Gateway Homes, Inc.

Combined Financial Statements

September 30, 2020 and 2019

Keiter
Your Opportunity Advisors

4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
www.keitercpa.com

GATEWAY HOMES, INC.

Table of Contents

Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Gateway Homes, Inc.
Richmond, Virginia

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Gateway Homes, Inc. and Gateway Farms (collectively, the "Organization"), which comprise the combined statements of financial position as of September 30, 2020 and 2019, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Gateway Homes, Inc. and Gateway Farms as of September 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

December 21, 2020
Glen Allen, Virginia

GATEWAY HOMES, INC.

Combined Statements of Financial Position
September 30, 2020 and 2019

	2020	2019
Current assets:		
Cash and cash equivalents	$ 1,630,690	$ 461,298
Restricted cash	111,007	152,549
Accounts receivable - net	1,409,047	997,661
Contributions receivable	-	61,261
Prepaid expenses and other	117,770	42,039
Total current assets	3,268,514	1,714,808
Property and equipment:		
Land	306,029	306,029
Buildings and improvements	3,375,305	3,367,879
Furniture and equipment	283,025	283,025
Vehicles	594,620	553,110
	4,558,979	4,510,043
Less accumulated depreciation	(2,175,448)	(1,946,572)
Total property and equipment - net	2,383,531	2,563,471
Other assets:		
Cash - HUD	175,383	174,999
Investments	1,598,891	1,409,418
Total other assets	1,774,274	1,584,417
Total assets	$ 7,426,319	$ 5,862,696

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Combined Statements of Financial Position, Continued
September 30, 2020 and 2019

	2020	2019
Current liabilities:		
Mortgage payable - current	$ 17,487	$ 16,007
Note payable - current	26,890	25,606
Accounts payable	76,517	92,841
Accrued expenses	382,442	328,690
Deferred revenue	110,000	-
Liability under charitable gift annuity - current	70,000	70,000
Total current liabilities	683,336	533,144
Mortgage payable - noncurrent	212,563	230,050
Note payable - noncurrent	25,823	52,713
Liability under charitable gift annuity - noncurrent	193,466	201,592
Total liabilities	1,115,188	1,017,499
Net assets:		
Without donor restrictions	4,604,822	3,276,752
With donor restrictions	1,706,309	1,568,445
Total net assets	6,311,131	4,845,197
Total liabilities and net assets	$ 7,426,319	$ 5,862,696

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Combined Statements of Activities
Year Ended September 30, 2020 With Summarized Totals for the Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenues, gains, and other support:				
Resident fees	$ 10,439,601	$ -	$ 10,439,601	$ 9,500,523
Grants	204,560	10,000	214,560	244,300
Contributions	184,157	220,910	405,067	228,533
Federal housing assistance	83,572	-	83,572	96,517
Investment income, net	49,193	51,836	101,029	34,053
Forgiveness of Paycheck Protecton Program ("PPP") Loan (see Note 16)	1,372,200	-	1,372,200	-
Miscellaneous	3,677	-	3,677	47,577
	12,336,960	282,746	12,619,706	10,151,503
Net assets released from restriction	144,882	(144,882)	-	-
Total revenues, gains, and other support	12,481,842	137,864	12,619,706	10,151,503
Expenses and losses:				
Program services	9,632,637	-	9,632,637	8,783,809
Management and general	1,264,935	-	1,264,935	1,022,152
Fundraising	183,211	-	183,211	227,187
Total expenses	11,080,783	-	11,080,783	10,033,148
Change in value of charitable gift annuity obligation	61,874	-	61,874	65,889
Loss on disposal of property and equipment	-	-	-	7,468
Bad debts	11,115	-	11,115	64,853
Total expenses and losses	11,153,772	-	11,153,772	10,171,358
Change in net assets	1,328,070	137,864	1,465,934	(19,855)
Net assets, beginning of year	3,276,752	1,568,445	4,845,197	4,865,052
Net assets, end of year	$ 4,604,822	$ 1,706,309	$ 6,311,131	$ 4,845,197

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Combined Statements of Activities, Continued
Year Ended September 30, 2019

	Without Donor Restrictions				
	Undesignated	Board Designated	Total	With Donor Restrictions	Total
Revenues, gains, and other support:					
Resident fees	$ 9,500,523	$ -	$ 9,500,523	$ -	$ 9,500,523
Grants	124,300	-	124,300	120,000	244,300
Contributions	44,733	-	44,733	183,800	228,533
Federal housing assistance	96,517	-	96,517	-	96,517
Investment income, net	20,565	-	20,565	13,488	34,053
Miscellaneous	47,577	-	47,577	-	47,577
	9,834,215	-	9,834,215	317,288	10,151,503
Net assets released from restriction/designation	1,128,558	(752,936)	375,622	(375,622)	-
Total revenues, gains, and other support	10,962,773	(752,936)	10,209,837	(58,334)	10,151,503
Expenses and losses:					
Program services	8,783,809	-	8,783,809	-	8,783,809
Management and general	1,022,152	-	1,022,152	-	1,022,152
Fundraising	227,187	-	227,187	-	227,187
Total expenses	10,033,148	-	10,033,148	-	10,033,148
Change in value of charitable gift annuity obligation	65,889	-	65,889	-	65,889
Loss on disposal of property and equipment	7,468	-	7,468	-	7,468
Bad debts	64,853	-	64,853	-	64,853
Total expenses and losses	10,171,358	-	10,171,358	-	10,171,358
Change in net assets	791,415	(752,936)	38,479	(58,334)	(19,855)
Net assets, beginning of year	2,485,337	752,936	3,238,273	1,626,779	4,865,052
Net assets, end of year	$ 3,276,752	$ -	$ 3,276,752	$ 1,568,445	$ 4,845,197

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Combined Statements of Functional Expenses
Year Ended September 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses:				
Salaries	$ 6,604,374	$ 629,856	$ 61,572	$ 7,295,802
Employee benefits and payroll taxes	942,516	98,840	13,814	1,055,170
Total salaries and related expenses	7,546,890	728,696	75,386	8,350,972
Expenses:				
Food	248,129	-	-	248,129
Insurance	1,552	153,648	-	155,200
Interest	14,849	9,493	-	24,342
Medical supplies	15,685	-	-	15,685
Occupancy	1,049,033	66,960	-	1,115,993
Office expenses	46,072	29,391	3,972	79,435
Other operating expenses	13,912	164	2,291	16,367
Professional fees	38,978	139,207	100,229	278,414
PSR program expenses	43,209	-	-	43,209
Repairs and maintenance	13,316	89,115	-	102,431
Resident expenses	47,688	-	-	47,688
Staff development	23,555	19,555	1,333	44,443
Supplies	212,769	21,043	-	233,812
Transportation	88,124	7,663	-	95,787
Total expenses before depreciation	9,403,761	1,264,935	183,211	10,851,907
Depreciation	228,876	-	-	228,876
Total functional expenses	$ 9,632,637	$ 1,264,935	$ 183,211	$ 11,080,783

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Combined Statements of Functional Expenses, Continued
Year Ended September 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses:				
Salaries	$ 5,713,155	$ 437,901	$ 96,890	$ 6,247,946
Employee benefits and payroll taxes	962,550	61,965	21,029	1,045,544
Total salaries and related expenses	6,675,705	499,866	117,919	7,293,490
Expenses:				
Food	209,884	42	-	209,926
Insurance	1,404	180,751	-	182,155
Interest	22,551	14,402	-	36,953
Medical supplies	5,807	-	-	5,807
Occupancy	909,128	54,692	-	963,820
Office expenses	27,815	17,439	2,341	47,595
Other operating expenses	12,063	183	1,962	14,208
Professional fees	40,449	141,059	102,675	284,183
PSR program expenses	105,428	-	-	105,428
Repairs and maintenance	10,103	69,229	-	79,332
Resident expenses	222,274	-	-	222,274
Staff development	20,810	17,125	1,105	39,040
Supplies	174,278	17,162	879	192,319
Transportation	120,393	10,202	306	130,901
Total expenses before depreciation	8,558,092	1,022,152	227,187	9,807,431
Depreciation	225,717	-	-	225,717
Total functional expenses	$ 8,783,809	$ 1,022,152	$ 227,187	$ 10,033,148

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Combined Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 1,465,934	$ (19,855)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt expense	11,115	64,853
Depreciation	228,876	225,717
Loss on disposal of property and equipment	-	7,468
Contribution to endowment fund	(106,510)	-
Investment income reinvested, net	(101,029)	(34,053)
Forgiveness of PPP loan	(1,372,200)	-
Payment on mortgage payable balance via reduction in tenant assistance payments received	(16,007)	(14,653)
Change in value of charitable gift annuity obligation	61,874	65,889
Change in:		
Accounts receivable - net	(361,240)	94,085
Contributions receivable	-	(61,261)
Prepaid expenses and other	(75,731)	(12,239)
Accounts payable	(16,324)	(19,504)
Accrued expenses	53,752	(86,598)
Deferred revenue	110,000	-
Net cash (used in) provided by operating activities	(117,490)	209,849
Cash flows from investing activities:		
Purchase of property and equipment	(48,936)	(56,064)
Net purchases of investments	(88,444)	-
Proceeds from sale of investments	-	602,581
Withdrawal from investments for annuity payments	-	70,000
Net cash (used in) provided by investing activities	(137,380)	616,517

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Combined Statement of Cash Flows, Continued
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from financing activities:		
Payments on notes payable	$ (25,606)	$ (87,633)
Proceeds from notes payable	-	60,000
Proceeds from contribution to endowment fund	106,510	-
Payments on line of credit	-	(350,000)
Proceeds from line of credit	-	100,000
Proceeds from PPP loan	1,372,200	-
Charitable gift annuity obligation distributions	(70,000)	(70,000)
Net cash provided by (used in) financing activities	1,383,104	(347,633)
Net change in cash, cash equivalents, and restricted cash	1,128,234	478,733
Cash, cash equivalents, and restricted cash, beginning of year	788,846	310,113
Cash, cash equivalents, and restricted cash, end of year	$ 1,917,080	$ 788,846
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 24,342	$ 36,953
Reconciliation to Combined Statements of Financial Position:		
Cash and cash equivalents	$ 1,630,690	$ 461,298
Restricted cash	111,007	152,549
Cash - HUD	175,383	174,999
	$ 1,917,080	$ 788,846

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Notes to Combined Financial Statements

1. Nature of Activities:

Gateway Homes, Inc., incorporated in Virginia in 1983, is a transitional residential treatment program for individuals with serious mental illness whose primary goal is to live as independently as possible. Gateway Farms was established to serve as a rural residential facility. The two corporations share common staff and are collectively referred to herein as the Organization. All intercompany transactions and balances are eliminated in these combined financial statements.

2. Summary of Significant Accounting Policies:

Basis of Accounting: The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Net Asset Classification: The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions include the revenues and expenses of the primary operations of the Organization. If the Board specifies a purpose where none has been stated by the original donor, such assets are classified as board designated within assets without donor restrictions. During 2019, the Board elected to remove all designations from net assets without donor restrictions; therefore, there were no board designated net assets as of September 30, 2020 and 2019.

Net assets with donor restrictions – Net assets that are stipulated by donors for specific purposes or which have time restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. Net assets with donor restrictions also includes those that are subject to donor-imposed stipulations that require the Organization maintain them into perpetuity.

Cash and Cash Equivalents: The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Cash: Restricted cash includes funds received from social security on behalf of clients whom the Organization serves as the payee. The Organization maintains these funds in a separate account and are held for use by the clients.

2. Summary of Significant Accounting Policies, Continued:

Accounts Receivable: Accounts receivable include amounts due from the U.S. Government and Virginia community service boards for services provided to residents and are reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected. As of September 30, 2020 and 2019, the allowance for doubtful accounts was $27,085 and $64,853, respectively.

Contributions Receivable: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. All others are treated as net assets without donor restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the combined statements of financial position. Net investment income or loss, including unrealized gains and losses, is included in the change in net assets in the accompanying combined statements of activities.

Property and Equipment: Property and equipment are stated at cost or, if donated, appraised value at date of gift. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets, which range from 5 to 40 years.

Valuation of Long-Lived Assets: The Organization accounts for the valuation of long-lived assets under GAAP, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of carrying amount or fair value, less cost to sell. There were no impairments identified during 2020 and 2019.

2. Summary of Significant Accounting Policies, Continued:

Paycheck Protection Program ("PPP") Loan: The Organization's policy is to account for the PPP loan as revenue as qualifying expenses are incurred (see Note 16).

Recognition of Resident Fees: Resident fees are recognized on a daily basis using a per bed utilization rate. Contract liabilities relate to fees received in advance of the contract period and are shown as deferred revenue on the combined statements of financial position. There are no contract assets. These fees are reported at estimated net realizable amounts from resident and third-party payers for services rendered. Revenue from the Medicaid program accounted for a significant portion of the Organization's resident fees for 2020 and 2019. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Medicaid income accounted for approximately 1% and 4% of resident fees in 2020 and 2019, respectively. In addition, approximately 65% and 70% of the Organization's resident fees for 2020 and 2019, respectively, are funded by two Virginia counties, and an additional 35% is funded by one state agency.

Recognition of Grants and Contributions: Contributions and grants received are recorded as restricted support if they are received with donor stipulations that limit the use of the contributed assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Endowment contributions are net assets with donor restrictions to be held in perpetuity.

Contributions of assets other than cash are recorded at their estimated fair value at the time of donation. The Organization received a contribution of a vehicle during 2020 with an estimated fair value of $7,575, and is reflected in the combined financial statements. There were no non-cash contributions during 2019.

Contributed Materials and Services: In accordance with GAAP, the Organization records the value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would typically need to be purchased if they had not been contributed. During 2020 and 2019, the Organization occasionally received pro bono legal services. There were no contributed materials during 2020 or 2019. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, campaign solicitations and various committee assignments. The value of these services are not recognized in the combined financial statements.

2. Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities and in the combined statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the time spent on these activities by the Organization's personnel.

Income Taxes: The Organization is exempt from income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code.

Income Tax Uncertainties: The Organization follows the FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the combined financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management has evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the combined financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, and investments.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant financial credit risk on cash.

The Organization had receivables due from federal and state governments, agencies, and foundations for resident fees. Management believes credit risk related to these receivables was limited due to their nature. During 2019, one foundation represented 82% of the Organization's contributions receivable at September 30, 2019.

The Organization invests in various investment securities, which are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would affect the investment balance and the amount reported in the accompanying combined financial statements.

2. Summary of Significant Accounting Policies, Continued:

Newly Adopted Accounting Standards: Effective July 1, 2019, the Organization adopted Accounting Standard Update ("ASU") 2014-09, Revenue from Contracts with Customers ("Topic 606") and several other ASUs that were issued as amendments to Topic 606, which apply to all contracts with customers to transfer goods or services or for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards. Topic 606's core principle is that an entity recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In adopting this standard, the Organization is required to use more judgment and make more estimates than under the previous guidance, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. The Organization adopted Topic 606 using the full retrospective method. The adoption of Topic 606 did not have a material impact on the Organization's combined financial statements and there were no adjustments to previously recorded amounts.

In June 2018, the FASB issued ASU 2018-08: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("Topic 958"), which is intended to provide specific criteria to determine whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. The ASU provides a framework for determining whether a contribution is conditional or unconditional. Prior to the ASU, FASB's new revenue recognition standard eliminated exchange guidance and added additional disclosure requirements that are not relevant to these types of transactions. Specific to contributions or grants received by the Organization, the amendments in this ASU are effective for fiscal years beginning after December 15, 2018. The Organization adopted this guidance for the year ended September 30, 2020 with retrospective presentation in the combined financial statements. The adoption of this ASU did not have a material impact on the Organization's combined financial statements.

In November 2016, the FASB issued ASU 2016-18, Statements of Cash Flows ("Topic 230"): Restricted Cash, which is intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The ASU requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. Prior to this ASU, there was no guidance on how to present restricted cash and restricted cash equivalents. Specific to the Organization, the amendments in this ASU are effective for fiscal years beginning after December 15, 2018. The Organization adopted this guidance with retrospective presentation for the year ended September 30, 2020.

2. Summary of Significant Accounting Policies, Continued:

Use of Estimates: The preparation of combined financial statements in conformity with 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 combined financial statements and the reported amounts of revenues and expenses during the periods reported. Actual results could differ from those estimates.

Subsequent Events: Management has evaluated subsequent events through December 21, 2020, the date the combined financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying combined financial statements.

3. Reserves and Residual Receipts:

The Organization has an agreement with the U.S. Department of Housing and Urban Development ("HUD") whereby HUD is to provide additional funding based on the financial needs of the Organization's residents.

The regulatory agreement with HUD requires that the Organization establish and maintain a reserve fund for replacements. HUD also requires the Organization to establish a reserve for residual receipts. These restricted balances are segregated from operating cash in a separate bank account and can only be withdrawn with HUD approval.

4. Investments:

At September 30, 2020, investments consist of the following:

	Cost	Market Value	Unrealized Gain
Money market funds	$ 91,782	$ 91,782	$ -
Exchange traded funds	1,007,851	1,105,459	97,608
Corporate bonds	392,600	401,650	9,050
	$ 1,492,233	$ 1,598,891	$ 106,658

4. Investments, Continued:

At September 30, 2020, net investment income consists of the following:

Interest and dividend income	$	32,724
Realized and unrealized gains, net		80,743
Investment expenses		(12,438)
	$	101,029

At September 30, 2019, investments consist of the following:

	Cost	Market Value	Unrealized Gain
Money market funds	$ 67,661	$ 67,661	$ -
Common stock	825,497	1,167,485	341,988
Mutual funds	11,446	14,643	3,197
Corporate bonds	100,624	102,643	2,019
Treasury bonds	55,052	56,986	1,934
	$ 1,060,280	$ 1,409,418	$ 349,138

At September 30, 2019, net investment income consists of the following:

Interest and dividend income	$	54,397
Realized and unrealized losses, net		(5,436)
Investment expenses		(14,908)
	$	34,053

5. Fair Value Measurements:

The Organization follows FASB guidance with respect to fair value measurements. This guidance provides a framework for measuring fair value under GAAP, for all financial assets and liabilities measured at fair value on a recurring basis.

The guidance establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level that is significant to the fair value measurement of the asset or liability.

5. Fair Value Measurements, Continued:

Classification of assets and liabilities within the hierarchy considers the market in which the assets or liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology are quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. There were no assets or liabilities classified as Level 3 at September 30, 2020 or 2019.

The following is a description of the valuation methodologies used for assets measured at fair value:

Money market: Valued at the cash balance.

Common stock and exchange traded funds: Valued at the closing price as reported on the active market on which stocks are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Corporate bonds and treasury notes: Valued at the closing price as reported on the active market on which bonds are traded.

Charitable gift annuity obligation: Valued at present value of the future payment obligations under the annuity agreement.

5. Fair Value Measurements, Continued:

Assets and liabilities measured at fair value at September 30, 2020 include the following:

	Level 1	Level 2	Total
Assets:			
Investments:			
Money market funds	$ 91,782	$ -	$ 91,782
Exchange traded funds	1,105,459	-	1,105,459
Corporate bonds	-	401,650	401,650
	$ 1,197,241	$ 401,650	$ 1,598,891
Liabilities:			
Charitable gift annuity obligation	$ -	$ 263,466	$ 263,466

Assets and liabilities measured at fair value at September 30, 2019 include the following:

	Level 1	Level 2	Total
Assets:			
Investments:			
Money market funds	$ 67,661	$ -	$ 67,661
Common stocks:			
Closed-end mutual funds	50,176	-	50,176
Communications services	45,854	-	45,854
Consumer discretionary	36,738	-	36,738
Consumer staples	135,522	-	135,522
Energy	103,158	-	103,158
Financials	304,128	-	304,128
Health care	140,463	-	140,463
Industrials	125,357	-	125,357
Information technology	94,121	-	94,121
Materials	14,533	-	14,533
Real estate investment trusts	87,045	-	87,045
Utilities	30,390	-	30,390
Mutual funds	14,643	-	14,643
Corporate bonds	-	102,643	102,643
Treasury notes	-	56,986	56,986
	$ 1,249,789	$ 159,629	$ 1,409,418
Liabilities:			
Charitable gift annuity obligation	$ -	$ 271,592	$ 271,592

6. Fairfax Property:

The Organization received donated property valued at $298,184 from the County of Fairfax during 2013. A promissory note agreement for the same amount was simultaneously entered into by the Organization and the County of Fairfax. The promissory note agreement, dated April 25, 2013, bears no interest and is not required to be repaid as long as the housing remains available to extremely low and moderate income persons for a period of 30 years. The promissory note is secured by a deed of trust on the property. Upon non-compliance with the agreement, the promissory note shall become immediately due and payable at an annual interest rate of the prime rate plus four basis points. The donated value of the property is reflected in the Organization's net assets with donor restrictions in the combined statements of financial position. Since the possibility of failing to meet the use criteria is remote, the note payable has not been recorded by the Organization.

7. Charitable Gift Annuity Obligation:

The Organization is a remainder beneficiary of a charitable gift annuity dated 2001 which is recorded at the present value of the expected payout based on the life expectancy of the donor. The discount rate is the IRS Section 7520 rate. The annual payout is $70,000. During the term of the agreement, any changes in actuarial assumptions are recognized as "change in charitable gift annuity obligation" in the accompanying combined statements of activities.

A summary of the change in the invested balance and obligation liability of the charitable gift annuity for the years ended September 30, 2020 and 2019, is as follows:

	2020	2019
Balance - beginning of year	$ 271,592	$ 275,703
Annuity payments	(70,000)	(70,000)
Change in value	61,874	65,889
Balance - end of year	$ 263,466	$ 271,592

8. Line of Credit:

The Organization has available a revolving line of credit with a commercial bank providing for maximum borrowings of $350,000, secured by certain assets of the Organization as described in the line of credit agreement. In April 2019, the line of credit was amended to allow for maximum borrowings of $500,000. Interest on the outstanding principal balance accrues at the Wall Street Journal Prime Rate plus .25% (3.50% and 5.25% at September 30, 2020 and 2019 respectively). The line is payable on demand. The line of credit had no outstanding balance at September 30, 2020 or 2019.

9. Note Payable:

The Organization has a promissory note in the amount of $128,000 with a commercial bank. The note requires monthly payments of principal and interest at 4.8% through maturity in August 2022. The note is secured by certain assets of the Organization. The balance on the note was $52,713 and $78,319 at September 30, 2020 and 2019, respectively.

Future minimum principal payments on the note payable as of September 30, 2020 include payments of $26,890 in 2021 and $25,823 in 2022.

10. Mortgage Payable - HUD:

The mortgage payable to HUD is collateralized by Gateway Farms' land and improvements and will mature September 1, 2029. The monthly payment of $3,100 includes interest at 8.875%, and is made via a deduction in tenant assistance payments received from HUD. The principal balance at September 30, 2020 and 2019, was $230,050 and $246,057.

Future minimum principal payments as of September 30, 2020, are as follows:

Year Ending September 30:		Amount
2021	$	17,487
2022		19,104
2023		20,870
2024		22,799
2025		24,907
Thereafter		124,883
	$	230,050

Under agreements with HUD, the Organization is required to make monthly deposits for replacement of project assets and is subject to restrictions as to operating policies, rental charges, operating expenditures, and distributions. The liability of the Organization under the mortgage note is limited to the underlying value of the real estate.

11. Net Assets with Donor Restrictions:

Net assets with donor restrictions at September 30, 2020 and 2019, consist of the following:

Purpose	2020	2019
Affordable low income housing	$ 304,305	$ 324,788
Endowment fund	1,402,004	1,243,657
	$ 1,706,309	$ 1,568,445

Net assets were released from donor restrictions during 2020 and 2019 by incurring expenses satisfying the restricted purposes, as follows:

Purpose	2020	2019
Affordable low income housing	$ 20,482	$ 21,820
Lights and paving	-	105
Nurse practitioner salaries and related expenses	25,000	98,400
Occupational therapist	80,500	95,000
HPRV - Williamsburg	-	20,000
Aftercare	-	35,000
Community support specialist and prevocational skills	7,000	19,000
Equipment	7,200	50,000
Other	4,700	36,297
	$ 144,882	$ 375,622

12. Endowment Fund:

The Organization had several endowment funds established to support its programs. The endowment funds included both a donor-restricted endowment fund and a fund designated by the Board of Directors to function as an endowment. During 2019, the Board of Directors released from designations all board designated net assets. Net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions as required by GAAP.

12. Endowment Fund, Continued:

Interpretation of Relevant Law: The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (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 funds that are not classified as restricted in perpetuity are only reclassified as net assets without donor restrictions when those amounts appropriated for expenditure by the Organization are disbursed in accordance with the donor restrictions 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 funds in the endowment funds designated by the Board of Directors:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Return Objectives and Risk Parameters: The objective of the Organization's investment policy is to achieve long-term growth in principal while preserving capital through investment in a diversified portfolio of quality investment securities, producing a favorable investment return as compared against inflation. Notwithstanding this investment policy, all restrictions placed by donors or by law on the interest and investment earnings on any funds and their use shall be honored.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization's asset allocation ranges for various asset classes shall be established from time to time by the Board of Directors with the assistance of the investment manager.

12. Endowment Fund, Continued:

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Organization has a spending policy for the Board of Directors to periodically review and determine when it is necessary or desirable in connection with the execution of Organization's strategic plans and policies to make distributions from endowment funds other than as specifically required by donors. The income that may be spent, as determined by the Board of Directors or the donor's direction, may be drawn from both ordinary income earned (i.e., dividends, interest, etc.) and appreciation, both realized and unrealized.

Funds with Deficits: From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or the UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported within net assets with donor restrictions. There were no such deficiencies at September 30, 2020 or 2019.

Endowment net asset composition by type of fund was as follows as of September 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund - corpus	$ -	$ 1,350,167	$ 1,350,167
Donor-restricted endowment fund - earnings	-	51,837	51,837
	$ -	$ 1,402,004	$ 1,402,004

Changes in endowment net assets were as follows for the year ended September 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	$ -	$ 1,243,657	$ 1,243,657
Contribution	-	106,510	106,510
Investment income, net	-	51,837	51,837
Endowment net assets - end of year	$ -	$ 1,402,004	$ 1,402,004

12. Endowment Fund, Continued:

Endowment net asset composition by type of fund was as follows as of September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund - corpus	$ -	$ 1,243,657	$ 1,243,657

Changes in endowment net assets were as follows for the year ended September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	$ 752,936	$ 1,260,066	$ 2,013,002
Investment income, net	-	13,488	13,488
Released from designations/restrictions	(752,936)	(29,897)	(782,833)
Endowment net assets - end of year	$ -	$ 1,243,657	$ 1,243,657

13. Retirement Plan:

The Organization sponsored a SIMPLE IRA covering qualified employees. Employer contributions to the plan were made at the discretion of the Board of Directors. The Organization matched the employee contributions up to a maximum of 3% of gross wages for 2020 and 2019 in the amount of $15,093 and $83,384, respectively. Effective January 1, 2020, due to the size of the Organization the SIMPLE IRA retirement plan was closed and the Organization opened a 401(k) plan. The Organization matches employee contributions up to a maximum of 3% of gross wages for 2020. Employer contributions to the 401(k) plan totaled $45,655 in 2020.

14. Commitments and Contingencies:

The Organization leases equipment, office space, and treatment locations under operating leases expiring at various terms through August 2023. Future minimum payments under the leases are as follows at September 30, 2020:

Year Ending September 30:	Amount
2021	$ 332,525
2022	238,458
2023	129,300
	$ 700,283

The Organization is subject to a contingent liability on the Fairfax property (see Note 6).

15. COVID-19 and the Paycheck Protection Program:

In March 2020, COVID-19 was declared a worldwide health pandemic and has had a significant impact on the national and global economy. As a result of the pandemic, the Organization experienced a disruption in its operations and programs. Management has implemented certain cost-cutting techniques and obtained a Paycheck Protection Program loan. The ultimate impact of the pandemic on the Organization's future financial state is unknown at this time.

In response to economic instability caused by COVID-19, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program was a component of the CARES Act and provided for a loan ("PPP Loan") to provide a direct incentive for employers to keep their employees on the payroll. A PPP Loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities, as further defined in the CARES Act.

The Organization applied for and was approved for a PPP Loan in the amount of $1,372,200. The loan was funded on April 20, 2020. The loan accrues interest at 1.0%, but payments are not required to begin for six months after the funding of the PPP Loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The PPP Loan is uncollateralized and is fully guaranteed by the Federal government.

15. COVID-19 and the Paycheck Protection Program, Continued:

As of September 30, 2020, the Organization had used all of the loan proceeds for qualifying costs and as a result, management believes the PPP Loan will be fully forgiven. Based on its facts and circumstances, the Organization elected to recognize the loan forgiveness as of September 30, 2020 and reflect the full amount of $1,372,200 as Forgiveness of Paycheck Protection Program Loan in the accompanying 2020 combined statement of activities.

16. Liquidity and Availability of Financial Assets:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, receivables, investments, and a line of credit (see Note 8).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing a transitional residential treatment program for adults with mental illness who are striving for independence.as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient support and revenue to cover general expenditures not covered by existing resources.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the combined statement of financial position date of September 30, 2020 and 2019 comprise the following:

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 1,630,690	$ 461,298
Accounts receivable - net	1,409,047	997,661
Contributions receivable	-	61,261
Investments	1,598,891	1,409,418
Total financial assets	4,638,628	2,929,638
Less those unavailable for general expenditure within one year:		
Net assets with donor restrictions - endowment fund	1,402,004	1,243,657
Financial assets available within one year for general expenditure	$ 3,236,624	$1,685,981

17. New Accounting Guidance:

Leases: In February 2016, the FASB issued new guidance over leases which requires that all leasing activity with initial terms in excess of twelve months be recognized on the balance sheet with a right of use asset and a lease liability. The standard will require entities to classify leases as either a finance, or operating lease based upon the contractual terms. For finance leases, the right to use asset and lease liability will be calculated based upon the present value of the lease payments. The asset will then be amortized and the interest on the obligation will be recognized separately within the statement of operations. On the statement of cash flows, the principal portion of the finance lease payments will be classified as a financing activity. For operating leases, the right to use asset and lease liability will also be calculated based upon the present value of the lease payments. However, the cost of the lease will generally be allocated over the lease term on a straight-line basis and presented as a single expense on the statement of operations. On the statement of cash flows, all cash payments for operating leases will be classified as an operating activity. The new standard will be effective for periods beginning after December 15, 2021, and will require entities to use a modified retrospective approach to the earliest period presented. The Organization is currently evaluating the reporting and economic implications of the new standard.

Gifts In-Kind: In September 2020, the FASB issued ASU 2020-07, "Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets." The standard provides additional guidance to nonprofit organizations on how to record and disclose in-kind contributions. The overall purpose of the update is to provide more transparency in how organizations are receiving and valuing in-kind contributions. The ASU requires nonprofit organizations to present in-kind contributions as a separate line item in the Statement of Activities and to provide additional disclosures in the notes covering the following areas:

- A description of the organization's policy for monetizing or utilizing in-kind contributions;
- A listing of in-kind contributions categorized by type with a description about whether each type was monetized or utilized during the reporting period;
- For in-kind contributions that were utilized during the reporting period, the nonprofit must include a description of the programs or activities in which those contributions were used; and
- A description of the valuation process utilized by the organization to determine the fair value of the in-kind contributions.

The ASU is effective for periods beginning after June 30, 2021. The Organization is currently evaluating the reporting and economic implications of the new standard.