

**Greenwich Adult Day Care, Inc.
(d/b/a River House Adult Day Center)**

Consolidated Financial Statements

June 30, 2021 and 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Greenwich Adult Day Care, Inc.

We have audited the accompanying consolidated financial statements of Greenwich Adult Day Care, Inc., which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greenwich Adult Day Care, Inc. as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

Stamford, CT
November 18, 2021

Greenwich Adult Day Care, Inc.
(d/b/a River House Adult Day Center)

Consolidated Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Cash	\$ 265,491	\$ 324,126
Client fees receivable, net of allowance for uncollectible receivables of \$0 and \$42,500	98,612	42,144
Prepaid and other assets	80,525	73,673
Investments	811,498	778,185
Property and equipment, net	3,187,092	3,324,292
	\$ 4,443,218	\$ 4,542,420
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 51,899	\$ 47,149
Clients' security deposits	58,946	58,946
Paycheck Protection Program ("PPP") loan	187,076	218,399
Total Liabilities	297,921	324,494
Net Assets		
Without Donor Restrictions		
Undesignated	(93,925)	(50,107)
Board designated reserves	586,498	371,653
Property and equipment	3,187,092	3,324,292
	3,679,665	3,645,838
With Donor Restrictions		
Restricted for time and specific purposes	215,632	165,556
Funds held in perpetuity	250,000	406,532
Total Net Assets	4,145,297	4,217,926
	\$ 4,443,218	\$ 4,542,420

See notes to consolidated financial statements

Greenwich Adult Day Care, Inc.
(d/b/a River House Adult Day Center)

Consolidated Statement of Activities

	Year Ended June 30, 2021			Total
	Without Donor Restrictions	With Donor Restrictions		
		Time and Purpose	Funds Held in Perpetuity	
OPERATING REVENUE AND PUBLIC SUPPORT				
Revenue				
Program service fees	\$ 423,777	\$ -	\$ -	\$ 423,777
Special events - net of direct donor benefits expense of \$1,121	17,540	-	-	17,540
Total Operating Revenue	<u>441,317</u>	<u>-</u>	<u>-</u>	<u>441,317</u>
Public Support				
Contributions	449,586	142,100	-	591,686
Grant - Town of Greenwich	9,800	-	-	9,800
Grants - other	19,513	-	-	19,513
Grant - USDA	13,589	-	-	13,589
Net assets released from restrictions	92,024	(92,024)	-	-
Total Public Support	<u>584,512</u>	<u>50,076</u>	<u>-</u>	<u>634,588</u>
Total Operating Revenue and Public Support	<u>1,025,829</u>	<u>50,076</u>	<u>-</u>	<u>1,075,905</u>
EXPENSES				
Adult Day Program	1,307,908	-	-	1,307,908
Management and general	115,012	-	-	115,012
Fundraising	77,326	-	-	77,326
Total Expenses	<u>1,500,246</u>	<u>-</u>	<u>-</u>	<u>1,500,246</u>
(Deficiency) excess of Operating Revenue and Public Support Over Expenses	<u>(474,417)</u>	<u>50,076</u>	<u>-</u>	<u>(424,341)</u>
PPP loan forgiveness	218,399	-	-	218,399
Investment return, net	133,313	-	-	133,313
Total Non-Operating Revenue	<u>351,712</u>	<u>-</u>	<u>-</u>	<u>351,712</u>
Redesignation	156,532	-	(156,532)	-
Change in Net Assets	33,827	50,076	(156,532)	(72,629)
NET ASSETS				
Beginning of year	<u>3,645,838</u>	<u>165,556</u>	<u>406,532</u>	<u>4,217,926</u>
End of year	<u>\$ 3,679,665</u>	<u>\$ 215,632</u>	<u>\$ 250,000</u>	<u>\$ 4,145,297</u>

See notes to consolidated financial statements

Greenwich Adult Day Care, Inc.
(d/b/a River House Adult Day Center)

Consolidated Statement of Activities

	Year Ended June 30, 2020			Total
	Without Donor Restrictions	With Donor Restrictions		
		Time and Purpose	Funds Held in Perpetuity	
OPERATING REVENUE AND PUBLIC SUPPORT				
Revenue				
Program service fees, net of bad debt expense of \$24,500	\$ 764,259	\$ -	\$ -	\$ 764,259
Special events - net of direct donor benefits expense of \$35,599	<u>109,042</u>	<u>-</u>	<u>-</u>	<u>109,042</u>
Total Operating Revenue	873,301	-	-	873,301
Public Support				
Contributions	271,484	160,705	-	432,189
Town of Greenwich	57,600	-	-	57,600
Grants - other	4,264	-	-	4,264
Grant - USDA	20,599	-	-	20,599
Net assets released from restrictions	<u>100,673</u>	<u>(100,673)</u>	<u>-</u>	<u>-</u>
Total Public Support for Operations	<u>454,620</u>	<u>60,032</u>	<u>-</u>	<u>514,652</u>
Total Operating Revenue and Public Support	<u>1,327,921</u>	<u>60,032</u>	<u>-</u>	<u>1,387,953</u>
EXPENSES				
Adult Day Program	1,385,831	-	-	1,385,831
Management and general	237,482	-	-	237,482
Fundraising	<u>104,551</u>	<u>-</u>	<u>-</u>	<u>104,551</u>
Total Expenses	<u>1,727,864</u>	<u>-</u>	<u>-</u>	<u>1,727,864</u>
(Deficiency) excess of Operating Revenue and Public Support Over Expenses	<u>(399,943)</u>	<u>60,032</u>	<u>-</u>	<u>(339,911)</u>
Investment return, net	<u>(1,235)</u>	<u>-</u>	<u>(3,653)</u>	<u>(4,888)</u>
Total Non-Operating Revenue	<u>(1,235)</u>	<u>-</u>	<u>(3,653)</u>	<u>(4,888)</u>
Change in Net Assets	(401,178)	60,032	(3,653)	(344,799)
NET ASSETS				
Beginning of year	<u>4,047,016</u>	<u>105,524</u>	<u>410,185</u>	<u>4,562,725</u>
End of year	<u>\$ 3,645,838</u>	<u>\$ 165,556</u>	<u>\$ 406,532</u>	<u>\$ 4,217,926</u>

See notes to consolidated financial statements

Greenwich Adult Day Care, Inc.
(d/b/a River House Adult Day Center)

Consolidated Statements of Functional Expenses

	Year Ended June 30, 2021					Year Ended June 30, 2020				
	Adult Day Program	Management and General	Fund-Raising	Direct Donor Benefits	Total	Adult Day Program	Management and General	Fund-Raising	Direct Donor Benefits	Total
EXPENSES										
Salaries and related expenses	\$ 926,632	\$ 37,862	\$ 58,779	\$ -	\$ 1,023,273	\$ 856,069	\$ 155,321	\$ 78,003	\$ -	\$ 1,089,393
Meals	47,246	-	-	-	47,246	93,340	-	-	-	93,340
Transportation expenses	21,476	-	-	-	21,476	86,526	-	-	-	86,526
Professional fees	-	25,923	-	-	25,923	-	25,791	-	8,024	33,815
Repairs and maintenance	60,714	3,373	3,373	-	67,460	59,422	3,301	3,301	-	66,024
Insurance	38,446	1,570	2,419	-	42,435	33,583	6,067	3,076	-	42,726
Utilities	30,483	1,694	1,694	-	33,871	30,979	1,721	1,721	-	34,421
Information technology	23,611	964	1,485	-	26,060	43,079	7,783	3,946	-	54,808
Program supplies	7,755	-	-	-	7,755	16,179	-	-	-	16,179
Catering, venues and decorations	-	-	-	-	-	-	-	-	21,717	21,717
Supplies and other	11,805	483	743	-	13,031	13,364	2,415	1,224	-	17,003
Recreational therapist	1,050	-	-	-	1,050	8,724	-	-	-	8,724
Storage, dues and subscriptions	7,518	307	473	-	8,298	7,400	1,337	678	-	9,415
Bank related fees	-	12,054	-	-	12,054	-	12,777	-	-	12,777
Marketing	-	23,727	-	-	23,727	-	12,824	-	-	12,824
Media and entertainment	-	-	-	-	-	-	-	-	450	450
Development related	-	-	1,200	-	1,200	-	-	5,036	-	5,036
Telephone	4,068	166	256	-	4,490	3,432	620	314	-	4,366
Printing and postage	704	29	44	1,121	1,898	3,059	553	280	5,408	9,300
Conference, travel and training	2,920	-	-	-	2,920	5,180	-	-	-	5,180
	<u>1,184,428</u>	<u>108,152</u>	<u>70,466</u>	<u>1,121</u>	<u>1,364,167</u>	<u>1,260,336</u>	<u>230,510</u>	<u>97,579</u>	<u>35,599</u>	<u>1,624,024</u>
Less: Direct donor benefits	-	-	-	(1,121)	(1,121)	-	-	-	(35,599)	(35,599)
Total Expenses Before Depreciation and Amortization	1,184,428	108,152	70,466	-	1,363,046	1,260,336	230,510	97,579	-	1,588,425
Depreciation and amortization	<u>123,480</u>	<u>6,860</u>	<u>6,860</u>	<u>-</u>	<u>137,200</u>	<u>125,495</u>	<u>6,972</u>	<u>6,972</u>	<u>-</u>	<u>139,439</u>
Total Expenses	<u>\$ 1,307,908</u>	<u>\$ 115,012</u>	<u>\$ 77,326</u>	<u>\$ -</u>	<u>\$ 1,500,246</u>	<u>\$ 1,385,831</u>	<u>\$ 237,482</u>	<u>\$ 104,551</u>	<u>\$ -</u>	<u>\$ 1,727,864</u>

See notes to consolidated financial statements

Greenwich Adult Day Care, Inc.
(d/b/a River House Adult Day Center)

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (72,629)	\$ (344,799)
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized (gain) loss on investments	(111,802)	31,482
Depreciation and amortization	137,200	139,439
Bad debt expense	-	24,500
PPP loan forgiveness	(218,399)	-
Changes in operating assets and liabilities		
Client fees receivable	(56,468)	51,532
Grants and contributions receivable	-	34,400
Prepaid and other assets	(6,852)	3,178
Accounts payable and accrued expenses	4,750	(17,182)
Clients' security deposits	-	(1,140)
Net Cash from Operating Activities	(324,200)	(78,590)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(50,300)
Proceeds from sale of investments	180,395	609,183
Purchase of investments	(101,906)	(460,519)
Net Cash from Investing Activities	78,489	98,364
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	187,076	218,399
Net Change in Cash	(58,635)	238,173
CASH		
Beginning of year	324,126	85,953
End of year	\$ 265,491	\$ 324,126

See notes to consolidated financial statements

Greenwich Adult Day Care, Inc.
(d/b/a River House Adult Day Center)

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

1. Organization and Tax Status

Greenwich Adult Day Care, Inc. (the “Organization,” or “GADC”) is located in Greenwich, Connecticut. The mission of the Organization is to support and enrich the quality of life for seniors living with age-related needs and impairments in a safe and nurturing environment. Greenwich Adult Day Care, Inc. provides:

- Customized day-time programs and services that stimulate intellectual, physical and emotional well-being
- Professional monitoring of health and personal care needs
- Counsel and peace of mind for caregivers and families

The consolidated financial statements include the assets and activity of the Greenwich Adult Day Care Trust Fund (the “Trust”) which manages investments of permanently restricted net assets and board designated reserves.

Greenwich Adult Day Care, Inc. and the Trust are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and have not been classified as private foundations.

2. Summary of Significant Accounting Policies

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASU 2014-09”). This ASU provides a single principles-based revenue recognition model with a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that an entity should recognize revenue to depict the transfer of 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 addition, the new standard requires that reporting entities disclose the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. On July 1, 2020, the Organization adopted this ASU, and it was determined that the adoption of this ASU had no impact on the Organization’s financial statements.

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. One of the more significant estimates required to be made by management is the allocation of functional expenses.

Greenwich Adult Day Care, Inc.
(d/b/a River House Adult Day Center)

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Consolidation Policy

Since Greenwich Adult Day Care, Inc. and the associated Trust are under common control, and share management and fundraising services, consolidated financial statements have been presented. Significant inter-organizational transactions and balances have been eliminated in consolidation.

Cash

The Organization considers all highly liquid investments with a maturity date of three months or less at the time of purchase to be cash.

Fair Value Measurements

The Organization follows GAAP guidance on fair value measurements which defines fair value and established a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. The value by input level of GADC's investments are included in Note 5 to the consolidated financial statements.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. At June 30, 2021 and 2020, the allowance for uncollectible receivables was \$0 and \$42,500.

Greenwich Adult Day Care, Inc.
(d/b/a River House Adult Day Center)

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are reported at fair value in the consolidated statements of financial position. Realized and unrealized gains and losses, as well as interest and dividend income, are included within the change in net assets in the consolidated statements of activities.

Property and Equipment

The Organization's facility improvements, and furniture and equipment are recorded at cost. River House Facility improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease inclusive of expected renewals. Furniture and equipment are depreciated using the straight-line method over their useful lives which range from five to seven years.

Contributed Services and Goods

During the years ended June 30, 2021 and 2020, no contributed services or goods met the requirements for recognition in the consolidated financial statements. A substantial number of volunteers have contributed their time to the Organization's program and supporting services; none of these services meet the requirements for financial statement recognition.

Contributions

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 without donor restrictions if the restrictions expire in the fiscal year in which the contributions are received. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets with donor restrictions are reclassified to net assets without donor restrictions.

Grants

Grants received by GADC are generally based on cost-reimbursement and are recognized as revenue as the related costs are incurred.

Revenue from Contracts with Customers

The Organization recognizes revenue from contracts with customers in an amount that reflects the consideration that is expected to be received for goods or services when its performance obligations are satisfied by transferring control of those promised goods or services to its customers. Revenue for the Organization is applied through the following five-step process:

1. Identify the contract(s) with a customer.
2. Identify the performance obligation in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Greenwich Adult Day Care, Inc.
(d/b/a River House Adult Day Center)

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Revenue from Contracts with Customers (continued)

Program service fee revenue is derived providing day programming to the Organization's clients. Program service fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing those services. These amounts are due from the individuals served and other third-party payors.

Fundraising event revenue is derived primarily from the sales of tickets and sponsorships related to each event.

The Organization disaggregates revenue from contracts with customers by payor. The Organization's program services revenue can generally be classified as revenue for customer services.

The Organization recognizes revenue as its performance obligations are completed. The performance obligations are satisfied as the individuals served simultaneously receives and consumes the benefits of the services provided. Typically, program service fees are billed when the service is provided and payments are due based on contract terms. For fundraising events revenue, amounts collected in advance of an event are deferred and recognized as revenue when the event occurs.

Practical Expedients

Customer payment terms are typically less than one year and as such, the Organization has applied the practical expedient to exclude consideration of significant financing components from the determination of the transaction price. If taxes are collected from customers and remitted to governmental authorities, they are excluded from net sales. Costs to obtain a contract are generally immaterial, but the Organization has elected the practical expedient to expense these costs as incurred if the amortization period of the capitalized cost would be one year or less. As permitted by the guidance, the Organization has applied a portfolio approach to evaluating the customer's ability to pay, rather than evaluating each customer's ability to pay separately.

Functional Expenses

For financial reporting in accordance with GAAP, GADC allocates its expenses on a functional basis among its program and support services. Expenses that can be specifically identified with a program or support service are allocated directly according to their natural classifications. Expenses that are common to several functions are allocated based on estimates made by management using a salary-weighted method. Those expenses include the salaries and benefits of certain personnel, occupancy, repairs and maintenance, communications related expenses, insurance, supplies and depreciation.

Management and general and fundraising expenses are approximately 18% and 25% of total revenue and public support and approximately 13% and 20% of total expenses, for the years ended June 30, 2021 and 2020.

Greenwich Adult Day Care, Inc.
(d/b/a River House Adult Day Center)

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Measure of Operations

The Organization has elected to include an operating measure in its statement of activities titled *deficiency (excess) of operating revenue and public support over expenses*. The measure of operations includes all fees for services, grants, contributions and other support, and other revenue and expenses with the exception of investment returns and loan forgiveness.

Reclassifications

Certain information in the June 30, 2020 financial statements has been reclassified to conform to the June 30, 2021 presentation.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that GADC had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable tax jurisdictions for periods prior to 2018.

Connecticut Enactment of UPMIFA

U.S. GAAP 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”), requires additional disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The state of Connecticut enacted UPMIFA effective October 1, 2007, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors has determined that all of the Organization’s funds held in perpetuity meet the definition of endowment funds under UPMIFA.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the consolidated financial statements were available to be issued, which date is November 18, 2021.

3. Liquidity and Availability of Financial Assets

GADC structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage liquidity needs, with approval from the Board of Directors, Board designated reserves can be made available for expenditure, should a liquidity need arise.

Greenwich Adult Day Care, Inc.
(d/b/a River House Adult Day Center)

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

3. Liquidity and Availability of Financial Assets (continued)

The table on the below reflects GADC's available financial assets at June 30, 2021 and 2020, which exclude amounts not available for general use within one year. Amounts not available for use within one year include financial assets with donor restrictions as well as amounts set aside by the Board of Directors for operating and other reserves that could be drawn upon if the Board of Directors approves such action.

	<u>2021</u>	<u>2020</u>
Cash	\$ 265,491	\$ 324,126
Client fees receivable, net	98,612	42,144
Investments	<u>811,498</u>	<u>778,185</u>
Total Financial Assets Available Within One Year	1,175,601	1,144,455
Donor Imposed Restrictions		
Endowment assets in perpetuity	(250,000)	(406,532)
Board designated reserves	<u>(586,498)</u>	<u>(371,653)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 339,103</u>	<u>\$ 366,270</u>

4. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. At times, cash balances may be in excess of balances insured by the Federal Deposit Insurance Corporation.

5. Investments

Investments grouped by fair value hierarchy consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Level 1 Investments		
Money market	\$ 18,087	\$ 5,562
Mutual funds	347,626	341,348
Exchange traded products	<u>445,785</u>	<u>431,275</u>
	<u>\$ 811,498</u>	<u>\$ 778,185</u>

Greenwich Adult Day Care, Inc.
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Notes to Consolidated Financial Statements
June 30, 2021 and 2020

5. Investments (continued)

Investment return, net, including interest on cash accounts, consists of the following for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 21,511	\$ 26,594
Realized (losses) gains	(5,831)	31,699
Unrealized gains (losses)	<u>117,633</u>	<u>(63,181)</u>
	<u>\$ 133,313</u>	<u>\$ (4,888)</u>

6. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
River House facility improvements	\$ 4,756,356	\$ 4,756,356
Furniture and equipment	<u>444,842</u>	<u>444,842</u>
	5,201,198	5,201,198
Accumulated depreciation and amortization	<u>(2,014,106)</u>	<u>(1,876,906)</u>
	<u>\$ 3,187,092</u>	<u>\$ 3,324,292</u>

7. Paycheck Protection Program Loans

GADC applied for and received a Small Business Administration (“SBA”) Paycheck Protection Program loan (the “PPP loan”) in the amount of \$218,399 on April 22, 2020. The PPP loan has an interest rate of 1%. The PPP loan is forgivable, partially or in whole, if certain employment levels are maintained and expenditures are made for qualified costs as stated in the PPP loan agreement, and as outlined by the SBA. GADC received notice on March 17, 2021 that the full amount of principal, and all accrued interest, was forgiven. PPP loan forgiveness is recorded as non-operating revenue in the June 30, 2021 consolidated statement of activities.

In January 2021, GADC received loan proceeds in the amount of \$187,076 under Second Draw provisions of the PPP as authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the “Economic Aid Act”). The Second Draw provisions of the Economic Aid Act provides for loans to qualifying entities for amounts up to 2.5 times their 2019 or 2020 average monthly payroll expenses. The Second Draw PPP loan bears an interest rate of 1% per annum.

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(d/b/a River House Adult Day Center)

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

7. Paycheck Protection Program Loans (continued)

All or a portion of the Second Draw PPP loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") as amended by the Economic Aid Act, over a period between eight to twenty-four weeks from the date the Second Draw PPP loan proceeds are received (the "Second Draw Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries above a certain threshold during the Second Draw Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the Second Draw PPP Loan, if any, is payable within five years from the date of the PPP loan with a deferral of payments of principal or interest until the amount of loan forgiveness is approved by the SBA. If GADC does not apply for forgiveness, payments begin approximately 16 months after the loan date.

8. Lease Commitments and Facilities Agreement

During 2006, the Organization entered into an agreement with the Town of Greenwich to lease the River House (formerly known as the Pumphouse) in Cos Cob, CT. The terms of the agreement grant the Organization use of the facility for a term of ten years, for a total consideration of \$1 per year, with options for three additional ten year terms. GADC has prepaid the lease commitment for the term of the lease and the three optional renewal periods. GADC has the right to terminate the lease at any time by giving 120 days advance written notice to the Town of Greenwich.

In exchange for the use of the property, GADC has agreed to make substantial improvements. At the expiration of the lease term these improvements will inure to the benefit of the Town of Greenwich.

Since management believes that the cost of the improvements approximates the fair rental value of the property over the extended term of the lease, GADC has not recorded any contribution income in connection with the lease transaction.

During fiscal year 2016, the first of the three optional ten year terms was exercised by GADC and approved by the Town of Greenwich.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions include a contribution to the Greenwich Adult Day Care Trust, Inc. that is to be held in perpetuity and is adjusted for realized and unrealized gains and losses based on management's evaluation of the donor's intentions and relevant law for the gift. Interest and dividends earned on investments are classified as net assets without donor restrictions, and are included in the row "Board Designated" in the table in Note 11 until appropriated for expenditure.

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9. Net Assets With Donor Restrictions (continued)

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

	<u>2021</u>	<u>2020</u>
Time or Purpose Restricted		
Meals	\$ 133,589	\$ 75,435
Fund a client	41,607	57,263
Scholarships	28,275	1,975
Creative arts	10,400	-
St. John's community foundation	1,325	1,325
Community trips	436	436
Distance learning	-	29,122
	<u>215,632</u>	<u>165,556</u>
Funds Held in Perpetuity		
Malcom Smith endowment	<u>250,000</u>	<u>406,532</u>
Total Net Assets With Donor Restrictions	<u>\$ 465,632</u>	<u>\$ 572,088</u>

Net assets with donor restrictions for time and purpose released from restriction and disbursed during the years ended June 30, consist of the following:

	<u>2021</u>	<u>2020</u>
Meals	\$ 47,246	\$ 64,775
Distance learning	29,122	-
Fund a client	15,656	14,900
Scholarships for low-income residents	-	20,000
Community trips	-	998
	<u>\$ 92,024</u>	<u>\$ 100,673</u>

10. Board Designations of Net Assets Without Donor Restrictions

Over ten years ago, the Board of Directors authorized the creation of a reserve fund to receive amounts designated to this fund by the Board. The Board created this reserve to help protect Greenwich Adult Day Care, Inc. against an economic downturn. It is the Board's intention that the reserve funds will generate income that will help reduce Greenwich Adult Day Care, Inc.'s dependence on outside funding sources and fundraising.

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11. Funds Held for Long-Term Investments

GADC maintains donor-restricted and board-designated funds whose purpose is to provide long term support for programs. In classifying such funds for financial statement purposes as either with donor restrictions or without donor restrictions, the Board of Directors (the “Board”) looks to the explicit directions of the donor where applicable and the provisions of the laws of the State of Connecticut. It is the intent of the Board that a portion of income will not be withdrawn but remain for future growth. This amount, along with the annual appropriation for spending, will be determined by the Board of Directors on an annual basis.

GADC utilizes a total return investment approach with its asset allocation diversified over multiple asset classes. Long-term investment return objectives are to exceed composite benchmark results over the long term with a moderate level of risk. In order to achieve this objective, the GADC follows the strategy of weighting the asset allocation to higher yielding asset classes, including equities which carry a higher risk. The total return objective includes the funding of both the current year spending rate and the amount to be retained pursuant to the Board’s interpretation of State law.

During fiscal year 2021, the Board reviewed the original Malcolm Smith endowment gift. The principal amount of this gift of \$250,000 is to be held in perpetuity. In prior years, appropriations of earnings on the Malcolm Smith funds were interpreted by the Board as limited to interest, dividends and short-term gains, less investment fees. Therefore, in prior years, the principal amount of the Malcom Smith funds, plus long-term investment gains, were held in perpetuity. The Board determined from their review, with the assistance of legal counsel, that the donor’s original intent of the Malcolm Smith gift was not to restrict appropriations of earnings to only interest, dividends and short-term gains, but rather appropriations should include all investment earnings, less investment fees. As a result, in fiscal year 2021 GADC re-designated \$156,532 from funds held in perpetuity to board-designated funds. Also in fiscal year 2021 and on a go-forward basis, investment earnings from the funds held in perpetuity are included in the column “Board Designated” until approved for expenditure.

Activity of funds held for long-term investments for the years ended June 30, 2021 and 2020, is as follows:

	Board Designated	Donor Restricted Earnings	Funds Held in Perpetuity	Total
Balance, July 1, 2020	\$ 371,653	\$ -	\$ 406,532	\$ 778,185
Contributions	25,000	-	-	25,000
Redesignation	156,532	-	(156,532)	-
Interest and dividends	21,511	-	-	21,511
Capital appreciation	111,802	-	-	111,802
Approved for expenditure	(100,000)	-	-	(100,000)
Balance, June 30, 2021	<u>\$ 586,498</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 836,498</u>

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11. Funds Held for Long-Term Investments (continued)

	Board Designated	Donor Restricted Earnings	Funds Held in Perpetuity	Total
Balance, July 1, 2019	\$ 548,146	\$ -	\$ 410,185	\$ 958,331
Contributions	-	-	-	-
Interest and dividends	15,210	11,384	-	26,594
Capital depreciation	(17,667)	(10,162)	(3,653)	(31,482)
Approved for expenditure	(174,036)	(1,222)	-	(175,258)
Balance, June 30 2020	<u>\$ 371,653</u>	<u>\$ -</u>	<u>\$ 406,532</u>	<u>\$ 778,185</u>

For the year-ended June 30, 2021, the \$25,000 in contributions included in the table above was deposited into a cash account and will be transferred to an investment account in fiscal year 2022.

12. Retirement Plan

Greenwich Adult Day Care, Inc. sponsors a 401(k) plan for employees (the “Plan”) whereby eligible employees (the “participants”) may make voluntary contributions to the Plan. The Plan is a non-contributory plan with an employer safe harbor contribution of 3% of each participant’s gross salary. Total expense for the years ended June 30, 2021 and 2020 was \$26,691 and \$19,441. The Plan is fully funded on a current basis.

13. COVID-19

GADC’s operations and financial performance have been affected by the recent coronavirus outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen or do not improve, GADC may continue to experience a disruption in operations as well as a significant decline in revenue generating activities. The outbreak is likely to adversely affect the GADC’s business, financial conditions, cash flows and results of operations on an interim basis.

14. Subsequent Event

GADC received notice from the SBA that the Second Draw PPP Loan in the amount of \$187,076 was forgiven in full on September 28, 2021.
