intent to continue their programs.

Regulatory Environment

The Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Health and Human Services, the U. S. Department of Housing and Urban Development and the Kentucky Cabinet for Health and Family Services. Such administrative directives, rules and regulations are subject to change by an act of Congress, the Kentucky General Assembly or an administrative change mandated by various government bodies. Such changes may occur with little or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change.

Continued

Notes to Consolidated Financial Statements--Continued

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note Q--Contingencies--Continued

Global Pandemic

In March 2020, the World Health Organization declared the spread of Coronavirus Disease ("COVID-19") a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 and 2022 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown, cannot be reasonably estimated, and is still developing.

Note R--Future Accounting Pronouncements

On February 25, 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842). This new standard, which the Organization is not required to adopt until its year ending June 30, 2023, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

The Organization is presently evaluating the effects that this ASU will have on its future consolidated financial statements, including related disclosures.

Note S--Prior Period Adjustments

During the audit of the consolidated financial statements for the year ended June 30, 2022, it was discovered that the Organization did not file the required reporting for the Provider Relief Funds ("PRF") received during the year ended June 30, 2021, from the Health Resources and Services Administration ("HRSA"). Per the HRSA terms and conditions for acceptance of the PRF grant funding, recipients who do not submit a completed report on the use of funds by the applicable reporting deadline are considered non-compliant and will receive an official notice indicating that HRSA is seeking repayment of all PRF payments for the applicable reporting period. Non-compliant organizations will have 30 business days after receiving their Final Notice of Reporting Non-Compliance to return their grant funding. The Organization has not received a notice to return their grant funding as of the date the consolidated financial statements were available to be issued.

Continued

Notes to Consolidated Financial Statements--Continued

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022 and 2021

Note S--Prior Period Adjustments--Continued

Total PRF payments recognized as state and local grants income during the year ended June 30, 2021 were \$645,311. As the Organization must repay these funds, a prior period adjustment was recorded to reduce the state and local grant income and to incur a liability in the amount of \$645,311 as of June 30, 2021.

During fiscal year 2022, management discovered that accounts receivable that had been written off in previous years had been included in accounts receivable as of June 30, 2021. Accounts receivable and the allowance for doubtful accounts were overstated by \$606,868 and \$89,371, respectively, resulting in an overstatement in net client services revenues of \$517,497 for the year ended June 30, 2021.

The net assets and changes in net assets as of June 30, 2021 were restated as follows:

	Net Assets Without Donor Restrictions
Net Assets as of June 30, 2021 (as Previously Reported)	\$ 8,042,788
Prior Period adjustments	
Correction to accounts receivable/revenue	(447,200)
Recording of liability	<u>(645,311)</u>
Total Prior Period Adjustments	<u>(1,092,511)</u>
Net Assets as of June 30, 2021 (as Restated)	<u><u>\$ 6,950,277</u></u>

Note T--Subsequent Events

Events that occur after the statement of financial position date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes to the consolidated financial statements. Management evaluated the activity of the Organization through November 28, 2022, the date the consolidated financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to consolidated financial statements.

Consolidating Information

Consolidating Statement of Financial Position

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

June 30, 2022

	<u>Comprehend, Inc.</u>	<u>Comprehend Properties, Inc.</u>	<u>CI Holding Corporation</u>	<u>Comprehend Parking Properties, Inc.</u>	<u>Eliminations</u>	<u>Consolidated Totals</u>
Assets						
Current Assets						
Cash and cash equivalents	\$ 3,966,267	\$ 89,732	\$ 86,689			\$ 4,142,688
Certificates of deposit	250,444					250,444
Client accounts receivable, net	734,252					734,252
Amounts receivable under federal contract	49,667					49,667
Prepaid expenses and other current assets	<u>736,602</u>	<u>9,097</u>			<u>\$ (474,493)</u>	<u>271,206</u>
Total Current Assets	5,737,232	98,829	86,689		(474,493)	5,448,257
Other Assets						
Certificates of deposit, designated	1,122,421					1,122,421
Restricted deposits and funded reserves		232,673				232,673
Leverage loans receivable	<u>3,870,717</u>					<u>3,870,717</u>
Total Other Assets	4,993,138	232,673				5,225,811
Due from CI Holding Corporation	13,714				(13,714)	
Property and Equipment, net	<u>1,078,723</u>	<u>257,092</u>	<u>6,699,248</u>	<u>\$ 30,770</u>	<u>(30,770)</u>	<u>8,035,063</u>
	<u>\$ 11,822,807</u>	<u>\$ 588,594</u>	<u>\$ 6,785,937</u>	<u>\$ 30,770</u>	<u>\$ (518,977)</u>	<u>\$ 18,709,131</u>
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	\$ 126,848	\$ 474,528		\$ 30,770	\$ (505,263)	\$ 126,883
Accrued payroll and related expenses	384,544					384,544
Accrued vacation pay and sick leave	294,694					294,694
Provider Relief Funds payable	645,311					645,311
Other liabilities	5,154	9,731				14,885
Deferred revenues	42,497					42,497
Current maturities of long-term debt	<u>132,079</u>	<u>26,277</u>				<u>158,356</u>
Total Current Liabilities	1,631,127	510,536		30,770	(505,263)	1,667,170
Long-Term Debt, less current maturities	3,506,459	863,213	\$ 6,522,219			10,891,891
Due to Comprehend, Inc.			13,714		(13,714)	
Net Assets						
Net assets without donor restrictions						
Designated	1,122,421					1,122,421
Undesignated	<u>5,562,800</u>	<u>(785,155)</u>	<u>250,004</u>			<u>5,027,649</u>
Total Net Assets	<u>6,685,221</u>	<u>(785,155)</u>	<u>250,004</u>			<u>6,150,070</u>
	<u>\$ 11,822,807</u>	<u>\$ 588,594</u>	<u>\$ 6,785,937</u>	<u>\$ 30,770</u>	<u>\$ (518,977)</u>	<u>\$ 18,709,131</u>

See Independent Auditors' Report

Consolidating Statement of Activities

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

Year Ended June 30, 2022

	<u>Comprehend, Inc.</u>	<u>Comprehend Properties, Inc.</u>	<u>CI Holding Corporation</u>	<u>Eliminations</u>	<u>Consolidated Totals</u>
Net Assets Without Donor Restrictions					
Revenues and Support					
Net client service revenues	\$ 8,482,680				\$ 8,482,680
State and local grants	2,400,842				2,400,842
In-kind donations	60,959				60,959
Interest income	48,815	\$ 71	\$ 5		48,891
Workshop sales	58,545				58,545
Rental income	84,370	184,087	149,911	\$ (149,911)	268,457
Other income	58,420	983		(14,481)	44,922
	<u>11,194,631</u>	<u>185,141</u>	<u>149,916</u>	<u>(164,392)</u>	<u>11,365,296</u>
Total Revenues and Support					
Expenses					
Program Expenses					
Behavioral Health	6,261,905		319,079	(75,000)	6,505,984
Intellectual Developmental	1,275,853				1,275,853
Housing	1,164,801	263,048	225		1,428,074
Physical Health	193,151				193,151
	<u>8,895,710</u>	<u>263,048</u>	<u>319,304</u>	<u>(75,000)</u>	<u>9,403,062</u>
Total Program Expenses					
Support Services Expenses					
General and administrative	2,710,903	3,890	137,040	(89,392)	2,762,441
	<u>2,710,903</u>	<u>3,890</u>	<u>137,040</u>	<u>(89,392)</u>	<u>2,762,441</u>
Total Expenses					
	<u>11,606,613</u>	<u>266,938</u>	<u>456,344</u>	<u>(164,392)</u>	<u>12,165,503</u>
Decrease in Net Assets Without Donor Restrictions					
	(411,982)	(81,797)	(306,428)		(800,207)
Net Assets Beginning of Year, as restated					
	<u>7,097,203</u>	<u>(703,358)</u>	<u>556,432</u>		<u>6,950,277</u>
Net Assets End of Year					
	<u>\$ 6,685,221</u>	<u>\$ (785,155)</u>	<u>\$ 250,004</u>		<u>\$ 6,150,070</u>

See Independent Auditors' Report

Consolidating Statement of Cash Flows

**Comprehend, Inc. Regional Mental Health -
Mental Retardation Board, Inc. and Affiliates**

Year Ended June 30, 2022

	Comprehend Inc.	Comprehend Properties, Inc.	CI Holding Corporation	Comprehend Parking Properties, Inc.	Eliminations	Consolidated Totals
Operating Activities						
Change in net assets	\$ (411,982)	\$ (81,797)	\$ (306,428)			\$ (800,207)
Adjustments						
Depreciation	131,866	32,365	183,012			347,243
Loss on disposal of asset	585					585
Amortization of deferred financing costs		2,729	94,511			97,240
Change in allowance for uncollectible accounts receivable	(132,977)					(132,977)
Changes in operating assets and liabilities						
Client accounts receivable	517,459					517,459
Federal contract receivable	15,626					15,626
Other receivables	18,735					18,735
Prepaid expenses and other current assets	(342,355)	(7,840)			\$ 130,877	(219,318)
Accounts payable	(6,545)	103,284		\$ 30,770	(130,877)	(3,368)
Accrued payroll and related expenses	(66,280)					(66,280)
Accrued vacation pay and sick leave	21,354					21,354
Other liabilities	1,286	2,096				3,382
Deferred revenues	(228,976)					(228,976)
Net Cash Provided By (Used In) Operating Activities	(482,204)	50,837	(28,905)	30,770		(429,502)
Investing Activities						
Purchases of property and equipment	(222,234)	(10,387)		(30,770)		(263,391)
Increase in certificates of deposits	(4,232)					(4,232)
Change in due to/from affiliate	(39,682)		39,682			
Net Cash Provided By (Used In) Investing Activities	(266,148)	(10,387)	39,682	(30,770)		(267,623)
Financing Activities						
Payments on long-term debt	(122,119)	(22,665)				(144,784)
Net Increase (Decrease) in Cash and Cash Equivalents	(870,471)	17,785	10,777			(841,909)
Cash and Cash Equivalents Beginning of Year	4,836,738	304,620	75,912			5,217,270
Cash and Cash Equivalents End of Year	<u>\$ 3,966,267</u>	<u>\$ 322,405</u>	<u>\$ 86,689</u>			<u>\$ 4,375,361</u>
Cash and cash equivalents	\$ 3,966,267	\$ 89,732	\$ 86,689			\$ 4,142,688
Restricted deposits and funded reserves		232,673				232,673
Cash and Cash Equivalents End of Year	<u>\$ 3,966,267</u>	<u>\$ 322,405</u>	<u>\$ 86,689</u>			<u>\$ 4,375,361</u>

See Independent Auditors' Report