SUNNYHILL, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

SUNNYHILL, INC.
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YEARS ENDED JUNE 30, 2023 AND 2022

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sunnyhill, Inc.
St. Louis, Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sunnyhill, Inc., which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunnyhill, Inc. as of June 30, 2023 and 2022, and the results of its operations, changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Sunnyhill, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunnyhill, Inc.'s ability to continue as a going concern for one year after the date 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 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 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 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 Sunnyhill, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunnyhill, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
November 13, 2023

SUNNYHILL, INC.
BALANCE SHEETS
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 4,167,622	$ 3,851,363
Restricted Cash	205,710	194,307
Accounts Receivable	2,063,016	1,745,694
Prepaid Expenses and Other Current Assets	139,489	83,843
Deposits	46,638	45,315
Total Current Assets	6,622,475	5,920,522
PROPERTY AND EQUIPMENT		
Land	407,573	407,573
Buildings and Improvements	5,574,163	5,472,677
Equipment	1,528,461	1,829,237
Construction in Progress	67,939	48,523
Total	7,578,136	7,758,010
Less: Accumulated Depreciation	3,630,488	3,593,316
Total Net Property and Equipment	3,947,648	4,164,694
INVESTMENTS	1,913,493	1,212,471
OTHER ASSETS		
Right-of-Use Asset - Operating	1,036,804	-
Right-of-Use Asset - Finance	458,937	-
Total Other Assets	1,495,741	-
Total Assets	$ 13,979,357	$ 11,297,687
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ 135,267	$ 171,138
Current Lease Liability - Operating	376,701	-
Current Lease Liability - Financing	118,369	-
Accounts Payable	262,483	213,821
Customer Deposits and Client Funds	388,853	328,706
Accrued Payroll, Vacation, and Fringe Benefits	1,118,138	959,806
Other Accrued Expenses	213,757	105,226
Deferred Revenue	7,471	24,615
Total Current Liabilities	2,621,039	1,803,312
LONG-TERM DEBT (Net of Current Maturities)	1,593,112	1,768,274
OTHER LIABILITIES		
Lease Liability - Operating	636,104	-
Lease Liability - Finance	315,865	-
Total Other Liabilities	951,969	-
Total Liabilities	5,166,120	3,571,586
NET ASSETS		
Without Donor Restrictions	8,701,753	7,646,153
With Donor Restrictions	111,484	79,948
Total Net Assets	8,813,237	7,726,101
Total Liabilities and Net Assets	$ 13,979,357	$ 11,297,687

See accompanying Notes to Financial Statements.

SUNNYHILL, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
REVENUES AND SUPPORT		
Program Services	$ 22,311,382	$ 18,384,016
Contributions	58,098	64,341
Special Events	89,244	97,011
Grant Income	295,817	145,826
Interest and Dividend Income	67,932	63,826
Miscellaneous Revenue	32,696	9,390
Net Assets Released from Restriction for Operations	43,092	46,232
Total Revenues and Support	22,898,261	18,810,642
EXPENSES		
Program Services:		
ABA	1,482,434	816,740
Living Center	557,877	544,901
Camp	912,305	630,532
Supported Living	10,915,844	9,479,360
Independent Supported Living	1,952,889	1,708,508
Independence Center	3,077,250	3,091,352
Residential Care Facility	349,836	318,770
Attendant & Respite	4,025	3,733
Advocacy Center	95,314	91,318
Support Services:		
General and Administrative	2,317,328	2,104,797
Fundraising	265,980	213,313
Total Expenses	21,931,082	19,003,324
OPERATING INCOME (LOSS)	967,179	(192,682)
OTHER INCOME (LOSS)		
Gain on Forgiveness of PPP Loan	-	2,413,900
Gain on Sale/Disposal of Fixed Assets	22,031	-
Unrealized Gain (Loss) on Investments	37,307	(127,050)
EXCESS OF REVENUE OVER EXPENSE	1,026,517	2,094,168
Capital Contributions	29,083	86,655
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,055,600	2,180,823
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	74,628	17,699
Net Assets Released from Restriction	(43,092)	(5,629)
Change in Net Assets with Donor Restrictions	31,536	12,070
TOTAL CHANGE IN NET ASSETS	1,087,136	2,192,893
Net Assets - Beginning of Year	7,726,101	5,533,208
NET ASSETS - END OF YEAR	$ 8,813,237	$ 7,726,101

See accompanying Notes to Financial Statements.

SUNNYHILL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	ABA	Living Center	Camp	Supported Living	Independent Supported Living	Independence Center	Attendant and Respite	Residential Care Facility	Advocacy Center	Total Program	Management and General	Fundraising	Total
Salaries	$ 1,100,610	$ 211,106	$ 284,347	$ 8,134,013	$ 1,290,754	$ 1,992,115	$ -	$ 195,443	$ 60,043	$ 13,268,431	$ 987,900	$ 123,523	$ 14,379,854
Payroll Taxes and Benefits	263,127	174,727	53,747	1,569,877	475,707	495,897	4,025	43,198	17,938	3,098,242	465,899	28,481	3,592,622
Total Salaries and Related Expenses	1,363,737	385,833	338,094	9,703,890	1,766,461	2,488,012	4,025	238,640	77,981	16,366,673	1,453,799	152,004	17,972,476
Advertising/Marketing	79	-	987	258	-	88	-	-	585	1,997	384	7,337	9,718
Bad Debt	21,645	-	-	-	-	7,525	-	-	-	29,170	-	-	29,170
Dues, Subscriptions, and Publications	-	200	3,233	5,130	4,100	1,657	-	295	3,275	17,890	16,197	1,096	35,183
Event Costs	-	-	15,028	-	-	-	-	-	-	15,028	-	45,065	60,093
Groceries, Supplies, and Client Assistance	8,856	29,879	15,399	180,082	5,275	97,403	-	45,771	601	383,266	23,337	229	406,832
Interest	206	2,109	42,123	4,156	-	29,357	-	2,103	-	80,054	8,456	4,678	93,188
Insurance	-	2,700	18,780	864	-	16,098	-	2,424	-	40,866	120,672	-	161,538
Miscellaneous	260	37,512	6,638	5,081	610	54,428	-	23	-	104,552	7,180	8,952	120,684
Postage and Delivery	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	-	48,767	97,060	-	1,200	6,459	-	-	-	153,486	179,192	3,355	336,033
Rent	47,522	449	1,410	471,137	43,706	40,112	-	449	3,462	608,247	206,429	449	815,125
Repair and Maintenance	-	2,217	117,384	1,078		46,267	-	13,269	-	180,215	(390)	-	179,825
Supplies	11,222	6,161	15,749	116,734	18,304	40,258	-	5,251	1,913	215,592	183,738	2,396	401,726
Telephone and Internet	11,045	9,482	19,867	81,339	32,539	26,729	-	5,755	677	187,433	41,862	3,496	232,791
Travel	7,659	12,984	24,497	144,511	80,694	43,752	-	3,587	6,820	324,504	17,478	573	342,555
Utilities	8,580	9,762	59,479	179,109		80,537	-	18,521	-	355,988	-	-	355,988
Subtotal Expenses	1,480,811	548,055	775,728	10,893,369	1,952,889	2,978,682	4,025	336,088	95,314	19,064,961	2,258,334	229,630	21,552,925
Depreciation and Amortization	1,623	9,822	136,577	22,475	-	98,568	-	13,748	-	282,813	58,994	36,350	378,157
Total Expenses	$ 1,482,434	$ 557,877	$ 912,305	$ 10,915,844	$ 1,952,889	$ 3,077,250	$ 4,025	$ 349,836	$ 95,314	$ 19,347,774	$ 2,317,328	$ 265,980	$ 21,931,082

See accompanying Notes to Financial Statements.

SUNNYHILL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	ABA	Living Center	Camp	Supported Living	Independent Supported Living	Independence Center	Attendant and Respite	Residential Care Facility	Advocacy Center	Total Program	Management and General	Fundraising	Total
Salaries	$ 613,909	$ 287,330	$ 181,188	$ 7,582,500	$ 1,196,190	$ 1,340,767	$ 3,347	$ 177,012	$ 60,090	$ 11,442,333	$ 1,093,505	$ 114,743	$ 12,650,581
Payroll Taxes and Benefits	158,897	78,760	21,473	784,117	360,836	1,250,949	386	35,369	15,586	2,706,373	256,054	34,943	2,997,370
Total Salaries and Related Expenses	772,806	366,090	202,661	8,366,617	1,557,026	2,591,716	3,733	212,381	75,676	14,148,706	1,349,559	149,686	15,647,951
Advertising/Marketing	-	-	2,476	175	152	-	-	-	384	3,187	127	1,851	5,165
Bad Debt	1,778	-	50	707	284	8,455	-	784	-	12,058	-	-	12,058
Dues, Subscriptions, and Publications	-	196	1,999	4,167	4,321	1,117	-	445	3,373	15,618	10,291	592	26,501
Event Costs	-	-	9,488	-	-	-	-	-	-	9,488	-	50,307	59,795
Groceries, Supplies, and Client Assistance	7,895	33,304	10,327	117,852	2,108	84,873	-	41,146	-	297,505	10,195	-	307,700
Interest	-	2,372	46,328	4,211	-	32,998	-	2,569	-	88,478	190	-	88,668
Insurance	-	2,544	18,133	972	-	17,477	-	3,122	-	42,248	110,118	-	152,366
Miscellaneous	78	33,807	2,615	4,966	495	3,228	-	213	-	45,402	(9,651)	7,392	43,143
Postage and Delivery	-	-	-	-	-	-	-	-	-	-	4,395	-	4,395
Professional Fees	-	55,367	61,150	-	1,800	9,178	-	-	-	127,495	177,830	-	305,325
Rent	12,000	-	-	444,400	23,472	19,400	-	-	2,640	501,912	179,888	-	681,800
Repair and Maintenance	279	1,813	61,586	316	-	30,488	-	12,732	-	107,214	3,439	-	110,653
Supplies	11,460	4,808	11,792	141,382	32,747	45,317	-	6,357	987	254,850	154,792	759	410,401
Telephone and Internet	5,881	9,052	14,418	82,678	29,523	29,126	-	4,865	618	176,161	43,941	1,963	222,065
Travel	1,957	12,096	13,296	107,938	56,580	49,836	-	2,908	7,640	252,251	13,746	763	266,760
Utilities	2,065	8,366	43,082	171,071	-	69,390	-	19,008	-	312,982	-	-	312,982
Subtotal Expenses	816,199	529,815	499,401	9,447,452	1,708,508	2,992,599	3,733	306,530	91,318	16,395,555	2,048,860	213,313	18,657,728
Depreciation	541	15,086	131,131	31,908	-	98,753	-	12,240	-	289,659	55,937	-	345,596
Total Expenses	$ 816,740	$ 544,901	$ 630,532	$ 9,479,360	$ 1,708,508	$ 3,091,352	$ 3,733	$ 318,770	$ 91,318	$ 16,685,214	$ 2,104,797	$ 213,313	$ 19,003,324

See accompanying Notes to Financial Statements.

SUNNYHILL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in Net Assets	$ 1,087,136	$ 2,192,893
Depreciation and Amortization	378,158	345,596
Amortization of Financing Cost	4,267	4,267
Net Unrealized (Gain) Loss on Investments	(37,307)	127,050
Write-off of Construction in Progress	53,248	-
Restricted Contributions Received	(74,628)	(17,699)
PPP Loan Forgiveness	-	(2,413,900)
Gain on Sale/Disposal of Property and Equipment	(22,031)	-
Increase in Current Assets:		
Accounts Receivable	(317,322)	(242,528)
Prepaid Expenses and Supplies	(55,646)	(40,802)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	48,662	31,993
Customer Deposits and Client Funds	60,147	(45,446)
Accrued Payroll and Fringe Benefits	158,332	100,396
Accrued Vacation	108,531	25,809
Deferred Revenue	(17,144)	16,394
Net Cash Provided by Operating Activities	1,374,403	84,023
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(229,385)	(96,061)
Net Purchase of Investments	(913,658)	(87,535)
Net Sale of Investments	249,943	-
Net Cash Used by Investing Activities	(893,100)	(183,596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted Contributions Received	74,628	17,699
Principal Payments on Long-Term Debt	(129,761)	(174,466)
Principal Payments on Lease Obligations - Finance	(97,185)	-
Net Cash Used by Financing Activities	(152,318)	(156,767)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	328,985	(256,340)
Cash, Cash Equivalents and Restricted Cash - Beginning	4,090,985	4,347,325
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - ENDING	$ 4,419,970	$ 4,090,985

See accompanying Notes to Financial Statements.

SUNNYHILL, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and Cash Equivalents	$ 4,167,622	$ 3,851,363
Restricted Cash	205,710	194,307
Deposits	46,638	45,315
Total Cash, Cash Equivalents and Restricted Cash	$ 4,419,970	$ 4,090,985
SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Notes Payable Issued for Purchase of Property and Equipment	$ -	$ (28,466)
Property and Equipment Acquired through Issuance of Debt	-	28,466
Total	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 88,920	$ 84,401

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Sunnyhill, Inc. (the Organization) is a nonprofit organization that provides residential services to hundreds of individuals with developmental disabilities at one of several agency owned properties or within their natural home. By focusing on their abilities, the Sunnyhill team is able to create an environment in which to encourage independence, empowerment and promote living life to the fullest.

The Organization integrates individuals into their surrounding communities, creates opportunity and inclusion to those they serve. Additionally, the Organization offers behavior analysis services to both children and adults with developmental disabilities, educational opportunities through Sunnyhill University and recreation at their 65-acre camp in Dittmer, Missouri, which is accessible for people of all abilities.

Tax-Exempt Status

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from state and federal income taxes on related income pursuant to Section 501(a) of the IRC.

The Organization applies the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with the income tax standard. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status and it is not aware of any activities that are subject to tax on unrelated business income or excise or other tax except for those that are already reported annually.

Financial Statement Presentation

Contributions received are recorded as an increase in net assets with donor restrictions or net assets without donor restrictions, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Those resources over which the board of directors has discretionary control. Designated endowment amounts represent those assets, which the board has set aside for a particular purpose.

Net Assets With Donor Restrictions

Those resources subject to a donor-imposed restriction which will be satisfied by actions of the organization or the passage of time.

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in net assets without donor restrictions.

Excess of Revenue Over Expenses

The statements of activities and changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consist with industry practice, include transfers of net assets from net assets with temporary donor restrictions to be used for long-term purposes and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments and certificates of deposit with a maturity of three months or less to be cash equivalents. The Organization places its temporary cash investments with financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

Restricted Cash

Restricted cash consists of funds held on behalf of clients. Use of these funds is at the discretion of the client. Restricted cash also includes grant funds restricted for the construction and operation of facilities and programs.

Accounts Receivable

The Organization provides an allowance for uncollectible accounts using management’s judgment. Clients are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice. Accounts are individually analyzed on a monthly basis for collectability. Once accounts are deemed uncollectible, the accounts are written off. At June 30, 2023 and 2022 management has estimated that no allowance for uncollectible accounts was necessary.

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist primarily of mutual funds and certificates of deposit. Mutual funds are carried at fair value with realized and unrealized gains and losses reported as net assets with or without donor restrictions, as appropriate. The cost of securities sold is based on the specific identification method.

Program Service Revenue

Program services revenue includes resident habilitation support and care, room and board charges and ancillary services to individuals and is recorded at established rates resulting from agreements with third-party payors including Medicaid, Department of Mental Health, St. Louis Office for Developmental Disability Resources, Productive Living Board, and private insurance. The Organization is required to file cost reports with certain of the funding sources, however, these do not result in settlements.

Program service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services and programming to its clients. These amounts are due from residents, third-party payors (including health insurers and government payors), and others and can include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the clients and/or third-parties after the services are performed and/or the client is discharged from the facility. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to Program Services to clients receiving services on an hourly or daily basis, or the move-in at facility to the point when a client moves out and services are no longer required to be provided to that client.

The Organization determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors or the established rates of the government entities. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy(ies), and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with clients.

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Service Revenue (Continued)

Agreements with third-party payors provide for payments that may differ from established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicaid: Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.

- Other: Payment agreements with certain government agencies or commercial insurance carriers described in Note 1 provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily or hourly rates.

Laws and regulations concerning government programs, including Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, some providers have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in companies entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs.

There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Generally, clients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for clients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to client service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended June 30, 2023 and 2022.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors have different reimbursement/payment methodologies
- Length of the client's service and care
- Method of reimbursement (fee for service or capitation)
- Organization's line of business that provided the service

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Service Revenue (Continued)

The opening and closing contract balances were as follows:

	Accounts Receivable	Deferred Revenue
July 1, 2021	$ 1,488,733	$ 8,221
June 30, 2022	1,734,419	7,801
June 30, 2023	2,062,034	7,471

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management's analysis of time and expense. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives by the straight-line method of depreciation. Property and equipment acquisitions over $1,000 having a useful life of one year or more are capitalized. Depreciation expense for the years ended June 30, 2023 and 2022 was $294,610 and $345,596, respectively. Depreciation expense related to capital leases for the year ended June 30, 2022 was $40,589. Total assets under capital lease of $212,433 are shown net of accumulated depreciation of $137,795 at June 30, 2022.

Construction in Progress

Costs related to new projects are initially recorded as construction in progress until the project is placed into service at which time they are reclassified to the appropriate fixed asset accounts and depreciated over the useful lives of the project. During the year ended June 30, 2023, the Organization wrote off approximately $53,000 of costs related to an ALF expansion project that is not going to be completed. At June 30, 2023, the Organization has incurred approximately $68,000 of construction in progress costs, relating to upgrades and deferred maintenance projects for the Organization's facilities.

Advertising/Marketing

Advertising/Marketing costs are expensed as incurred. Advertising/Marketing expense was $9,717 and $5,166 for the years ended June 30, 2023 and 2022, respectively.

Contributions

The Organization receives a substantial amount of services donated by volunteers. No amounts have been reflected in the financial statements for these services. The Organization also receives in-kind donations including capital items, products and other services. These donations are recognized at their fair market value upon receipt.

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Issuance Costs

Debt Issuance costs were incurred during the year ended June 30, 2016 in connection with the issuance of the 2015 bonds in the amount of $85,342 are shown net of accumulated amortization of approximately $32,800 and $28,500 for the years ended June 30, 2023 and 2022, respectively, as a reduction of long-term debt. These costs have been deferred and are being amortized over the life of the related debt using the effective interest method. Total amortization expense of approximately $4,300 was incurred for the years ended June 30, 2023 and 2022.

Customer Deposits and Client Funds

The Organization is trustee of funds received on behalf of certain residents and clients. The Organization has a fiduciary responsibility for the administration of these funds including distribution to and/or for the residents.

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Organization also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing instruments at fair value as permitted. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Standards

ASU 2016-02

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent amount the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the June 30, 2023 financial statements, using the modified retrospective approach, with certain practical expedients available.

The standard had a material impact on the balance sheets but did not have an impact on the statements of operations, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included as their own lines in the consolidated balance sheet. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

When the individual lease contracts do not provide information about the discount rate implicit in the lease, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

NOTE 1 SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity and Availability

As of June 30, 2023 and 2022, the Organization has working capital of $4,001,436 and $4,117,210, respectively. Average days (based on normal expenditures) cash on hand, including the investments without donor restriction, at June 2023 and 2022 is 103 and 98, respectively.

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

	2023	2022
Cash and Cash Equivalents	$ 4,167,622	$ 3,851,363
Accounts Receivable	2,063,016	1,745,694
Total	$ 6,230,638	$ 5,597,057

The Organization has investments, not included above that could be made available for expenditure if needed, see Note 2. In addition, the organization has available lines of credit that could be drawn upon as a source of liquidity, see Note 5.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 13, 2023, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments at fair value consist of the following at June 30:

	2023	2022
Certificate of Deposit	$ 652,434	$ 269,556
Mutual Funds	994,209	942,915
Exchange Traded Funds	266,850	-
Total Investments	$ 1,913,493	$ 1,212,471

The Organization had investment returns during the years ended June 30, of the following:

	2023	2022
Interest and Dividend Income	$ 67,932	$ 63,826
Unrealized Gain (Loss) on Investments	37,307	(127,050)
Total Investment Income (Loss)	$ 105,239	$ (63,224)

NOTE 3 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Organization and Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of June 30:

	2023			
	Level 1	Level 2	Level 3	Total
Investments				
Mutual Funds	$ 994,209	$ -	$ -	$ 994,209
Exchange Traded Funds	266,850	-	-	266,850
Total Assets Measured at Fair Value	$ 1,261,059	$ -	$ -	$ 1,261,059

	2022			
	Level 1	Level 2	Level 3	Total
Investments				
Mutual Funds	$ 942,915	$ -	$ -	$ 942,915
Total Assets Measured at Fair Value	$ 942,915	$ -	$ -	$ 942,915

The fair values of the investments are estimated based on quoted market prices in active markets for identical assets.

NOTE 4 LEASES

The Organizations leases various apartments, computers, and vehicles for its facilities across Missouri and Illinois. The Organization's Operating and Finance leases varies on length, payments, and terms. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Refer to additional considerations regarding the implementation of ASC 842 in Note 1.

The Organization elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

NOTE 4 LEASES (CONTINUED)

Lease maturity under ASC 842 is as follows:

Year Ending June 30,	Finance Amount	Operating Amount
2024	$ 137,465	$ 401,676
2025	123,667	337,460
2026	96,237	259,565
2027	78,407	56,894
2028	46,494	2,754
Thereafter	35	-
Total	482,305	1,058,349
Less: Present Value Discount	(48,071)	(45,544)
Lease liability	$ 434,234	$ 1,012,805

The following table summarized the lease expenses under ASC 842 for the year ended June 30, 2023.

Lease Expense	
Finance Lease Expense	
Amortization of ROU Assets	$ 83,548
Interest on Lease Liabilities	10,753
Operating Lease Expense	390,647
Total ASC842 Expenses	$ 484,948

The following tables provide quantitative information concerning the Organization’s leases for the year ended June 30, 2023.

Other Information	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities for Finance Leases:	
Finance - Financing Cash Flows	$ 86,466
Finance - Operating Cash Flows	10,753
Operating - Operating Cash Flows	384,233
ROU Assets Obtained in the Exchange for Lease Liabilities:	
Finance Leases	478,595
Operating Leases	1,393,666
Weighted-Average Remaining Lease Terms (in Years):	
Finance Leases	3.96
Operating Leases	2.90
Weighted-Average Discount Rate:	
Finance Leases	5.19%
Operating leases	3.09%

NOTE 5 LONG TERM DEBT

Long Term Debt for the Organization consist of the following:

Description	2023	2022
Enterprise Leasing Interest Rates ranging from 1.35% - 8.66% Collateral - Vehicles Maturity dates ranging December 2022 - November 2026 Payments - monthly payments ranging from $350-$651, which include principal and interest	$ -	$ 84,660
Enterprise Bank Interest Rate - 5.25% Collateral - First Deed of Trust Maturity - November 2024 Payments - monthly payments of $1,163, which include principal and interest	30,021	42,028
Wells Fargo Interest Rate - 4.50% Collateral - Vehicle Maturity - August 2022 Payments - monthly payments of $463, which include principal and interest	-	910
Series 2015 Bonds Interest Rate - 3.75% Collateral - First Deed of Trust Maturity - October 2035 Payments - monthly payments of $4,462, which include principal and interest	1,385,811	1,472,309
Enterprise Bank Interest Rate - 5.25% Collateral - first deed of trust Maturity - November 2024 Payments - monthly payments of $4,297 through October 2024 and remaining principal and interest due November 2024	365,174	396,399
Total Long-Term Debt	1,781,006	1,996,306
Less: Unamortized Debt Issuance Costs	52,627	56,894
Total Long-Term Debt, Net of Unamortized Debt Issuance Costs	1,728,379	1,939,412
Less: Current Maturities	135,267	171,138
Long-Term Debt, Net of Current Maturities	$ 1,593,112	$ 1,768,274

NOTE 5 LONG TERM DEBT (CONTINUED)

Future Maturities

Scheduled principal payments on long-term debt are as follows:

Years Ending June 30,	Amount
2024	$ 135,267
2025	442,758
2026	96,920
2027	100,670
2028	104,466
Thereafter	900,925
Total	$ 1,781,006

Lines of Credit

The Organization has a line of credit with Edward Jones collateralized by the Organizations investments held with the institution. The total available credit is based on the investment values collateralizing the line of credit and at June 30, 2023 and 2022 was approximately $503,000 and $152,000, respectively. The outstanding balance was $-0- at June 30, 2023 and 2022. The interest rate for the years ended June 30, 2023 and 2022 was 7.75% and 5.50%, respectively.

The Organization has a line of credit with Enterprise Bank & Trust. The total available credit was $258,000 for the years ended June 30, 2023 and 2022. The interest rate during the years ended June 30, 2023 and 2022 was 7.75% and 4.75%, respectively. No amounts were drawn during the years ended June 30, 2023 and 2022. The line of credit renews annually in November.

Series 2015 Bonds

On October 6, 2015, the Industrial Development Authority of Jefferson County, Missouri, issued Series 2015 Industrial Revenue Bonds (Sunnyhill Project) not to exceed $2,000,000. Eagle Bank and Trust Company purchased the Bonds and with the proceeds then made available to Sunnyhill, Inc. as borrower. As of June 30, 2018 the Bonds are now held with Enterprise Bank and Trust, as Eagle Bank and Trust was bought and merged. The funds were used for the purpose of purchasing real property in Jefferson County, Missouri, construct, improve, and equip a new multipurpose building on the camp property in Dittmer, Missouri, and pay the costs of issuance of the Bonds.

Total amount borrowed as of June 30, 2023 and 2022, was $1,838,671 of the total available funds for the construction costs associated with the purposes described above. The interest rate is fixed at 3.75% through October 2025 at which time the rate will be adjusted to the 10-year Constant Maturity Treasury rate as published by the U.S. Department of the Treasury plus 2.00% through maturity, October 2035.

NOTE 5 LONG-TERM DEBT (CONTINUED)

Series 2015 Bonds

The provisions of the debt agreements of the bonds described above contain various restrictive covenants related to financial and operational matters and require certain measures of financial performance be satisfied as long as the bonds are outstanding. Management believes the Organization is in compliance with the restrictive covenants as of June 30, 2023.

Paycheck Protection Program Loan

On May 4, 2020, the Organization received proceeds in the amount of $2,413,900 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. Therefore, the Organization has classified this loan in long-term debt as of June 30, 2021.

Payment of principal and interest was deferred until the date on which the amount of forgiveness was remitted to the lender or, if the Organization fails to apply for forgiveness within ten months after the covered period, then payment of principal and interest shall begin on that date. Management filed for forgiveness during the year ended June 30, 2022. Effective August 10, 2021, the SBA forgave the loan in its entirety. The Organization recognized the gain on forgiveness upon notice from the SBA and the revenue is recorded in other income on the statement of activities and changes in net assets for the year ended June 30, 2022. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization’s financial position.

NOTE 6 DEFERRED COMPENSATION

The Organization offers an Internal Revenue Service Section 401(k) Plan. At the option of the board, a discretionary match contribution may be approved for employees at least 21 years of age with one year of service and employed on the last day of the plan year. During the year ended June 30, 2022 the board reinstated the discretionary match and approved a contribution of $108,321 and $23,655 for the years ended June 30, 2023 and June 30, 2022 for participating employees.

NOTE 7 COMMITMENTS AND CONTINGENT LIABILITIES

The Organization received funding from various agencies in the form of grants, service revenue, and public support. A significant reduction in funding from these agencies may have an effect on the Organization's programs. These agencies require compliance with certain regulations as a condition of funding. Noncompliance with these regulations could result in a claim for refund by the agency. Management considers liability for unrecorded claims, if any, to be immaterial.

The Organization is subject to asserted and unasserted claims encountered in the normal course of business. The Organization's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the Organization's financial condition or results of operations.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 consist of the following:

	2023	2022
Youth Summer Camp Scholarships	$ 1,409	$ 22,509
Grant Writer	-	2,863
Community Garden	1,346	1,346
Boeing Employee Community Fund	-	3,904
Generator Fund	35,531	35,531
Camp Equipment	16,227	13,795
Camp Improvement Fund	56,971	-
Total	$ 111,484	$ 79,948

These programs and funds contain assets, which are restricted by donors for specific purposes. As the conditions for use are satisfied, the net assets are released from restrictions and reported as net assets without donor restrictions.

NOTE 9 CONFLICTS OF INTEREST

There are various possible conflicts of interest between members of the board of directors and certain vendors used by the Organization. In accordance with the Organization's Conflict of Interest policy, the members of the board of directors identify and disclose existing conflicts of interest on an annual basis.

The disclosure below consists of amounts held as reflected on the balance sheet or expenses paid to related vendors as reflected in the statements of activities and changes in net assets as of and for the years ended June 30, 2023 and 2022.

NOTE 9 CONFLICTS OF INTEREST (CONTINUED)

	2023	2022
Cash and Investments Held with Related Parties	$5,740,359	$ 5,255,741
Rent Expense	14,150	11,400
Long-Term Debt Held with Related Party	1,781,006	1,910,736

NOTE 10 CONCENTRATION OF REVENUE

Sunnyhill, Inc. received funding from the following sources for the years ended June 30 as follows:

	2023		2022	
Department of Mental Health	$ 40,336	0 %	$ 132,010	1 %
St. Louis Office for Developmental Disability Resources Board	144,090	1	140,369	1
Productive Living Board	1,397,915	6	1,646,770	10
Medicaid	18,792,127	84	14,956,597	82
Private and Other	1,936,914	9	1,508,270	6
Total	$ 22,311,382	100	$ 18,384,016	100

NOTE 11 CONCENTRATION OF CREDIT RISK

Accounts Receivable

The Organization grants credit without collateral to its clients, most of whom are insured under third-party payor agreements. The mix of gross receivables from clients and third-party payors at June 30 is:

	2023	2022
Department of Mental Health	3 %	2 %
St. Louis Office for Developmental Disability Resources Board	12	10
Productive Living Board	6	8
Medicaid	76	76
Private and Other	3	4
Total	100 %	100 %