CHRISTIAN OPPORTUNITY CENTER

Financial Statements

August 31, 2022 and 2021

CHRISTIAN OPPORTUNITY CENTER

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FORGE
FINANCIAL & MANAGEMENT CONSULTING

Independent Auditors' Report

To the Board of Directors of
Christian Opportunity Center
Pella, Iowa

Opinion

We have audited the accompanying financial statements of Christian Opportunity Center, a nonprofit organization, as of and for the years ended August 31, 2022 and 2021, which comprise the financial statements as listed in the table of contents, 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 Christian Opportunity Center as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Christian Opportunity Center 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 Christian Opportunity Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Christian Opportunity Center'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 Christian Opportunity Center'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.

Forge Financial & Management Consulting

West Des Moines, Iowa
November 15, 2022

CHRISTIAN OPPORTUNITY CENTER
Statements of Financial Position
August 31, 2022 And 2021

		2022	2021
Assets			
Cash	$	1,747,831	1,203,393
Accounts Receivable, net allowance of $20,000 and $20,000 for August 2022 and 2021		1,311,000	1,366,577
Deposits receivable		1,000	1,000
Accrued interest receivable		9,693	9,128
Pledges receivable		11,973	10,419
Prepaid expenses		37,513	36,679
Investments		6,748,568	7,604,194
Property and equipment, net		4,094,853	3,983,753
Total assets	$	13,962,431	14,215,143
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	183,281	143,751
Accrued payroll payable		219,826	219,390
Payroll taxes payable		16,817	16,850
Intermediate care facility taxes payable		30,000	49,060
Accrued retirement payable		181,715	182,923
Accrued benefits payable		241,422	241,422
Other accrued liabilities		275,645	216,024
Deferred compensation payable		80,657	58,245
Notes payable		771,479	695,378
Bond payable		427,215	478,443
Total liabilities		2,428,057	2,301,486
Net assets:			
Net assets without donor restrictions		10,978,939	11,359,340
Net assets with donor restrictions		555,435	554,317
Total net assets		11,534,374	11,913,657
Total liabilities and net assets	$	13,962,431	14,215,143

See accompanying notes to financial statements.

CHRISTIAN OPPORTUNITY CENTER
Statements of Activities
For the Years Ended August 31, 2022 And 2021

	2022			2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue, gains, and other support:						
Vocational	$ 527,498	-	527,498	614,028	-	614,028
Residential	12,478,387	-	12,478,387	12,379,756	-	12,379,756
Contributions	175,717	11,178	186,895	207,331	7,500	214,831
PPP Funding (CARES act)	-	-	-	350,000	-	350,000
HHS revenue	-	-	-	120,508	-	120,508
Investment income	129,540	5,079	134,619	115,916	8,136	124,052
Gain (loss) on investments	(982,256)	-	(982,256)	1,091,938	-	1,091,938
Gain on sale of assets	193,039	-	193,039	4,650	-	4,650
Net assets released from restrictions	15,139	(15,139)	-	18,299	(18,299)	-
Total revenue, gains, and other support	12,537,064	1,118	12,538,182	14,902,426	(2,663)	14,899,763
Expenses:						
Program services:						
Vocational	600,960	-	600,960	720,420	-	720,420
Residential	10,020,155	-	10,020,155	10,006,082	-	10,006,082
Foundation fund	208,159	-	208,159	231,878	-	231,878
Supporting services						
General and administrative	2,070,529	-	2,070,529	2,139,031	-	2,139,031
Fundraising	17,662	-	17,662	19,097	-	19,097
Total expenses	12,917,465	-	12,917,465	13,116,508	-	13,116,508
Increase (decrease) in net assets	(380,401)	1,118	(379,283)	1,785,918	(2,663)	1,783,255
Net assets, beginning of year	11,359,340	554,317	11,913,657	9,573,422	556,980	10,130,402
Net assets end of year	$ 10,978,939	555,435	11,534,374	11,359,340	554,317	11,913,657

See accompanying notes to financial statements.

CHRISTIAN OPPORTUNITY CENTER
Statement of Functional Expenses
For the Year Ended August 31, 2022

	Program Services				Supporting Services		
	Vocational	Residential	Foundation Fund	Total	General / Admin	Fundraising	Total
Staff salaries and wages	$ 359,442	7,028,697	-	7,388,139	1,147,261	-	8,535,400
Group health and life insurance	75,681	734,112	-	809,793	169,300	-	979,093
Retirement plan	8,415	191,945	-	200,360	5,434	-	205,794
Other staff benefits	1,149	9,096	-	10,245	2,482	-	12,727
Payroll taxes	24,974	487,177	-	512,151	90,635	-	602,786
Workers compensation insurance	6,417	146,370	-	152,787	-	-	152,787
Audit and accounting	2,295	52,345	-	54,640	5,200	-	59,840
Attorney	-	-	-	-	725	-	725
Other therapy and consulting services	185	96,737	-	96,922	7,796	-	104,718
Office supplies	4,036	37,753	-	41,789	47,192	-	88,981
Computer services	79	289	-	368	93,473	-	93,841
Medical supplies	558	78,527	-	79,085	25,468	-	104,553
Recreation and activities	47	15,003	-	15,050	-	-	15,050
Food	118	196,499	-	196,617	1,018	-	197,635
Production supplies	32	273	-	305	-	-	305
Telephone	2,599	34,753	-	37,352	50,893	-	88,245
Facility and equipment rent	14,941	132,015	-	146,956	15,875	-	162,831
Building and grounds maintenance	9,765	205,051	-	214,816	65,870	-	280,686
Utilities	8,614	118,887	-	127,501	33,959	-	161,460
Insurance	1,608	32,238	-	33,846	38,902	-	72,748
Advertising and printing	116	11,474	-	11,590	98,015	-	109,605
Vehicle and travel expenses	76,725	115,815	-	192,540	38,646	-	231,186
Staff development and training	837	11,168	-	12,005	48,023	-	60,028
Dues and subscriptions	-	483	-	483	17,121	-	17,604
Furnishings expense	-	48,522	-	48,522	521	-	49,043
Miscellaneous	154	10,355	5,136	15,645	7,238	-	22,883
Bad debt expense	-	-	-	-	20,000	-	20,000
Depreciation	2,173	185,058	-	187,231	39,482	-	226,713
Interest	-	39,513	-	39,513	-	-	39,513
Staff enhancement	-	-	159,081	159,081	-	-	159,081
Special education	-	-	25,023	25,023	-	-	25,023
Spiritual nurture	-	-	11,896	11,896	-	-	11,896
Special events	-	-	7,023	7,023	-	17,662	24,685
	$ 600,960	10,020,155	208,159	10,829,274	2,070,529	17,662	12,917,465

See accompanying notes to financial statements.

CHRISTIAN OPPORTUNITY CENTER
Statement of Functional Expenses
For the Year Ended August 31, 2021

	Program Services				Supporting Services		
	Vocational	Residential	Foundation Fund	Total	General / Admin	Fundraising	Total
Staff salaries and wages	487,626	6,884,961	-	7,372,587	1,128,634	-	8,501,221
Group health and life insurance	87,027	864,397	-	951,424	186,204	-	1,137,628
Retirement plan	8,996	154,846	-	163,842	46,188	-	210,030
Other staff benefits	891	13,355	-	14,246	1,736	-	15,982
Payroll taxes	34,599	494,150	-	528,749	83,315	-	612,064
Workers compensation insurance	5,770	99,323	-	105,093	28,173	-	133,266
Audit and accounting	2,390	41,138	-	43,528	11,668	-	55,196
Attorney	-	-	-	-	3,200	-	3,200
Other therapy and consulting services	35	109,796	-	109,831	6,307	-	116,138
Office supplies	6,098	40,349	-	46,447	61,202	-	107,649
Computer services	414	723	-	1,137	93,837	-	94,974
Medical supplies	206	89,611	-	89,817	11,544	-	101,361
Recreation and activities	203	13,190	-	13,393	-	-	13,393
Food	-	226,406	-	226,406	6,281	-	232,687
Production supplies	24	545	-	569	-	-	569
Telephone	2,634	38,713	-	41,347	59,065	-	100,412
Facility and equipment rent	9,149	130,933	-	140,082	16,990	-	157,072
Building and grounds maintenance	10,184	217,673	-	227,857	55,117	-	282,974
Utilities	9,072	110,882	-	119,954	34,437	-	154,391
Insurance	1,549	33,236	-	34,785	28,841	-	63,626
Advertising and printing	-	8,743	-	8,743	55,899	-	64,642
Vehicle and travel expenses	50,149	115,705	-	165,854	39,422	-	205,276
Staff development and training	655	10,441	-	11,096	26,923	-	38,019
Dues and subscriptions	-	165	-	165	28,162	-	28,327
Furnishings expense	-	77,313	-	77,313	12,780	-	90,093
Miscellaneous	535	10,956	5,136	16,627	11,722	-	28,349
Bad debt expense	-	-	-	-	64,559	-	64,559
Depreciation	2,214	177,694	-	179,908	36,825	-	216,733
Interest	-	40,838	-	40,838	-	-	40,838
Staff enhancement	-	-	179,945	179,945	-	-	179,945
Special education	-	-	25,064	25,064	-	-	25,064
Spiritual nurture	-	-	13,999	13,999	-	-	13,999
Special events	-	-	7,734	7,734	-	19,097	26,831
	720,420	10,006,082	231,878	10,958,380	2,139,031	19,097	13,116,508

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See accompanying notes to financial statements.

CHRISTIAN OPPORTUNITY CENTER
Statements of Cash Flows
For the Years Ended August 31, 2022 And 2021

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	(379,283)	1,783,255
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation		226,713	216,733
Gain on sale of assets		(193,039)	(4,650)
(Gain) loss on investments		982,256	(1,091,938)
Reinvested investment income		(126,630)	(124,052)
(Increase) decrease in:			
Accounts receivable		55,577	1,088,503
Other receivables		(2,119)	3,202
Prepaid expenses		(834)	5,178
Increase (decrease) in:			
Accounts payable		39,530	53,272
Accrued payroll payable		436	16,637
Payroll taxes payable		(33)	(79,126)
Intermediate care facility taxes payable		(19,060)	(2,449)
Accrued retirement payable		(1,208)	800
Refundable advance		-	(470,508)
Other accrued liabilities		59,621	(748,193)
Deferred compensation payable		22,412	21,345
Net cash provided (used) by operating activities		664,339	668,009
Cash flows from investing activities:			
Proceeds from sale of property and equipment		436,744	4,648
Purchases of property and equipment		(581,518)	(244,764)
Proceeds from sale of investments		536,662	974,462
Purchase of investments		(536,662)	(964,537)
Net cash provided (used) by investing activities		(144,774)	(230,191)
Cash flows from financing activities:			
Principal payments on long term notes and bond payable		24,873	(138,797)
Net cash provided (used) by financing activities		24,873	(138,797)
Net increase in cash		544,438	299,021
Cash, beginning of year		1,203,393	904,372
Cash, end of year	$	1,747,831	1,203,393
Supplementary disclosures:			
Cash paid during the year for interest	$	39,513	40,838
Noncash activity:			
Property and equipment acquired with long term notes	$	203,250	-

See accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

The summary of significant accounting policies of Christian Opportunity Center (the "Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Organization - The Organization is a not-for-profit organization incorporated in 1969 in the State of Iowa. It is organized to provide spiritual nurturing, education, training, habilitation, and care of persons with disabilities. The Organization serves primarily persons with mental disabilities but also serves persons with other types of developmental disabilities as well as some persons with chronic mental illness. The Organization supports more than 250 persons with disabilities in a four-county area.

The Organization's primary program revenues and expenses are classified as:

> *Vocational* - Revenues and expenses incurred by locations and/or facilities for community employment programs and job training of persons with disabilities. Work contracts with area businesses provide various packaging, assembly, microfilming, and mail processing jobs as vocational services.
>
> *Residential* - Revenues and expenses incurred by sheltered villages or small group homes integrated into the community for housing and residential training, including teaching of daily living skills, of persons with disabilities.
>
> *Foundation Fund* - Revenues and expenses incurred by the organization for staff enhancement, spiritual services, and special education.

Tax Status - The Organization is organized exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. As such, the Organization is exempt from Federal income taxes. The Organization has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction for donors.

The Organization is required to comply with Internal Revenue Service reporting requirements and files Form 990, *Return of Organization Exempt from Income Tax*, each year. The Organization is subject to routine audits by taxing jurisdictions; however, there currently are no audits for any periods in progress.

Basis of Accounting - The Organization's policy is to prepare its financial statements on the accrual basis of accounting in compliance with accounting principles generally accepted in the United States of America. Under the accrual method of accounting, revenues are recognized in the period when amounts are earned and when the amount and timing of the revenue can be reasonably estimated. Expenses are recognized in the period in which the corresponding liability is incurred.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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 income and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

> *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
>
> *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions may be met by actions of the Organization and/or the passage of time. Other donor-imposed restrictions are perpetual in nature where the donor stipulates those resources be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities. All donor-restricted contributions where the funds are received and the purpose of the restriction is accomplished in the same fiscal period are recorded as net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents - For purposes of reporting cash flows, in addition to unrestricted currency and demand deposits with banks or other financial institutions, the Organization considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable are reported at the estimated realizable amounts due from residents, third-party payers, and others for services rendered. The balance includes amounts for services rendered generally for the past two months.

On a periodic basis, management evaluates its receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections. Management has estimated the allowance for bad debts to be $20,000 and $20,000 as of August 31, 2022 and 2021, respectively.

Pledges Receivable - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give (pledges receivable) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in subsequent years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue on the statement of activities. All pledges receivable at August 31, 2022 and 2021 are expected to be collected within one year.

The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior collection history, types of contributions, and management's analysis of specific pledges made. Management believes all pledges receivable are collectible at August 31, 2022 and 2021, accordingly, no allowance for uncollectible pledges has been recorded.

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position with gains and losses included in the statement of activities. The fair values of marketable securities are generally determined based on quoted market prices or estimates of fair value provided by external investment managers. The amounts the Organization will ultimately realize could differ materially and significant fluctuations in fair values could occur from year to year.

Investments in certificates of deposit are recorded at historical cost plus accrued interest income.
Property and Equipment - Property and equipment is reported at historical cost for purchased assets or estimated fair value at the date of gift for donated assets, less accumulated depreciation. Generally, property and equipment purchases in excess of $5,000 are capitalized. The cost of major renewals or betterments that extend the useful life of an asset are also capitalized and depreciated over their estimated useful lives. Minor items and repairs are expensed in the year the cost is incurred.

When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation of property is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	40 years
Office equipment	4-20 years
Workshop equipment	2-20 years
CBE equipment	3-10 years
Residential furnishings	3-25 years
Non-residential furnishings	3-25 years
Transportation	3-10 years
Land improvements	5-25 years
Other assets	3-20 years

Investment Income - Income and gains or losses on investments are reported in the statement of activities as follows:

> Increases in Net Assets with Donor Restrictions if the terms of the gift that gave rise to the investment or applicable law require income or gains to be added to the principal of a permanent endowment, or if the terms of the gift or applicable law impose restrictions on the use of the income.
>
> Increases in Net Assets without Donor Restrictions in all other cases.

Interest earned on interest-bearing accounts is accounted for as income in the program group in which the cash was reported.

Advertising Costs - The Organization expenses non-direct response advertising as incurred. Advertising and related printing expense was $109,605 and $64,642 for the years ended August 31, 2022 and 2021, respectively.

Note 1 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been reported on a functional basis in the statement of activities. The allocation of expenses was made first by direct allocation to program areas on the basis of supporting documentation. The remaining balances have been allocated among programs and supporting services on the basis of time records and estimates made by the Organization's management. Accordingly, certain costs, such as depreciation and interest, have been allocated among the programs and activities directly benefited.

Revenue Recognition – The Organization's revenue is derived from services provided to patients and the terms of agreement with their healthcare provider. Revenue is recognized based on the completion of care through individual performance obligations (units of service) for each patient based on transaction prices agreed-upon with Managed Care Organizations (MCOs). Revenue for each performance obligation is recognized upon completion of each unit of service (a unit of service does not exceed one day).

Additional revenue is derived from can redemption and workshop contracts. Revenue is recognized based on the redemption of cans as well as the completion of the services through individual performance obligations under contracts with outside entities. Revenue for each performance obligation is recognized upon completion of each performance obligation.

Compensated Absences - The Organization pays accrued vacation hours to the extent of 120 hours maximum to employees meeting certain requirements upon termination of employment. The accrued benefits payable represents these accumulated hours at current rates of pay.

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

Date of Management's Review - Management has evaluated events through November 15, 2022, the date when the financial statements were available to be issued.

Note 2 – Availability and Liquidity

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The following represents Christian Opportunity Center's financial assets at August 31, 2022 and 2021.

Financial assets at year-end:		**2022**	**2021**
Cash	$	1,747,831	1,203,393
Accounts receivable		1,311,000	1,366,577
Accrued interest receivable		9,693	9,128
Investments		6,748,568	7,604,194
Pledges receivable		11,973	10,419
Total financial assets		9,829,065	10,193,711

Note 2 – Availability and Liquidity (Continued)

Less amounts not available to be used within one year:			
Net assets with donor restrictions		555,435	554,317
Non-current maturities of CD's		536,380	336,380
		1,091,815	890,697
Financial assets available to meet general expenditures Over the next twelve months	$	8,737,250	9,303,014

Note 3 - Investments

Investments at August 31, 2022 and 2021 consist of the following:

		2022	2021
Certificates of deposit	$	536,380	536,380
Mutual funds		6,212,188	7,067,814
Total	$	6,748,568	7,604,194

Investment income (loss) for the year ended August 31, 2022 and 2021 is as follows:

		2022	2021
Interest	$	7,989	9,925
Dividends and capital gains		126,630	114,127
Gain (loss) on investments, net		(982,256)	1,091,938
Total	$	(847,637)	1,215,990

Note 4 - Fair Value Measurement

The Organization values its assets at fair value. Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The following table presents by level, within the fair value hierarchy, the assets at fair value as of August 31, 2022. Assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

Note 4 - Fair Value Measurement (Continued)

Description		August 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$	6,212,188	6,212,188	-	-

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended August 31, 2022.

The following table presents by level, within the fair value hierarchy, the assets at fair value as of August 31, 2021. Assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

Description		August 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$	7,067,814	7,067,814	-	-

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended August 31, 2022.

Note 5 - Property and Equipment

Property and equipment are stated at net book values as of August 31, 2022 and 2021. The original cost, accumulated depreciation and resulting net book value, by asset group, are as follows for the year ended August 31, 2022:

Asset Group		Original Cost	Accumulated Depreciation	Net Book Value
Land	$	475,204	-	475,204
Buildings and improvements		9,606,117	6,101,651	3,504,466
Office equipment		1,100,773	1,089,215	11,558
Workshop equipment		218,878	218,784	94
CBE equipment		1,112	1,112	-
Residential furnishings		419,179	419,179	-
Non-residential furnishings		148,017	148,017	-
Transportation		721,751	656,850	64,901
Land improvements		295,922	262,975	32,947
Other assets		125,626	119,943	5,683
Total	$	13,112,579	9,017,726	4,094,853

Total depreciation expense for the year ended August 31, 2022 was $226,713.

Note 5 - Property and Equipment (Continued)

The original cost, accumulated depreciation and resulting net book value, by asset group, are as follows for the year ended August 31, 2021:

Asset Group		Original Cost	Accumulated Depreciation	Net Book Value
Land	$	461,525	-	461,525
Buildings and improvements		9,393,259	6,001,080	3,392,179
Office equipment		1,102,813	1,084,959	17,854
Workshop equipment		218,878	218,626	252
CBE equipment		1,112	1,112	-
Residential furnishings		419,179	419,152	27
Non-residential furnishings		148,017	148,017	-
Transportation		740,526	677,105	63,421
Land improvements		308,422	265,610	42,812
Other assets		125,626	119,943	5,683
Total	$	12,919,357	8,935,604	3,983,753

Total depreciation expense for the year ended August 31, 2021 was $216,733.

Note 6 - Retirement Plan

The Organization sponsors a defined contribution 401(k) profit sharing plan. Employees age 21 or older are eligible to participate after obtaining one year (1,000 or more hours) of service. Eligible participants may make elective deferrals from their payroll up to limits allowable by federal law. Participants are always 100 percent vested in their 401(k) elective deferral contributions.

The Organization may make a discretionary contribution each plan year. The Organization's contributions are accrued throughout the year. A one-time payment to the retirement account is made annually, subsequent to fiscal year end, upon approval of the contribution rate by the board of directors and the finalization of eligible wages. Contributions of 3 percent of eligible participant wages were approved by the board of directors and totaled $181,715 and $182,923 for the year ended August 31, 2022 and 2021.

Note 7 - Deferred Compensation

In December 2013, the Organization established an unfunded nonqualified deferred compensation plan for select management level employees. Under the plan, the Organization may declare an annual employer contribution up to legally prescribed maximums. Employer contributions represent an unsecured liability which must be funded at the time of distribution. In addition, participants may make contributions to the plan up to legally prescribed maximums. Through August 31, 2022, there have been no participant contributions.

At December 30 of each plan year, a participant's account will be credited with a 5% annual rate of return on the balance at that date. Upon separation of employment, a participant will receive a lump sum distribution unless a 10-year annuity option is selected.

The balance of the deferred compensation plan at August 31, 2022 and 2021 equaled $80,657 and $58,245, respectively.

Note 8 - Long-term Debt

Note payables as of August 31, 2022 and 2021 are as follows:

Note payable to Leighton State Bank was obtained in June 2015 to finance the purchase of real estate in Oskaloosa, Iowa. Terms of the note require monthly payments of $871 including principal and interest at 4.50 percent per annum, with final maturity in June 2025. The note is secured by the property purchased with an approximate carrying value of $85,000. The balance of the note payable to Leighton State Bank was $0 and $36,992 at August 31, 2022 and 2021, respectively.

Note payable to Marion County Bank was obtained in July 2015 to finance the purchase of real estate in Pella, Iowa. Terms of the note require monthly payments of $1,467 including principal and interest at 4.125 percent per annum, with final maturity in July 2025. The note is secured by the property purchased with an approximate carrying value of $144,000. The balance of the note payable to Marion County Bank was $49,582 and $64,845 at August 31, 2022 and 2021, respectively.

Note payable to Marion County Bank was obtained in November 2015 to finance the purchase of real estate in Knoxville, Iowa. Terms of the note require monthly payments of $1,507 including principal and interest at 4.125 percent per annum, with final maturity in November 2025. The note is secured by the property purchased with an approximate carrying value of $148,000. The balance of the note payable to Marion County Bank was $57,234 and $72,666 at August 31, 2022 and 2021, respectively.

Note payable to Marion County Bank was obtained in July 2016 to finance the purchase of real estate in Johnston, Iowa. Terms of the note require monthly payments of $1,507 including principal and interest at 4.125 percent per annum, with final maturity in July 2026. The note is secured by the property purchased with an approximate carrying value of $148,000. The balance of the note payable to Marion County Bank was $65,330 and $80,384 at August 31, 2022 and 2021, respectively.

Note payable to Marion County Bank was obtained in June 2018 to finance the purchase of real estate in Oskaloosa, Iowa. Terms of the note require monthly payments of $798 including principal and interest at 4.625 percent per annum, with final maturity in June 2038. The note is secured by the property purchased with an approximate carrying value of $154,000. The balance of the note payable to Marion County Bank was $107,270 and $111,731 at August 31, 2022 and 2021, respectively.

Note payable to Marion County Bank was obtained in August 2019 to finance the purchase of real estate in Knoxville, Iowa. Terms of the note require monthly payments of $709 including principal and interest at 4.125 percent per annum, with final maturity in August 2029. The note is secured by the property purchased with an approximate carrying value of $87,000. The balance of the note payable to Marion County Bank was $51,647 and $57,883 at August 31, 2022 and 2021, respectively.

Note payable to Marion County Bank was obtained in December 2019 to finance the purchase of real estate in Clive, Iowa. Terms of the note require monthly payments of $1,752 including principal and interest at 4.125 percent per annum, with final maturity in December 2029. The note is secured by the property purchased with an approximate carrying value of $172,000. The balance of the note payable to Marion County Bank was $131,639 and $146,833 at August 31, 2022 and 2021, respectively.

Note payable to Marion County Bank was obtained in August 2020 to finance the purchase of real estate in Oskaloosa, Iowa. Terms of the note require monthly payments of $1,377 including principal and interest at 4.125 percent per annum, with final maturity in August 2030. The note is secured by the property purchased with an approximate carrying value of $135,200. The balance of the note payable to Marion County Bank was $112,432 and $124,044 at August 31, 2022 and 2021, respectively.

Note 8 – Long-term Debt (Continued)

Note payable to Marion County Bank was obtained in March 2022 to finance the purchase of real estate in Urbandale, Iowa. Terms of the note require monthly payments of $2,070 including principal and interest at 4.125 percent per annum, with final maturity in March 2032. The note is secured by the property purchased with an approximate carrying value of $271,000. The balance of the note payable to Marion County Bank was $196,345 and $0 at August 31, 2022 and 2021.

Bond payable as of August 31, 2022 and 2021 is as follows:

Development revenue bond issued by the Iowa Finance Authority who assigned its rights under a loan agreement to Marion County State Bank. Monthly payments of $5,314, including interest at 3.04 percent per annum through February 29, 2020. On March 1, 2020, the interest rate was adjusted to 1.90 percent per annum with monthly payments of $4,981. On March 1, 2025, the interest rate on the bond will be adjusted using a municipal market index. The bond matures February 1, 2030. The bond is secured by a mortgage on real property in Indianola and Pella, Iowa with an approximate carrying value of $815,000. The balance of the bond payable to Marion County Bank was $427,215 and $478,443 at August 31, 2022 and 2021, respectively.

Maturities of the notes and bond payable for the years following August 31, 2022 are as follows:

2023	$	155,510
2024		161,585
2025		167,768
2026		143,609
2027		125,172
Thereafter		445,050
Total	$	1,198,694

Interest expense for the year ended August 31, 2022 and 2021 was $39,513 and $40,838, respectively.

Note 9 – Overpayments

During the years ended August 31, 2022 and 2021, the Organization received $257,009 and $196,818, respectively, in overpayments from Managed Care Organizations. Management believes these amounts will be repaid within one year. These overpayments are classified as other accrued liabilities on the Statement of Financial Position.

Note 10 – Bequests

The Organization has made a concentrated effort to work with parents of persons supported in their estate planning. As a result, the Organization has knowledge of being included as a beneficiary in several wills. In addition, as a member of the Barnabas Foundation, which assists people in their estate planning, the Organization has knowledge of being included as a beneficiary in several wills. No amounts have been recorded for these bequests as they are considered "intentions" to give which are not legally enforceable. Amounts will be recorded when the Organization has received legal notice that the deceased's will has been declared valid, and the bequest amount and estimated receipt date are known.

Note 10 – Bequests (Continued)

Management and various board members have had meetings with several benefactors who have stated their intention to make a donation. These donations have not been included in the financial statements as they do not meet the required criteria for recognition.

Note 11 - Operating Leases

The Organization leases certain equipment and vehicles under leases which expire at various dates through February 2023. Total lease expense for the year ended August 31, 2022 and 2021 was $156,455 and $125,072, respectively.

Future minimum lease payments due under the leases at August 31, 2022 are as follows:

2023	$	138,070
2024		95,200
2025		27,060
2026		1,393

Note 12 - Restrictions on Net Assets

At August 31, 2022 and 2021, net assets with donor restrictions were restricted for the following purposes:

Available for the purpose of:		2022	2021
Supplemental needs	$	7,876	7,518
Endowment – special education		536,380	536,380
Future operations		11,179	10,419
Net Assets with Donor Restrictions	$	555,435	554,317

During the year ended August 31, 2022 and 2021, net assets were released from donor restrictions by incurring expenses or by satisfying the purpose or time restrictions specified by the donors as follows:

Purpose restriction accomplished:		2022	2021
Special education	$	4,720	7,778
Operations		10,419	10,521
Total restrictions released	$	15,139	18,299

Note 13 - Endowment Fund

The Financial Accounting Standards Board (FASB) provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not an organization is subject to UPMIFA.

The State of Iowa enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date.

Note 13 - Endowment Fund (Continued)

The Organization's endowment consists of one donor-restricted fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Management has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

As stated above, the Organization's endowment consists of one donor-restricted fund. The donor restrictions include the principal be invested in guaranteed investments that the Organization has interpreted to mean certificates of deposit. The Organization's spending policy for this endowment fund is a percentage of its average rate of all the Organization's certificates of deposit at the end of the year, which was 1.45 percent for both August 31, 2022 and 2021.

Endowment net asset composition by type of fund at August 31, 2022 is as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Donor-restricted endowment fund	$ -	536,380	536,380

Changes in endowment net assets for the year ended August 31, 2022 are as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$ -	536,380	536,380
Investment income	-	4,720	4,720
Amounts appropriated for expenditure	-	(4,720)	(4,720)
Endowment net assets, end of year	$ -	536,380	536,380

Note 13 - Endowment Fund (Continued)

Endowment net asset composition by type of fund at August 31, 2021 is as follows:

		Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Donor-restricted endowment fund	$	-	536,380	536,380

Changes in endowment net assets for the year ended August 31, 2021 are as follows:

		Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$	-	536,380	536,380
Investment income		-	7,778	7,778
Amounts appropriated for expenditure		-	(7,778)	(7,778)
Endowment net assets, end of year	$	-	536,380	536,380

Note 14 - Concentration of Credit Risk

Cash - The Organization maintains its cash in bank demand deposit accounts at multiple financial institutions. Frequently, the balances of these cash deposits have exceeded the Federal Deposit Insurance Corporation's (FDIC) insured limit of $250,000. The Organization has not experienced any losses in such accounts. It is the opinion of management that the solvency of the referenced financial institution is not of particular concern at this time.

Accounts Receivable - In the normal course of operations, the Organization's revenue and receivables are primarily derived from third-party payors. Consequently, the Organization's ability to collect the amounts due may be affected by payment timelines and claim reviews by those payors. At August 31, 2022 and 2021, the largest two customers represented 75% and 96% of the total accounts receivable.

Major Customers - The Organization provides residential and vocational services on a monthly basis under agreements with state and county agencies in the State of Iowa, and private companies. Approximately 95% and 80% of residential and vocational revenue for the year ended August 31, 2022 and 2021, was generated from Title XIX Medicaid and HCBS Medicaid. Management believes the concentration of credit risk is minimal due to the nature of the services and the relationship histories of these providers.