

LAKEMARY CENTER, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

Years Ended June 30, 2021 and 2020

LAKEMARY CENTER, INC. AND SUBSIDIARIES

JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lakemary Center, Inc. and Subsidiaries
Paola, Kansas

We have audited the accompanying consolidated financial statements of Lakemary Center, Inc. and subsidiaries (not-for-profit organizations) which comprise the consolidated statements of financial position as of June 30, 2021 and 2020 and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the year 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 from 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 auditor's 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

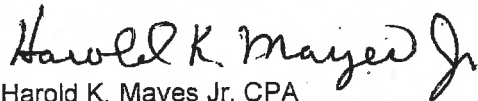
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lakemary Center, Inc. and subsidiaries as of June 30, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules listed under supplemental information in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying Schedule of Expenditures of Federal Awards is also presented for purposes of additional analysis as required by *Title 2 U.S. code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. Such information described above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2021 on our consideration of Lakemary Center, Inc. and subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lakemary Center, Inc. and subsidiaries' internal control over financial reporting and compliance.



Harold K. Mayes Jr. CPA
Agler & Gaeddert, Chartered
Ottawa, Kansas
October 6, 2021

LAKEMARY CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,957,961	\$ 4,787,384
Accounts receivable (net of allowance for doubtful accounts of \$83,470 and \$143,391)	2,962,228	2,874,401
Contributions receivable	0	4,300
Accrued interest receivable	17,032	12,893
Investments	10,258,549	6,853,343
Prepaid expenses	290,979	223,725
Total current assets	18,486,749	14,756,046
LIMITED USE ASSETS		
Tenant security deposits	10,200	9,832
Cash reserves	511,557	463,131
Total limited use assets	521,757	472,963
PROPERTY AND EQUIPMENT		
Land	292,109	252,512
Land improvements	810,869	646,572
Buildings and improvements	15,962,004	15,657,820
Leasehold improvements	859,062	856,362
Equipment, furnishings and software	3,338,167	3,084,590
Vehicles	1,711,689	1,645,270
Construction in process	3,910	39,446
Total	22,977,810	22,182,572
Less: accumulated depreciation	(12,678,925)	(11,583,962)
Net property and equipment	10,298,885	10,598,610
OTHER ASSETS		
Electronic Health Records system, future benefits	3,278	3,183
TOTAL ASSETS	\$ 29,310,669	\$ 25,830,802
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 1,151,334	\$ 460,972
Accrued interest payable	2,331	2,776
Accrued payroll	1,034,775	1,009,548
Accrued paid leave	1,503,562	1,470,821
Deferred revenue	12,053	15,847
Funds and deposits held	12,525	15,235
Current portion of long-term debt	136,434	1,102,367
Total current liabilities	3,853,014	4,077,566
LONG-TERM DEBT AND ACCRUALS	1,313,439	474,197
TOTAL LIABILITIES	5,166,453	4,551,763
NET ASSETS		
Without donor restrictions:		
Board designated	11,706,328	7,977,203
Undesignated	11,836,637	12,905,015
With donor restrictions	601,251	396,821
Total net assets	24,144,216	21,279,039
TOTAL LIABILITIES AND NET ASSETS	\$ 29,310,669	\$ 25,830,802

The accompanying notes are an integral part of these financial statements.

LAKEMARY CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and Revenue		
Support:		
Contributions	\$ 827,371	\$ 124,466
Public funding	2,130,048	1,989,914
Total support	2,957,419	2,114,380
Revenues:		
Medicaid and private insurance	21,100,513	21,935,749
Tuition	3,821,642	3,716,665
Program fees	513,632	608,896
Rental	241,064	235,923
HUD Section 8 rental subsidy	298,789	298,206
Production income	123,897	165,462
Fundraising events	138,461	172,699
Investment return	2,940,326	307,087
Other fees and income	147,859	39,681
Total revenues	29,326,183	27,480,368
Net assets released from restrictions	332,625	589,658
TOTAL SUPPORT AND REVENUE	32,616,227	30,184,406
EXPENSES		
Program services	25,268,333	24,752,979
Supporting services:		
Management and general	3,960,307	3,961,384
Development and fundraising	726,840	773,125
TOTAL EXPENSES	29,955,480	29,487,488
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,660,747	696,918
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	537,055	259,279
Net assets released from restrictions	(332,625)	(589,658)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	204,430	(330,379)
INCREASE IN TOTAL NET ASSETS	2,865,177	366,539
NET ASSETS - BEGINNING OF YEAR	21,279,039	20,912,500
NET ASSETS - END OF YEAR	\$ 24,144,216	\$ 21,279,039

The accompanying notes are an integral part of these financial statements.

LAKEMARY CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,865,177	\$ 366,539
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,099,429	1,046,067
Net realized and unrealized investment gain	(2,808,946)	(163,312)
Gain on disposition of fixed assets	4,345	12,016
Bad debt provision, net of recoveries	44,900	(14,007)
Donated property and equipment	0	(8,519)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(70,294)	312,610
Contributions receivable	4,300	94,365
Accrued interest receivable	(4,139)	(796)
Prepaid expenses and other assets	(67,349)	(102,624)
Tenant security deposits	(368)	85
Increase (decrease) in:		
Accounts payable	627,929	(9,728)
Accrued expenses	57,523	135,659
Deferred revenue	(3,794)	(1,011)
Funds and deposits held, unrestricted	2,693	(85)
Net cash provided by operating activities	1,751,406	1,667,259
CASH FLOWS FROM INVESTING ACTIVITIES		
Net activity in limited use accounts	(53,829)	3,276
Purchase of investments	(4,215,192)	(3,807,024)
Proceeds from maturities or sales of investments	3,618,932	2,699,782
Acquisition of property and equipment	(804,049)	(1,058,267)
Proceeds from sale of property and equipment	0	700
Net cash used by investing activities	(1,454,138)	(2,161,533)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	(126,691)	(240,379)
Net cash used by investing activities	(126,691)	(240,379)
NET INCREASE IN CASH AND CASH EQUIVALENTS	170,577	(734,653)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,787,384	5,522,037
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,957,961	\$ 4,787,384

The accompanying notes are an integral part of these financial statements.

LAKEMARY CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

2021

	Program Services					Total	Development and fundraising		2021 Total
	Children's Services	Adult Services	HUD Projects	Program Services	Management and general		Management and general	Development and fundraising	
EXPENSES									
Salaries and wages	\$ 9,796,477	\$ 6,923,456	\$ 28,197	\$ 16,748,130	\$ 2,188,115	\$ 445,838	\$ 19,382,083		
Payroll taxes	706,967	495,044	2,149	1,204,160	154,148	33,835	1,392,143		
Health, dental and disability insurance	877,612	859,523	2,506	1,739,641	244,998	29,543	2,014,182		
Retirement	124,024	143,083	0	267,107	81,114	9,271	357,492		
Unemployment	83,783	47,376	0	131,159	3,517	1,810	136,486		
Worker's compensation insurance	185,021	101,348	0	286,369	10,408	672	297,449		
Staff development/personnel	41,046	31,837	0	72,883	28,454	355	101,692		
Administrative fees	54,081	0	0	54,081	0	0	54,081		
Office supplies and expenses	17,404	10,699	0	28,103	95,000	19,276	142,379		
Marketing	13,751	1,621	0	15,372	6,846	14,803	37,021		
Membership fees and subscriptions	138,876	72,390	0	211,266	140,914	8,598	360,778		
Legal and audit fees	2,269	527	0	2,796	55,047	0	57,843		
Transportation and vehicle expenses	19,187	191,474	0	210,661	93,755	0	304,416		
Rent	15,665	254,606	0	270,271	34,060	6,145	310,476		
Repairs and maintenance	203,698	141,218	46,251	391,167	83,071	765	475,003		
Property and liability insurance	220,045	157,505	49,932	427,482	29,421	1,371	458,274		
Supplies - household and other	389,684	253,963	0	643,647	12,838	164	656,649		
Food, clothing and personal care items	405,728	275,778	0	681,506	14,069	0	695,575		
Recreation, travel and entertainment	34,210	34,581	0	68,791	19,015	728	88,534		
Electricity	102,246	44,403	46,434	193,083	22,505	0	215,588		
Gas	48,349	13,060	2,249	63,658	17,583	0	81,241		
Water, sewer and trash	37,034	18,641	25,498	81,173	18,188	0	99,361		
Telephone and internet	42,337	63,044	8,465	113,846	88,055	6,053	207,954		
Consultants and outside services	159,456	22,557	0	182,013	204,313	102,690	489,016		
Small furniture and equipment	64,141	46,985	0	111,126	59,866	1,526	172,518		
Miscellaneous	16,145	44,527	0	60,672	38,167	20	98,859		
(Gain)/loss on disposition of fixed assets	4,717	0	0	4,717	(372)	0	4,345		
Bad debts	32,451	12,449	0	44,900	0	0	44,900		
Interest expense	44,473	0	33,037	77,510	0	0	77,510		
Fundraising events	0	0	0	0	0	42,203	42,203		
Depreciation and amortization	465,475	313,950	101,618	881,043	217,212	1,174	1,099,429		
	\$ 14,346,352	\$ 10,575,645	\$ 346,336	\$ 25,268,333	\$ 3,960,307	\$ 726,840	\$ 29,955,480		

The accompanying notes are an integral part of these financial statements.

LAKEMARY CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

2020

	Program Services				Total	Management and general		Development and fundraising	
	Children's Services	Adult Services	HUD Projects	Program Services		Management and general	Development and fundraising	Management and general	Development and fundraising
EXPENSES									
Salaries and wages	\$ 9,764,963	\$ 7,086,161	\$ 27,346	\$ 16,878,470	\$ 2,271,023	\$ 469,185	\$ 19,618,678		
Payroll taxes	719,491	506,933	1,969	1,228,393	155,373	34,823	1,418,589		
Health, dental and disability insurance	850,672	812,877	3,978	1,667,527	230,463	27,237	1,925,227		
Retirement	108,304	141,839	0	250,143	71,252	6,760	328,155		
Unemployment	11,722	4,464	0	16,186	0	0	16,186		
Worker's compensation insurance	215,776	115,484	0	331,260	14,299	1,007	346,566		
Staff development/personnel	46,980	27,398	0	74,378	38,638	3,360	116,376		
Administrative fees	53,254	0	0	53,254	0	0	53,254		
Office supplies and expenses	16,179	9,804	0	25,983	93,254	23,676	142,913		
Marketing	61,095	1,099	0	62,194	8,230	37,335	107,759		
Membership fees and subscriptions	136,858	77,957	0	214,815	97,768	10,051	322,634		
Legal and audit fees	24,605	0	0	24,605	34,517	0	59,122		
Transportation and vehicle expenses	32,315	194,080	0	226,395	90,048	1,079	317,522		
Rent	33,719	246,962	0	280,681	34,367	5,188	320,236		
Repairs and maintenance	251,094	128,028	43,221	422,343	92,058	33	514,434		
Property and liability insurance	178,146	110,611	44,118	332,875	23,538	748	357,161		
Supplies - household and other	171,306	119,327	17,426	308,059	52,610	278	360,947		
	0	0	0	0	0	0	0		
Food, clothing and personal care items	369,394	292,318	0	661,712	14,523	839	677,074		
Recreation, travel and entertainment	29,188	19,275	0	48,463	43,307	9,578	101,348		
Electricity	105,405	43,927	46,686	196,018	24,319	0	220,337		
Gas	9,951	12,049	2,380	24,380	4,685	0	29,065		
Water, sewer and trash	54,941	19,438	24,618	98,997	20,155	0	119,152		
Telephone and internet	52,589	74,460	8,674	135,723	99,786	4,787	240,296		
Consultants and outside services	112,110	1,216	0	113,326	165,084	66,000	344,410		
Small furniture and equipment	74,328	30,630	0	104,958	63,436	2,929	171,323		
Miscellaneous	26,210	21,229	0	47,439	10,972	109	58,520		
(Gain)/loss on disposition of fixed assets	8,897	744	0	9,641	2,375	0	12,016		
Bad debts	(7,498)	(6,509)	0	(14,007)	0	0	(14,007)		
Interest expense	51,070	0	38,374	89,444	8	1,046	90,498		
Fundraising events	0	0	0	0	0	65,630	65,630		
Depreciation and amortization	423,840	314,290	101,194	839,324	205,296	1,447	1,046,067		
	\$ 13,986,904	\$ 10,406,091	\$ 359,984	\$ 24,752,979	\$ 3,961,384	\$ 773,125	\$ 29,487,488		

The accompanying notes are an integral part of these financial statements.

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021 and 2020

NOTE 1 – PURPOSE AND ORGANIZATION HISTORY

LAKEMARY CENTER, INC.

Lakemary Center, Inc. (the Organization) is a not-for-profit corporation formed under the laws of the State of Kansas. Its mission is:

“Empowering children and adults with intellectual and development disabilities to achieve their individual potential.”

The original members of the corporation were Sisters of the Ursuline Academy, Paola, Kansas (the Academy) which contributed initial working capital and 32 acres of land.

A facility initially including five buildings was constructed in Paola, Kansas with an arrangement with the City of Paola to lease the facility, including the land, upon completion. The lease contained an option for the Organization to acquire the facility, including the land, at any time until the expiration of the lease option period, for the sum of \$10. The Organization elected to exercise the option to purchase the facility by action of the Board of Directors in July 2004.

The Organization is a well-established, nationally recognized agency serving more than 600 individuals and families each year from across the United States. With a variety of programs ranging from specialized residential treatment for children with complex intellectual and developmental disabilities to individualized supports for adults, the Organization is committed to providing a lifetime of opportunities for individuals with special needs.

Psychiatric Residential Treatment Facility - The Organization provides a residential treatment program, which serves children with both developmental disabilities and concurrent psychiatric or behavioral disorders. Residents attend the Lakemary School and receive a variety of support services, including special education, behavior management, therapeutic treatment, health care and life skills training.

Lakemary School - The Organization operates a fully accredited K-12 year-round educational program, which is attended by residents and day students from the surrounding area. The program is operated in conjunction with USD 368 Paola School District and East Central Kansas Special Education Cooperative. Therapy programs include music, art, speech, occupational and physical therapies designed for academic achievement and a rich learning environment.

Supported Family Living – The Organization works to develop foster families to serve as a broad circle of care for children in need. All families are carefully screened and trained by the Organization. Each family is reviewed and licensed annually by the Kansas Department of Health and Environment. Families receive a portion of Medicaid funding for the services they provide.

Residential, Day and Vocational – The Organization offers residential services, day programs, transportation and support in a variety of settings designed to best meet the individualized needs of each adult. Residential settings include group residences or supported living arrangements maximizing independence while meeting the desired level of structure and support. Recreation and leisure are key components which include travel, sports, events and group activities.

The Organization operates day programs in both Johnson and Miami counties. Choices include lifestyle courses designed to increase success and satisfaction in daily living and valued activities designed to enrich personal experience. Employment opportunities include supported employment at a community job or working in an on-site vocational center (production, document destruction and e-recycling).

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021 and 2020

NOTE 1 – PURPOSE AND ORGANIZATION HISTORY (Continued)

LAKEMARY CENTER, INC. (Continued)

Service Coordination – The Organization offers high-quality case management for adults and children, honoring choices and maximizing possibilities. This includes assessment, support planning, advocacy and transition planning through a personal relationship with a service coordinator to design, secure and maintain the kinds of services desired and needed.

Outpatient Behavioral Health and Adult Medical Clinic - These programs provide medical support to residents, as well as therapeutic and psychiatric services for members of the community.

SUNRISE COMMUNITY RESIDENCES

During the spring of 1982, the Organization was successful in obtaining the release from the bondholders of 4.5 acres of the land which had been used as security for the industrial revenue bonds. The land was used as the site for the construction of two community residences to serve adults with developmental disabilities which are operated as a special project under the Organization. Funding for the construction was provided by a HUD Section 202 loan. The two residences, located in Paola, Kansas, were completed and opened for occupancy on May 26, 1983. Approval by HUD of the final project costs and the amount of the loan occurred in the fall of 1983. Management services for Sunrise Community Residences are provided under contract by the Organization.

LMC DEVELOPMENTAL SERVICES, INC.

LMC Developmental Services, Inc. is a not-for-profit corporation, which was formed November 11, 1984, to meet requirements necessary to obtain a HUD Section 202 loan. The loan was used for the construction of two community residences to serve adults with developmental disabilities. The residences, located in Paola, Kansas, were completed and operations commenced in February 1986. Management services for LMC Developmental Services, Inc. are provided under contract by the Organization.

LAKEMARY CENTER HOMES, INC.

Lakemary Center Homes, Inc. is a not-for-profit corporation, which was formed December 18, 1985, to meet requirements necessary to obtain a HUD Section 202 loan. The loan was used for the construction of two community residences to serve adults with developmental disabilities. The residences, located in Olathe, Kansas were completed and operations commenced in March 1990. Management services for Lakemary Center Homes, Inc. are provided under contract by the Organization.

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021 and 2020

NOTE 1 – PURPOSE AND ORGANIZATION HISTORY (Continued)

LAKEMARY CENTER ENDOWMENT ASSOCIATION

The Lakemary Center Endowment Association (the Endowment) was founded for the express purpose of fostering encouragement and support of the Organization; to invest or disburse all monies received for the use or benefit of the Organization; to see that funds and property received are applied to the uses, if any, specified by the donor; to provide an association of members to establish and operate the said endowment association; to function as an advisory board; and to provide for direct and indirect contact with prospective donors, friends, associations and businesses.

The Endowment operates as a quasi-endowment entity. Contributions are made to the Endowment solely for the benefit of the Organization, and except in instances where the donor specifies the use of the contributions, the Board of Trustees determines the appropriate use of the contributions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

The consolidated financial statements include the accounts of Lakemary Center, Inc. LMC Developmental Services, Inc., Lakemary Center Homes, Inc. and Lakemary Center Endowment Association. The Board of Directors of the Organization has a controlling interest over the operations of LMC Developmental Services, Inc., Lakemary Center Homes, Inc. and Lakemary Center Endowment Association. All significant intercompany transactions and accounts have been eliminated.

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications.

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 objective 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 will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds to be maintained in perpetuity. The Organization does not have any net assets with perpetual donor restrictions.

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated, typically using a percentage of benefit approach, among the programs and supporting services benefited.

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRIBUTIONS

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

CASH AND CASH EQUIVALENTS

The Organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

ACCOUNTS RECEIVABLE

Accounts receivable generally represent allowed contract amounts related to program services provided by the Organization and are stated at invoice amount. Receivables are generally considered past due after 30 days and do not accrue finance charges on past due amounts. Certain contract agreements with local, state or federal agencies or their representative agencies (Managed Care Organizations) allow for longer payment terms generally less than 45 days from date of billing. In certain circumstances, accounts receivable for program services require payment first by third party liability insurance carriers or parents/guardians, then by Medicaid.

An allowance for doubtful accounts is accrued based primarily for accounts over 90 days old and previous experience. Amounts are charged off as uncollectible after management has made reasonable collection efforts. The Organization retains the services of a collection agency on select accounts. If collection is made, amounts are recorded as a recovery of bad debt expense. As of June 30, 2021 and 2020, the allowance for doubtful accounts was \$82,515 and \$143,391, respectively. Credit balances, if significant, are reclassified to deferred revenue.

CONTRIBUTIONS RECEIVABLE

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions to be received after one year are recorded at fair value based on the present value of their estimated future cash flows discounted at an appropriate rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue in accordance with donor imposed restrictions, if any, on the contributions. No allowance for uncollectible contributions has been made as management estimates they are fully collectible.

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT

Property and equipment generally exceeding \$1,000 (or \$500 for HUD Projects) and life of greater than one year are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at date of gift. Fair value is estimated based on market prices of similar materials. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. The Organization does not impose a time restriction on donated long-lived assets.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets have been used as instructed by the donor and reclassifies them to net assets without donor restrictions at that time.

Depreciation and amortization of property and equipment (including assets recorded as capital leases or installment loans) are provided on the straight-line method over the following estimated useful lives:

	<u>Owned</u>	<u>Leased</u>
Land improvements	5 to 20 years	
Buildings and improvements	10 to 40 years	5 years or lease term
Building furnishings	5 to 15 years	
Equipment	3 to 20 years	5 years
Automobiles and trucks	5 years	

Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in income. Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$1,099,429 and \$1,046,067 respectively.

A provision is made for major future costs of property maintenance and replacement by the transfer of operating net assets to Board-designated net assets.

GRANT / CONTRACT REVENUE RECOGNITION

Revenue is recognized when grant or contract funds are expended according to the contract terms. Cash received under grants or contracts, but not yet expended, is classified as unearned revenue.

FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FAIR VALUE MEASUREMENTS (Continued)

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

Management is responsible for the determination of fair value. The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value. There has been no change in the Levels or methodologies used from prior years as of June 30, 2021 and 2020.

Cash and Cash Equivalents

Cash and cash equivalents, which include restricted assets, consist principally of cash on hand, checking, savings and short-term, interest-bearing instruments which are carried at cost plus accrued interest, which approximates fair value.

Accounts Receivable – Grants/Other

Accounts receivable consist of items expected to be fully collected in varying terms. Amounts are due in less than one year and are recorded at net realizable value.

Current Liabilities

Current liabilities consist of payables due in less than one year and are recorded at amount due as of June 30, 2021 and 2020.

Notes Payable

The fair values of notes payable are significantly impacted by the terms of their agreements. The fair value of notes payable is estimated based on the current rates offered for debt of the same remaining maturities. Accordingly, the fair value of the notes payable approximates the amounts recorded in the financial statements.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement.

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS

The Organization's securities investments that are bought and held principally for the purpose of selling them in the near term are classified as available for sale. All investments are considered available for sale. Available for sale securities are recorded at fair value on the statement of financial position in current assets, with the change in fair value during the period included in earnings. Investment return, including interest, dividends, unrealized and realized gains and losses on investments, is reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

IN-KIND DONATIONS

The Organization received donated professional services and construction services of \$205,760 and \$109,862 for the years ended June 30, 2021 and 2020, respectively. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statements of activities and statements of functional expenses.

Several volunteers have made significant contributions of their time in furtherance of the Organization's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

INCOME TAXES

The Organization, LMC Developmental Services, Inc., Lakemary Center Homes, Inc. and Lakemary Center Endowment Association are exempt from income taxes under paragraph 501(c)(3) of the Internal Revenue Code. In addition, all entities have been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. The Endowment qualifies for the charitable contribution deduction under Section 170(b) and has been determined to be a 509(a)(3) Type 1 entity. All entities are subject to tax on income unrelated to their exempt purposes, unless that income is otherwise excluded by the Code.

All entities have processes presently in place to ensure the maintenance of their tax-exempt status; to identify and report unrelated income; to determine their filing and tax obligations in jurisdictions for which they have nexus; and to identify and evaluate other matters that may be considered tax positions. The entities have determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

ESTIMATES

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates incorporated into the consolidated financial statements include the timing and collectability of grants, contracts and contributions, the useful lives of depreciable assets and allocations for the functional expense report. Actual results could differ from those estimates.

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RISKS AND UNCERTAINTIES

The Organization maintains a significant portion of their total assets in a combination of investment securities. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect investments and the amounts reported in the statement of financial position. The Organization has investment policies with compliance monitored by the respective Boards.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents the organization's financial assets at June 30, 2021 and 2020:

	2021	2020
<u>Financial assets at year end:</u>		
Cash and cash equivalents	\$ 4,957,961	\$ 4,787,384
Accounts receivable	2,962,228	2,874,401
Contributions receivable	0	4,300
Investments	10,258,594	6,853,343
 Total financial assets	 18,178,783	 14,519,428
<u>Less amounts not available to be used within one year:</u>		
Net assets with donor restrictions	601,251	396,821
Quasi-endowment	10,531,328	7,302,203
	11,132,579	7,699,024
 Financial assets available to meet general expenditures within one year	 \$ 7,046,204	 \$ 6,820,404

The Organization's goal is to structure financial assets to be available as general expenditures, liabilities and other obligations come due. The Organization also maintains additional liquidity with the availability of a closed end multi-advance line of credit through a local financial institution in the amount \$2,500,000. As of June 30, 2021, advances on the line of credit totaled \$0.

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 4 – CONTRIBUTIONS RECEIVABLE

The Endowment conducts fundraising events at which commitments are made for various needs of the Organization. The amount of these and other commitments has been recorded as a receivable at year-end as follows:

	2021	2020
Total contributions receivable	\$ 0	\$ 4,300
Less: unamortized discount	0	0
Net contributions receivable	0	4,300
Less: current portion	0	4,300
Contributions receivable, long-term	\$ 0	\$ 0

Since all contributions are expected to be received within one year for the full amount of the commitment, no discount to present value or allowance is considered necessary.

The Organization has been notified that it is designated as a beneficiary of various revocable trusts and wills. The present value of these amounts are recognized as income and reflected as receivables when they become irrevocable and the amounts are determined.

NOTE 5 – INVESTMENTS

Investments at June 30, 2021 and 2020 consisted of the following types of securities:

	Cost	Fair Value	Gross Unrealized Gain/(Loss)
2021 - Level 1			
Common stocks	\$ 4,961,876	\$ 8,104,804	\$ 3,142,928
Fixed income	1,524,943	1,643,785	118,842
ETFs / other marketable	396,960	509,960	113,000
	\$ 6,883,779	\$ 10,258,549	\$ 3,374,770
2020 - Level 1			
Common stocks	\$ 3,700,518	\$ 5,010,720	\$ 1,310,202
Fixed income	1,314,300	1,320,137	5,837
ETFs / other marketable	536,099	522,486	(13,613)
	\$ 5,550,917	\$ 6,853,343	\$ 1,302,426

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 6 – INVESTMENT POLICY (Continued)

Contractual maturities of available-for-sale debt securities are as follows:

	2021	2020
Due in on year or less	\$ 200,000	\$ 200,000
Due in 1-2 years	200,000	200,000
Due in 2-5 years	500,000	400,000
Due after five years	0	0
Total fixed income securities	\$ 900,000	\$ 800,000

Investment return for the years ended June 30, 2021 and 2020 consists of the following:

	2021	2020
Interest and dividends	\$ 174,421	\$ 177,576
Realized gain (loss)	909,670	(153,992)
Unrealized gain	1,899,276	317,304
Investment fees	(43,041)	(33,801)
Total investment return	\$ 2,940,326	\$ 307,087

NOTE 6 – INVESTMENT POLICY

PURPOSE

The Investment Committee (the Committee) is a standing committee of the board of directors whose purpose is to receive, invest and manage all Endowment assets for the benefit of the Organization.

The Committee oversees the management of the invested assets to preserve their value for future needs as well as to provide income for present commitments. Toward that end, the Committee is guided in its fiduciary duties by the Uniform Prudent Investor Act (UPIA) adopted by the American Law Institute.

INVESTMENT GOALS

The goal over all equity asset classes is to outperform the relevant benchmark(s) by 1-3% over a full market cycle (five to seven years). The goal of the fixed income portfolio is income consistent with safety. Managers will discuss any proposed benchmark changes with the Committee.

The Committee generally shall maintain an asset allocation within the following ranges:

Cash	up to 10%
Fixed Income	25-35%
Stocks and alternative investments	65-75%

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021 and 2020

NOTE 6 – INVESTMENT POLICY (Continued)

INVESTMENT GOALS

The goal over all equity asset classes is to outperform the relevant benchmark(s) by 1-3% over a full market cycle (five to seven years). The goal of the fixed income portfolio is income consistent with safety. Managers will discuss any proposed benchmark changes with the Committee.

The Committee generally shall maintain an asset allocation within the following ranges:

Cash	up to 10%
Fixed Income	25-35%
Stocks and alternative investments	65-75%

In the event that the market moves the portfolio outside these target ranges, the Committee shall review the portfolio but will not have any obligation to rebalance the assets. Equity managers should hold no more than 10% cash in the respective portfolios without the express authorization of the Committee. Alternative investments shall not exceed 10% of each equity portfolio.

STANDARD OF CARE

The Committee shall oversee the investment and management of the Endowment assets in the manner of a prudent investor, by considering the purposes, distribution requirements and level of risk appropriate to the mission of the Organization and the people served by it. In satisfying this standard, the members of the Committee shall exercise reasonable care, skill and caution. The Committee and the managers selected by it will employ strategic asset allocation and risk management tools to determine the investments most likely to achieve the Endowment's overall goals.

PORTFOLIO STRATEGY, RISK AND RETURN OBJECTIVES

In conformity with the UPIA, asset allocation and individual assets will be evaluated in the context of an overall investment strategy having risk and return objectives reasonably suited to the Endowment.

Under this standard, diversification is explicitly required, and with the following exceptions, no category of investment is deemed inherently imprudent. The exceptions for this portfolio include direct investments in commodities and futures, currency trading, venture capital investments, real estate investments not traded on an established exchange and private placements. Short selling and margin transactions are expressly prohibited.

To satisfy its long-term rate of return objectives, the Endowment 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).

DUTY OF MONITORING

As stated in the Endowment By-Laws, the Committee will hire or otherwise obtain the services of third-party investment manager(s).

The Committee has a duty to monitor outside investment managers to ensure that the investments made by these managers are suitable for the Endowment and conform to the appropriate level of risk required for this portfolio. Investment costs shall be reasonable in relation to the assets and the skills of the manager(s).

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021 and 2020

NOTE 6 – INVESTMENT POLICY (Continued)

OTHER OBJECTIVES

Annual expected returns from all classes of investments should approximate established and correlated benchmark indexes.

NOTE 7 – LIMITED USE ASSETS

TENANT SECURITY DEPOSITS - Tenant security deposits are held in a separate bank account in the name of each Project, in accordance with HUD regulations.

CASH RESERVES - In accordance with the provisions of the Regulatory Agreements covering the HUD community residences, the reserve for replacements and residual receipts balances can be used only with the written approval of HUD and are held in separate cash accounts. Also included is the Student Account which consists of funds held on behalf of children in the PRTF program of the Organization.

NOTE 8 – CAPITAL LEASE

The Organization entered into a capital lease agreement to finance the purchase of a copier and Duplo Cutter in May 2019. The original cost of the equipment was \$76,909 and accumulated depreciation through June 30, 2021 was \$33,250. The term of the lease is 63 months, expiring August 2024, with monthly payments of \$1,221. Interest has not been imputed because of the installment structure of payments.

The capital lease is secured by the related equipment. Capital lease obligations and their related current maturities have been included with long-term debt.

NOTE 9 – ELECTRONIC HEALTH RECORDS SYSTEM

The Organization entered an agreement in June 2017 to acquire and implement a new electronic health records system. The agreement had a total cost of \$967,667 which will be allocated over the five-year term of the agreement.

Of this amount, \$231,427 was considered a capital license allowing the Organization a perpetual right to utilize proprietary software. The Organization has reflected this amount as an asset under equipment, furnishings and software and is amortizing the license value over a five-year period that began July 2017.

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021 and 2020

NOTE 9 – ELECTRONIC HEALTH RECORDS SYSTEM (Continued)

The remainder of the agreement is recorded as expense when services are provided (\$46,839 in implementation costs and \$369,540 for hosting services). The agreement provides for an initial hosting term of five years through June 30, 2022 but specifies the Organization may terminate the hosting relationship at the conclusion of any 90-day period and use an alternative option to host the software and client database.

The Organization renewed the annual support and maintenance agreement on January 1, 2021 at an annual cost of \$60,271. The Organization may renew the majority of the supporting subscriptions on July 1, 2021 at an estimated annual cost of \$57,261. The Organization may renew the hosting services on July 1, 2022 at an estimated annual cost of \$82,256.

NOTE 10 – LONG-TERM DEBT

The Organization constructed two community residences in May 1983 (Note 1). Land, land improvements, building and equipment, totaling \$484,427 were acquired by a HUD Section 202 loan of \$412,300 and contributions from the Endowment of \$72,127. The HUD Section 202 loan was a 9.25% note payable over 40 years in monthly payments of \$3,259. This loan was refinanced through a local lender on April 28, 2006 in the amount of \$344,500 and secured by a deed of trust on the land and buildings. The refinanced loan is a 6.99% note payable over 18 years in monthly payments of \$2,830. This loan was subsequently refinanced again on August 18, 2021 in the amount of \$85,850 at 4.25% payable over 33 months in monthly payments of \$2,761.

LMC Developmental Services, Inc. constructed two community residences in February 1986 (Note 1). Land, land improvements, building and equipment, totaling \$481,149, were acquired by a HUD Section 202 loan of \$458,300 and contributions from the Endowment of \$22,849. The HUD Section 202 loan was a 9.25% note payable over 40 years in monthly payments of \$3,624. This loan was refinanced through a local lender on April 28, 2006 in the amount of \$458,300 and secured by a deed of trust on the land and buildings. The refinanced loan is a 6.99% note payable over 20 years in monthly payments of \$3,581. This loan was subsequently refinanced again on August 18, 2021 in the amount of \$155,986 at 4.25% payable over 57 months in monthly payments of \$3,028.

Lakemary Center Homes, Inc. constructed two community residences in March 1990 (Note 1). Land, land improvements, building and equipment, totaling \$471,675, were acquired by a HUD Section 202 loan of \$433,200 and contributions from the Endowment and the Organization totaling \$38,475. The HUD Section 202 loan was an 8.5% note payable over 40 years in monthly payments of \$3,176. This loan was refinanced through a local lender on April 28, 2006 in the amount of \$409,900 and secured by a deed of trust on the land and buildings. The refinanced loan is a 6.99% note payable over 20 years in monthly payments of \$3,203. This loan was subsequently refinanced again on August 18, 2021 in the amount of \$174,374 at 4.25% payable over 57 months in monthly payments of \$3,385.

The Organization completed construction of a Children's Residence in December 2010. The building and equipment totaled \$1,241,403. The cost of the building was financed by contributions from the Endowment and operations totaling \$41,403 and a commercial real estate loan of \$1,200,000 secured by a first mortgage on the Organization's campus located at 100 Lakemary Drive, Paola, KS. The loan was originally a 6.125% note payable over 5 years in monthly payments of \$7,361 with a balloon payment of \$1,121,124. This loan was renewed through December 2021 at a rate of 4.95% with monthly payments of \$6,550 and a balloon payment of \$997,296.

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021 and 2020

NOTE 10 – LONG-TERM DEBT (Continued)

Principal maturities on long-term debt, including capital leases, are as follows:

Fiscal Year Ending	
2022	\$ 136,434
2023	144,091
2024	150,280
2025	113,097
2026	<u>905,969</u>
Total	<u>\$ 1,449,873</u>

Interest expense during the years ended June 30, 2021 and 2020 was \$77,510 and \$90,498, respectively.

NOTE 11 – QUASI-ENDOWMENT

The endowment net assets consist of multiple funds established for a variety of purposes. The endowments include both net assets with donor restrictions and funds designated by the Board of Trustees to function as a quasi-endowment. As required by US GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The board of directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. No funds received by the Organization from donors have donor-imposed restrictions that require the funds to be held in perpetuity.

The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the board in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the board considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Endowment and the donor restricted endowment fund
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 Endowment
7. The investment policies of the Endowment.

RETURN OBJECTIVES AND RISK PARAMETERS

As discussed in Note 5, the board of directors has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowments while seeking to maintain the purchasing power of the endowment assets. Under these policies, the endowment assets are invested to provide diversification among classes of investments, a prudent strategic approach and measurement against comparative benchmarks.

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 11 – QUASI-ENDOWMENT (Continued)

SPENDING POLICY

The endowment has a formal spending policy, approved October 2008, governing the distribution of donor restricted and board designated endowment funds. The policy provides for distributions each year up to 5% of the endowment corpus, calculated as of December 31 of the year prior to distribution. The board reserves the right to modify any distribution based on adverse market conditions or unforeseen events that would jeopardize the endowment corpus. Donor restricted net assets, including capital campaign funds, will be distributed upon request by the Organization's board and are not subject to the 5% maximum. Further, normal and customary expenses of the endowment are not subject to the 5% maximum.

In establishing this policy, the long-term expected rate of return was considered. Accordingly, over the long-term, the board expects such spending strategy to allow their endowments to grow. This is consistent with the board's objectives.

Endowment net assets composition by type of fund as of June 30, 2021 and 2020:

<u>2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ 0	\$ 601,251	\$ 601,251
Board designated endowment funds	<u>10,531,328</u>	<u>0</u>	<u>10,531,328</u>
	\$ <u>10,531,328</u>	\$ <u>601,251</u>	\$ <u>11,132,579</u>
<u>2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ 0	\$ 396,821	\$ 396,821
Board designated endowment funds	<u>7,302,203</u>	<u>0</u>	<u>7,302,203</u>
	\$ <u>7,302,203</u>	\$ <u>396,821</u>	\$ <u>7,699,024</u>

The change in endowment net assets for the years ended June 30, 2021 and 2020:

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 11 – QUASI-ENDOWMENT (Continued)

2021	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,302,203	\$ 396,821	\$ 7,699,024
Investment Return			
Investment income	112,125	0	112,125
Gain (loss) on sale of investments	909,670	0	909,670
Net appreciation of investments	1,899,276	0	1,899,276
Total investment return	2,921,071	0	2,921,071
Contributions	827,272	537,055	1,364,327
Net events and other income	96,258	0	96,258
Appropriation of endowment assets for expenditure	(615,476)	(332,625)	(948,101)
Endowment net assets, end of year	\$ 10,531,328	\$ 601,251	\$ 11,132,579
2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,832,688	\$ 585,077	\$ 7,417,765
Investment Return			
Investment income	117,671	0	117,671
Gain (loss) on sale of investments	(153,992)	0	(153,992)
Net appreciation of investments	317,304	0	317,304
Total investment return	280,983	0	280,983
Contributions	206,350	179,145	385,495
Net events and other income	57,487	49,581	107,068
Appropriation of endowment assets for expenditure	(75,305)	(416,982)	(492,287)
Endowment net assets, end of year	\$ 7,302,203	\$ 396,821	\$ 7,699,024

The Endowment's annualized rate of return for fiscal year 2021 was 40.00% on unrestricted cash and investments, which is sufficient to meet long-term objectives.

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021 and 2020

NOTE 12 – BOARD DESIGNATED NET ASSETS

The Board of the Directors has designated certain funds as quasi-endowments or reserves. These quasi-endowment and reserve funds consist of a portion of investments, plus deposits included in cash and cash equivalents on the consolidated statement of financial position. Absent some other annual direction by the Board, earnings on these quasi-endowment and reserve funds are added to the quasi-endowment or reserve respectively. The amounts of board designated net assets are as follows:

	2021	2020
Capital reserves	\$ 1,175,000	\$ 675,000
Quasi-endowment	10,531,328	7,302,203
Total Board designated net assets	\$ 11,706,328	\$ 7,977,203

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2021 and 2020 net assets with donor restrictions consisted of the following:

	2021	2020
Adult services – general	\$ 119,852	\$ 18,272
Adult services – residential	35,233	18,532
Adult services – day	1,660	5,215
Adult services – behavioral health	10,000	10,000
Children's services – PRTF	95,968	30,627
Children's services – foster care	2,061	2,121
Children's services – school	23,003	4,706
Children's services – equipment	1,054	1,054
Celebrations fund	33,887	42,903
Ranch	22,923	20,696
Special Olympics	2,105	2,105
Recreation	107	1,796
Projects – security	21,295	46,054
Projects – COVID-19	59,797	0
Projects – Emergency Fund	47,240	48,513
Projects – Founders Fieldhouse	42,543	42,543
Projects – KSO practice field	12,257	32,202
Projects – vehicles	2,027	0
Capital campaign	68,239	69,482
Total net assets with donor restrictions	\$ 601,251	\$ 396,821

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS – continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposed or by occurrence of other events specified by donors.

	<u>2021</u>	<u>2020</u>
Adult services – general	\$ 4,453	\$ 710
Adult services – residential	0	42,170
Adult services – day	5,301	6,068
Children’s services – PRTF	32,347	29,053
Children’s services – foster care	200	3,048
Children’s services – school	62,474	1,200
Children’s services – equipment	0	8,946
Celebrations fund	32,063	10,093
Ranch	0	9,996
Recreation	1,689	0
Projects – COVID-19	95,490	30,205
Projects – security	24,759	28,946
Projects – Founders Fieldhouse	0	6,398
Projects – kitchen renovation	0	227,290
Projects – KSO practice field	19,945	63
Projects – vehicles	13,284	11,727
Projects – emergency fund	1,273	1,069
Capital campaign	<u>39,347</u>	<u>0</u>
Total net assets released from restrictions	<u>\$ 332,625</u>	<u>\$ 416,982</u>

NOTE 14 – CONTRACTUAL AGREEMENTS

The Organization engages in providing services to the intellectually and developmentally disabled. The revenues generated by these programs are covered by contractual agreements governing the operation with a variety of local, state and government agencies. The Organization’s significant contract agreements and the revenue generated for the years ended June 30, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Kansas Medicaid, including managed care organizations	\$ 14,018,179	\$ 13,719,787
State of Alaska	1,436,345	1,891,456
State of Illinois	1,171,236	1,375,780
East Central Kansas Special Education Cooperative	<u>1,464,815</u>	<u>1,406,173</u>
Total significant contracts	<u>\$ 18,090,575</u>	<u>\$ 18,383,196</u>

Agreements are also in place for the Specialized Foster Care program which requires the Organization to serve as a conduit between Medicaid and the families providing residential services. The amount of revenues recorded in the financial statements is net of these payments and represents the allowable administrative fee for the Organization.

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 15 - NON-CASH ACTIVITIES

HUD requires the presentation of a portion of non-contract apartment unit rents to be reported as both revenue and expense. The Organization's consolidated financial statements reflect a reduction in rent revenue of \$57,485 and \$56,882 for years ended June 30, 2021 and 2020, respectively.

NOTE 16 – RETIREMENT PLAN

The Organization's 401(K) qualified incentive plan covers substantially all full-time employees. Contributions are determined by the Board of Directors, currently a 100% match up to the first 5% of base compensation that a participant contributes to the plan. Employer contributions of \$325,399 and \$328,155 were made during the years ended June 30, 2021 and 2020, respectively.

The Organization's 457(b) nonqualified incentive plan covers "top hat" employees. The Board of Directors determines contributions. Employer contributions of \$32,093 and \$31,130 were made for the years ended June 30, 2021 and 2020, respectively.

Both plans are held with Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). Under these plans, employee and employer contributions are used to purchase fixed or variable annuities offered by TIAA-CREF. Vesting provisions are based at 25% per year of eligible service.

NOTE 17 – PAID TIME OFF

The Organization has implemented a paid time off (PTO) policy in place of vacation and sick pay. PTO is earned by regular employees scheduled to work a minimum of 20 hours per week based on a percentage of qualified hours paid. The accrual rate ranges from 5% to 13%, depending on position and length of service. Current PTO can be carried over to a maximum of 160 hours. Hours available in excess of 160 hours will be moved to "banked" status at January 1 each year. Banked hours may be earned to a maximum of 480 hours. Employees with more than 480 hours on January 1, 2014 were grandfathered but cannot earn additional banked time until balance drops below 480. PTO is paid upon termination of employment with proper notice and meeting other general requirements. Employees who are involuntarily terminated or resign without proper notice will not receive PTO payouts. The payout of PTO is 100% for all regular PTO hours and 20% per year of service for all banked PTO.

In January 2016, the Organization created a PTO pool consisting of employee donated PTO time and made available to certain eligible employees following an application and review process. The estimated potential cost has been included in accrued PTO for the Organization.

Accrued PTO was \$1,503,562 and \$1,470,821 as of June 30, 2021 and 2020, respectively.

NOTE 18 – ENDOWMENT OPERATIONS

The Endowment operates closely with the Organization. Currently, the Endowment receives the free use of office space and all Development employees are compensated by the Organization

LAKEMARY CENTER, INC: AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021 and 2020

NOTE 19 – CONTINGENCIES

The Organization, LMC Developmental Services, Inc. and Lakemary Center Homes, Inc. receive a significant portion of their revenues from local, state and federal grants and contracts, all of which are subject to audit by the grantor / payor agency. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and reviewed by the agency. Until such reviews have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management believes the effect of refunds, if any, would be immaterial when and if such reviews take place. As of June 30, 2021 and 2020, there were no outstanding reviews or adjustments for reimbursements related to grant agreements.

A limited portion of accounts receivable are currently under dispute with Medicaid funding sources. Management has considered the likelihood of a favorable outcome in establishing the allowance for doubtful accounts and does not believe an unfavorable outcome would have a material effect on the financial statements.

The Organization is also required to meet the terms of various contractual agreements which could influence the ability of the Organization to renew these agreements. If the Organization was unable to renew contracts and agreements, it would have a significant impact on operations. Management believes it is properly complying with the terms of contract agreements.

The Organization and related HUD Projects operate in a heavily regulated industry, subject to significant government oversight and legislative burden. The operations of the HUD Projects are subject to administrative directives, rules and regulations of regulatory agencies. Such administrative directives, rules and regulations may be changed by an act of Congress or mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Economic factors or legislative changes could significantly impact the amount of revenue received by the Organization for its various programs. The Organization is dependent upon these revenues to fund its operations and a significant reduction in the level of governmental revenues would have a corresponding detrimental effect on the Organization. Management believes the overall risk of a change in the near term is minimal and therefore has no impact on the financial statements. Management will evaluate any future economic or legislative changes and their impact on the Organization and the financial statements when and if they occur.

NOTE 20 – COMMITMENTS

The Organization has entered into agreements with the State of Kansas Secretary of Transportation regarding ten vehicles used for transportation services by the Organization. The agreements stipulate the Organization must use the vehicles as specified in the grant. If the Organization violates the terms of the grant or the State or Provider terminates the agreement, the Organization will owe 80% of the current fair market value of the vehicles back to the State. The Organization fully intends to comply with the grant agreements. The Organization believes the carrying value of the assets (acquisition cost, including portion funded by State, less depreciation) represents fair market value. As of June 30, 2021 and 2020, the net carrying value of these vehicles was \$63,181 and \$31,762, respectively.

LAKEMARY CENTER, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021 and 2020

NOTE 21 – OPERATING LEASES

Lakemary Center leases certain facilities under operating leases expiring in various years through April 30, 2022. Rent expense for the years ended June 30, 2021 and 2020 was \$310,476 and \$317,235, respectively.

Minimum future rental payments under non-cancelable operating leases are as follows:

Fiscal Year Ending	
2022	\$ 248,747
2023	<u>9,525</u>
Total	\$ <u>258,272</u>

NOTE 22 - CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Approximately 95% of total program accounts receivable are due from local, state and federal government agencies. The State of Kansas Medicaid program and its representative agencies managed care organizations represent 52% of total program accounts receivable.

The Organization's significant customers represent the State of Kansas Medicaid program, including three managed care organizations which act as agents on behalf of the State, State of Illinois, State of Alaska and East Central Kansas Special Education Cooperative. For 2021 and 2020, this group represented 49% and 63% of related program revenues, respectively.

The Organization relies on the continued fundraising efforts of the Endowment to provide administrative funding each year and funding for special projects. For 2021 and 2020, the Endowment contributed \$912,666 and \$457,770 to the Organization, respectively.

NOTE 23 - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through October 6, 2021, the date the financial statements were available for issue. No matters were noted for disclosure.

SUPPLEMENTAL INFORMATION

LAKEMARY CENTER, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2021

<u>ASSETS</u>	Lakemary Center, Inc.	HUD Projects	Endowment Association	Eliminations	Consolidated
CURRENT ASSETS					
Cash and cash equivalents	\$ 4,085,274	\$ 7,822	\$ 864,865	\$ 0	\$ 4,957,961
Accounts receivable (net of allowance for doubtful accounts of \$103,337)	2,971,300	355	0	(9,427)	2,962,228
Contributions receivable	0	0	0	0	0
Accrued interest receivable	0	0	17,032	0	17,032
Investments	0	0	10,258,549	0	10,258,549
Prepaid expenses	289,419	0	1,560	0	290,979
Total current assets	<u>7,345,993</u>	<u>8,177</u>	<u>11,142,006</u>	<u>(9,427)</u>	<u>18,486,749</u>
LIMITED USE ASSETS					
Tenant security deposits	0	10,200	0	0	10,200
Cash reserves	0	511,557	0	0	511,557
Total limited use assets	<u>0</u>	<u>521,757</u>	<u>0</u>	<u>0</u>	<u>521,757</u>
PROPERTY AND EQUIPMENT					
Land	157,204	134,905	0	0	292,109
Land improvements	810,869	0	0	0	810,869
Buildings and improvements	13,889,393	2,072,611	0	0	15,962,004
Leasehold improvements	859,062	0	0	0	859,062
Equipment, furnishings and software	3,182,793	155,374	0	0	3,338,167
Vehicles	1,711,689	0	0	0	1,711,689
Construction in process	3,910	0	0	0	3,910
Total	<u>20,614,920</u>	<u>2,362,890</u>	<u>0</u>	<u>0</u>	<u>22,977,810</u>
Less: accumulated depreciation	<u>(11,106,422)</u>	<u>(1,572,503)</u>	<u>0</u>	<u>0</u>	<u>(12,678,925)</u>
Net property and equipment	<u>9,508,498</u>	<u>790,387</u>	<u>0</u>	<u>0</u>	<u>10,298,885</u>
OTHER ASSETS					
Electronic Health Records system, future benefits	3,278	0	0	0	3,278
TOTAL ASSETS	<u>\$ 16,857,769</u>	<u>\$ 1,320,321</u>	<u>\$ 11,142,006</u>	<u>\$ (9,427)</u>	<u>\$ 29,310,669</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 1,124,703	\$ 26,631	\$ 9,427	\$ (9,427)	\$ 1,151,334
Accrued interest payable	0	2,331	0	0	2,331
Accrued payroll	1,034,775	0	0	0	1,034,775
Accrued paid leave	1,503,562	0	0	0	1,503,562
Deferred revenue	11,483	570	0	0	12,053
Funds and deposits held	2,325	10,200	0	0	12,525
Current portion of long-term debt	48,461	87,973	0	0	136,434
Total current liabilities	<u>3,725,309</u>	<u>127,705</u>	<u>9,427</u>	<u>(9,427)</u>	<u>3,853,014</u>
LONG-TERM DEBT AND ACCRUALS	<u>972,669</u>	<u>340,770</u>	<u>0</u>	<u>0</u>	<u>1,313,439</u>
TOTAL LIABILITIES	<u>4,697,978</u>	<u>468,475</u>	<u>9,427</u>	<u>(9,427)</u>	<u>5,166,453</u>
NET ASSETS					
Without donor restrictions:					
Board designated	1,175,000	0	10,531,328	0	11,706,328
Undesignated	10,984,791	851,846	0	0	11,836,637
With donor restrictions	0	0	601,251	0	601,251
Total net assets	<u>12,159,791</u>	<u>851,846</u>	<u>11,132,579</u>	<u>0</u>	<u>24,144,216</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,857,769</u>	<u>\$ 1,320,321</u>	<u>\$ 11,142,006</u>	<u>\$ (9,427)</u>	<u>\$ 29,310,669</u>

See Independent Auditor's Report.

LAKEMARY CENTER, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

SUPPORT AND REVENUE	Lakemary Center, Inc.	HUD Projects	Endowment Association	Eliminations	Consolidated
Support:					
Contributions	\$ 908,794	\$ 3,971	\$ 1,364,327	\$ (912,666)	\$ 1,364,426
Public funding	2,126,297	3,751	0	0	2,130,048
Total support	<u>3,035,091</u>	<u>7,722</u>	<u>1,364,327</u>	<u>(912,666)</u>	<u>3,494,474</u>
Revenues:					
Medicaid and private insurance	21,100,513	0	0	0	21,100,513
Tuition	3,821,642	0	0	0	3,821,642
Program fees	513,632	0	0	0	513,632
Rental	77,456	163,608	0	0	241,064
HUD Section 8 rental subsidy	0	298,789	0	0	298,789
Production income	123,897	0	0	0	123,897
Fundraising events	0	0	138,461	0	138,461
Investment return	18,898	357	2,921,071	0	2,940,326
Other fees and income	170,389	0	0	(22,530)	147,859
Total revenues	<u>25,826,427</u>	<u>462,754</u>	<u>3,059,532</u>	<u>(22,530)</u>	<u>29,326,183</u>
TOTAL SUPPORT AND REVENUE	<u>28,861,518</u>	<u>470,476</u>	<u>4,423,859</u>	<u>(935,196)</u>	<u>32,820,657</u>
EXPENSES					
Program services	24,921,997	346,336	912,666	(912,666)	25,268,333
Supporting services:					
Management and general	3,895,041	85,361	2,435	(22,530)	3,960,307
Development and fundraising	651,637	0	75,203	0	726,840
TOTAL EXPENSES	<u>29,468,675</u>	<u>431,697</u>	<u>990,304</u>	<u>(935,196)</u>	<u>29,955,480</u>
CHANGE IN NET ASSETS	<u>\$ (607,157)</u>	<u>\$ 38,779</u>	<u>\$ 3,433,555</u>	<u>\$ 0</u>	<u>\$ 2,865,177</u>

See Independent Auditor's Report

LAKEMARY CENTER, INC. AND SUBSIDIARIES
SCHEDULE OF SUPPORT, REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	LAKEMARY CENTER											
	Program Services					Adult Services						
	Children's Services			Other		Residential		Vocational		HUD		
	Administration	Development	Residential	Education	Other	Residential	Residential	Vocational	PROJECTS	ASSOCIATION	ELIMINATIONS	TOTALS
SUPPORT AND REVENUE												
Support:												
Contributions	\$ 593,442	\$ 39,347	\$ 54,194	\$ 63,708	\$ 87,051	\$ 65,487	\$ 5,565	\$ 3,971	\$ 1,364,327	\$ (912,666)	\$ 1,364,426	
Public funding	296,985	0	143,752	1,447,750	1,078	185,013	51,719	3,751	0	0	2,130,048	
Total support	890,427	39,347	197,946	1,511,458	88,129	250,500	57,284	7,722	1,364,327	(912,666)	3,494,474	
Revenues:												
Medicaid and private insurance	0	0	12,266,500	45,398	483,591	5,665,710	2,639,314	0	0	0	21,100,513	
Tuition	0	0	0	3,821,642	0	0	0	0	0	0	3,821,642	
Program fees	45	0	0	0	0	471,552	42,035	0	0	0	513,632	
Rental	0	0	0	0	0	77,456	0	163,608	0	0	241,064	
HUD Section 8 rental subsidy	0	0	0	0	0	0	0	298,789	0	0	298,789	
Production income	0	0	0	0	0	0	123,897	0	0	0	123,897	
Fundraising events	0	0	0	0	0	0	0	0	0	0	0	
Investment return	18,898	0	0	0	0	0	0	0	138,461	0	138,461	
Other fees and income	147,984	0	618	74	0	0	0	357	2,921,071	0	2,940,326	
Total revenues	166,927	0	12,267,118	3,867,114	483,591	6,236,431	2,805,246	462,754	3,059,532	(22,530)	29,326,183	
TOTAL SUPPORT AND REVENUE	1,057,354	39,347	12,465,064	5,378,572	571,720	6,486,931	2,862,530	470,476	4,423,859	(935,196)	32,820,657	

	LAKEMARY CENTER											
	Program Services					Adult Services						
	Children's Services			Other		Residential		Vocational		HUD		
	Administration	Development	Residential	Education	Other	Residential	Residential	Vocational	PROJECTS	ASSOCIATION	ELIMINATIONS	TOTALS
EXPENSES												
Salaries and wages	2,178,716	445,838	7,608,730	1,743,384	444,363	5,405,626	1,517,830	37,596	0	0	19,382,083	
Payroll taxes	153,432	33,835	548,079	129,395	29,493	371,278	123,766	2,865	0	0	1,392,143	
Health, dental and disability insurance	244,162	29,543	780,278	80,222	17,112	586,478	273,045	3,342	0	0	2,014,182	
Retirement	81,114	9,271	115,663	0	8,361	101,117	41,966	0	0	0	357,492	
Unemployment	3,517	1,810	78,760	3,550	1,473	35,292	12,084	0	0	0	136,486	
Worker's compensation insurance	10,408	672	177,084	5,629	2,308	80,712	20,636	0	0	0	297,449	
Staff development/personnel	28,454	355	35,842	4,595	609	26,802	5,035	0	0	0	101,692	
Administrative fees	0	0	0	49,424	4,657	0	0	0	0	0	54,081	
Office supplies and expenses	85,945	19,276	7,204	10,004	196	7,255	3,444	8,712	343	0	142,379	
Marketing	6,846	14,803	12,664	1,087	0	1,621	0	0	0	0	37,021	
Membership fees and subscriptions	138,822	8,598	101,803	21,893	15,180	41,462	30,928	0	2,092	0	360,778	
Legal and audit fees	47,712	0	2,269	0	0	527	0	7,335	0	0	57,843	
Transportation and vehicle expenses	93,755	0	5,803	4,952	8,432	117,563	73,911	0	0	0	304,416	
Rent	31,060	6,145	0	0	15,665	40,184	214,422	3,000	0	0	310,476	
Repairs and maintenance	83,071	765	142,510	60,938	250	85,703	55,515	46,251	0	0	475,003	
Property and liability insurance	29,421	1,371	115,403	94,435	10,207	78,013	79,492	49,932	0	0	458,274	
Supplies - household and other	12,838	164	203,235	122,554	63,895	211,338	42,625	0	0	0	656,649	

LAKEMARY CENTER, INC. AND SUBSIDIARIES
SCHEDULE OF SUPPORT, REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

	LAKEMARY CENTER											Totals	
	Administration	Development	Children's Services			Program Services			HUD	ASSOCIATION	ELIMINATIONS		ENDOWMENT
			Residential	Education	Other	Residential	Vocational	Projects					
EXPENSES - continued													
Food, clothing and personal care items \$	14,069	\$ 0	\$ 397,802	\$ 7,926	\$ 0	\$ 265,118	\$ 10,660	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 695,575
Recreation, travel and entertainment	19,015	728	31,207	2,884	119	33,193	1,388	0	0	0	0	0	86,534
Electricity	22,505	0	54,944	47,302	0	16,635	27,768	46,434	0	0	0	0	215,588
Gas	17,583	0	15,972	32,377	0	1,698	11,362	2,249	0	0	0	0	81,241
Water, sewer and trash	18,188	0	20,880	16,154	0	10,511	8,130	25,498	0	0	0	0	99,361
Telephone and internet	85,233	6,053	28,985	5,820	7,532	37,553	25,491	11,287	0	0	0	0	207,954
Consultants and outside services	174,382	69,690	71,013	4,490	83,953	12,189	10,368	52,461	33,000	(22,530)	0	0	489,016
Small furniture and equipment	59,866	1,526	47,545	9,772	6,824	35,911	11,074	80	0	0	0	0	172,518
Miscellaneous	38,087	20	8,788	7,357	0	40,717	3,810	0	0	0	0	0	98,859
(Gain)/loss on disposition of fixed assets	(372)	0	4,717	0	0	0	0	0	0	0	0	0	4,345
Bad debts, net of recoveries	0	0	19,289	13,162	0	8,357	4,092	0	0	0	0	0	44,900
Interest expense	0	0	44,473	0	0	0	0	33,037	0	0	0	0	77,510
Endowment support	0	0	0	0	0	0	0	0	912,666	(912,666)	0	0	0
Fundraising event expense	0	0	0	0	0	0	0	0	42,203	0	0	0	42,203
Total expenses before depreciation	3,677,829	650,463	10,680,942	2,479,306	720,629	7,652,853	2,608,842	330,079	990,304	(935,196)	0	0	28,856,051
Depreciation and amortization	217,212	1,174	348,677	102,198	14,600	129,900	184,050	101,618	0	0	0	0	1,099,429
	3,895,041	651,637	11,029,619	2,581,504	735,229	7,782,753	2,792,892	431,697	990,304	(935,196)	0	0	29,955,480
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER EXPENSES \$	(2,837,687)	(612,290)	1,435,445	2,797,068	(163,509)	(1,295,822)	69,638	38,779	3,433,555	0	0	0	2,865,177

LAKEMARY CENTER, INC. AND SUBSIDIARIES
SUMMARY OF LAND, BUILDINGS AND EQUIPMENT AND
ACCUMULATED DEPRECIATION
June 30, 2021

<u>ASSET CLASSIFICATION</u>	<u>Balance</u> <u>6/30/2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2021</u>
Lakemary Center					
Land	\$ 120,684	\$ 36,520	\$ 0	\$ 0	\$ 157,204
Land improvements	646,572	164,297	0	0	810,869
Buildings and improvements	13,599,837	289,556	0	0	13,889,393
Leasehold improvements	856,362	2,700	0	0	859,062
Equipment, furnishings and software					
Program	1,922,919	186,306	(5,200)	0	2,104,025
General and administrative	1,009,571	72,354	(3,157)	0	1,078,768
Vehicles	1,645,270	66,419	0	0	1,711,689
Construction in process	39,446	0	(35,536)	0	3,910
Total Lakemary Center	<u>19,840,661</u>	<u>818,152</u>	<u>(43,893)</u>	<u>0</u>	<u>20,614,920</u>
Community Residences					
Sunrise residences:					
Land	41,452	0	0	0	41,452
Buildings and improvements	809,052	6,832	0	0	815,884
Equipment and furnishings	53,789	1,930	0	0	55,719
Total Sunrise residences	<u>904,293</u>	<u>8,762</u>	<u>0</u>	<u>0</u>	<u>913,055</u>
LMC Developmental Services residences:					
Land	32,577	0	0	0	32,577
Buildings and improvements	674,341	5,197	(2,380)	0	677,158
Equipment and furnishings	59,536	0	0	0	59,536
Total LMC Developmental Services	<u>766,454</u>	<u>5,197</u>	<u>(2,380)</u>	<u>0</u>	<u>769,271</u>
Lakemary Center Homes residences:					
Land	57,800	3,077	0	0	60,877
Buildings and improvements	574,590	4,980	0	0	579,570
Equipment and furnishings	38,774	2,579	(1,236)	0	40,117
Total Lakemary Center Homes	<u>671,164</u>	<u>10,636</u>	<u>(1,236)</u>	<u>0</u>	<u>680,564</u>
Total Community Residences	<u>2,341,911</u>	<u>24,595</u>	<u>(3,616)</u>	<u>0</u>	<u>2,362,890</u>
TOTAL ASSETS	<u>\$ 22,182,572</u>	<u>\$ 842,747</u>	<u>\$ (47,509)</u>	<u>\$ 0</u>	<u>\$ 22,977,810</u>

See Independent Auditor's Report

LAKEMARY CENTER, INC. AND SUBSIDIARIES
SUMMARY OF LAND, BUILDINGS AND EQUIPMENT AND
ACCUMULATED DEPRECIATION
(Continued)
June 30, 2021

<u>ASSET CLASSIFICATION</u>	<u>Balance</u> <u>6/30/2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2021</u>
ACCUMULATED DEPRECIATION					
Lakemary Center					
Land improvements	\$ 413,127	\$ 39,905	\$ 0	\$ 0	\$ 453,032
Buildings and improvements	5,822,045	443,204	0	0	6,265,249
Leasehold improvements	735,631	21,021	0	0	756,652
Equipment, furnishings and software					
Program	1,229,533	225,862	(483)	0	1,454,912
General and administrative	638,926	94,677	(2,470)	0	731,133
Vehicles	1,272,302	173,142	0	0	1,445,444
Total Lakemary Center	<u>10,111,564</u>	<u>997,811</u>	<u>(2,953)</u>	<u>0</u>	<u>11,106,422</u>
Community Residences					
Sunrise residences:					
Buildings and improvements	489,118	37,327	0	0	526,445
Equipment and furnishings	22,811	7,035	0	0	29,846
Total Sunrise residences	<u>511,929</u>	<u>44,362</u>	<u>0</u>	<u>0</u>	<u>556,291</u>
LMC Developmental Services residences:					
Buildings and improvements	496,671	27,188	(380)	0	523,479
Equipment and furnishings	41,767	4,575	0	0	46,342
Total LMC Developmental Services residences	<u>538,438</u>	<u>31,763</u>	<u>(380)</u>	<u>0</u>	<u>569,821</u>
Lakemary Center Homes residences:					
Buildings and improvements	397,075	22,156	0	0	419,231
Equipment and furnishings	24,956	3,337	(1,133)	0	27,160
Total Lakemary Center Homes residences	<u>422,031</u>	<u>25,493</u>	<u>(1,133)</u>	<u>0</u>	<u>446,391</u>
Total Community Residences	<u>1,472,398</u>	<u>101,618</u>	<u>(1,513)</u>	<u>0</u>	<u>1,572,503</u>
TOTAL ACCUMULATED DEPRECIATION	<u>\$ 11,583,962</u>	<u>\$ 1,099,429</u>	<u>\$ (4,466)</u>	<u>\$ 0</u>	<u>\$ 12,678,925</u>

LAKEMARY CENTER, INC. AND SUBSIDIARIES

HISTORICAL FINANCIAL REVIEW
For the Year Ended June 30,

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
SUPPORT AND REVENUES										
Contributions	\$ 1,364,426	\$ 383,745	\$ 612,748	\$ 360,960	\$ 545,175	\$ 232,633	\$ 434,496	\$ 99,179	\$ 498,357	\$ 187,686
Public funding	2,130,048	1,989,914	1,686,380	1,605,199	1,732,847	2,090,622	2,036,116	803,665	633,506	678,255
Medicaid and private insurance	21,100,513	21,935,749	21,309,069	20,622,414	19,214,204	16,440,813	15,726,396	15,003,329	13,763,160	13,249,876
Tuition	3,821,642	3,716,665	4,411,230	3,915,005	3,486,737	1,993,384	1,637,566	3,221,244	3,152,506	2,827,782
Private pay	513,632	608,896	676,894	692,331	648,969	631,539	526,988	519,535	454,773	449,303
HUD subsidy and other rents	539,853	534,129	513,106	499,611	508,053	500,735	492,409	482,012	472,386	448,932
Production income	123,897	165,462	210,218	203,471	157,533	204,071	192,413	202,799	247,910	183,232
Fundraising events	138,461	172,699	257,918	227,347	279,328	182,836	154,257	181,489	-	-
Investment return	2,940,326	307,087	368,302	533,911	713,277	15,617	258,934	921,571	6,198	7,898
Other revenues	147,859	39,681	215,492	327,882	24,164	23,921	16,407	22,383	34,044	86,269
Total support and revenues	32,820,657	29,854,027	30,261,357	28,988,131	27,310,287	22,316,171	21,475,972	21,457,206	19,262,840	18,119,233
EXPENSES										
Children's residential	10,680,942	10,394,732	10,168,634	9,643,100	8,471,288	7,387,488	6,376,287	5,411,291	4,902,031	5,684,601
Education	2,479,306	2,481,427	2,469,978	2,204,362	1,894,790	1,969,090	2,549,179	2,481,101	2,496,799	2,433,891
Children's other	720,629	686,905	668,870	635,508	519,322	805,109	826,600	804,054	776,499	750,798
Adult residential	7,982,932	7,483,772	7,481,093	6,966,429	6,221,780	5,828,123	5,584,930	5,387,037	5,397,196	5,319,882
Adult vocational	2,608,842	2,940,891	3,078,929	2,762,426	2,655,423	2,685,170	2,612,078	2,290,385	2,277,714	2,192,356
Administration and development	4,383,400	4,453,694	4,192,001	3,593,623	3,278,039	3,315,793	3,180,097	2,939,684	2,544,895	2,147,830
Depreciation	1,099,429	1,046,067	1,063,997	998,121	930,933	749,205	651,481	551,922	552,715	577,281
Total expense	29,955,480	29,487,488	29,123,502	26,803,569	23,971,575	22,739,978	21,780,652	19,865,474	18,897,849	19,106,639
CHANGE IN NET ASSETS	\$ 2,865,177	\$ 366,539	\$ 1,137,855	\$ 2,184,562	\$ 3,338,712	\$ (423,807)	\$ (304,680)	\$ 1,591,732	\$ 364,991	\$ (987,406)
Cash and cash equivalents	5,479,718	5,260,347	6,000,014	5,713,504	4,029,525	2,787,735	2,263,030	3,148,229	985,455	1,216,453
Accounts and contributions receivable	2,979,260	2,891,594	3,255,640	2,520,982	2,687,205	1,898,010	1,586,723	1,597,148	1,659,758	1,077,736
Investments	10,258,549	6,853,343	5,582,789	5,207,941	4,689,251	4,573,992	5,108,088	5,510,374	-	-
Other assets	290,979	226,908	136,381	238,524	481,392	172,405	145,047	129,268	94,032	97,319
Net property and equipment	10,298,885	10,598,610	10,513,698	10,367,097	10,229,587	9,809,155	10,127,396	8,929,649	7,252,316	7,392,723
TOTAL ASSETS	\$ 29,307,391	\$ 25,830,802	\$ 25,488,522	\$ 24,048,048	\$ 22,116,960	\$ 19,241,297	\$ 19,230,284	\$ 19,314,668	\$ 9,991,561	\$ 9,784,231
Accounts payable	1,151,334	460,972	454,671	274,965	352,342	568,939	514,428	541,156	278,267	358,547
Accruals and deferrals	2,552,721	2,498,992	2,364,344	2,162,024	2,017,377	1,750,378	1,506,048	1,689,425	1,358,248	1,269,155
Funds and deposits held	12,525	15,235	16,973	15,864	11,798	11,433	11,063	13,478	14,143	10,775
Other current liabilities	136,434	1,102,367	162,911	156,287	326,864	805,418	1,675,008	97,359	261,914	334,904
Total current liabilities	3,853,014	4,077,566	2,998,899	2,609,140	2,708,381	3,136,168	3,706,547	2,321,418	1,912,572	1,973,381
Long-term debt and accruals	1,313,439	474,197	1,577,123	1,664,263	1,818,500	1,853,762	848,563	2,013,396	2,060,259	2,157,111
Total liabilities	5,166,453	4,551,763	4,576,022	4,273,403	4,526,881	4,989,930	4,555,110	4,334,814	3,972,831	4,130,492
Net assets	24,144,216	21,279,039	20,912,500	19,774,645	17,590,079	14,251,367	14,675,174	14,979,854	6,018,730	5,653,739
TOTAL LIABILITIES AND NET ASSETS	\$ 29,310,669	\$ 25,830,802	\$ 25,488,522	\$ 24,048,048	\$ 22,116,960	\$ 19,241,297	\$ 19,230,284	\$ 19,314,668	\$ 9,991,561	\$ 9,784,231

Note: For years ended June 30, 2013 and prior, results do not include the Lakemary Endowment Association

See Independent Auditor's Report

LAKEMARY CENTER, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass Through Grantor/ Grant Title	Federal CFDA Number	Agency Number	Federal Expenditures	State Expenditures	Total Expenditures
US DEPARTMENT OF AGRICULTURE					
<u>Kansas State Department of Education</u>					
<u>Child Nutrition Cluster</u>					
School Breakfast Program	10.553	N/A	\$ 30,830	\$ 0	\$ 30,830
National School Lunch	10.555	N/A	90,413	2,264	92,677
			121,243	2,264	123,507
Fresh fruit and vegetables	10.555	N/A	5,098	0	5,098
Total US Department of Agriculture			<u>126,341</u>	<u>2,264</u>	<u>128,605</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Section 8 Rental Housing Assistance Payments Program - Special Allocations					
Lakemary Center, Inc. (Sunrise)	14.195	KS 16-T813-005	106,090	0	106,090
LMC Developmental Services, Inc.	14.195	KS 16-T841-003	97,064	0	97,064
Lakemary Center Homes, Inc.	14.195	KS 16-T871-010	93,610	0	93,610
Total US Department of HUD			<u>296,764</u>	<u>0</u>	<u>296,764</u>
US DEPARTMENT OF TRANSPORTATION					
<u>Kansas Department of Transportation</u>					
Section 5311 Operating Assistance*	20.509	N/A	49,208	0	49,208
Section 5310 Capital Assistance	20.513	N/A	53,135	0	53,135
Section 5310 Operating Assistance	20.513	N/A	0	15,000	15,000
Total US Department of Transportation			<u>102,343</u>	<u>15,000</u>	<u>117,343</u>
US DEPARTMENT OF EDUCATION					
<u>Kansas State Department of Education</u>					
Title I-A Improving Basic Programs	84.010	N/A	81,577	0	81,577
Total US Department of Education			<u>81,577</u>	<u>0</u>	<u>81,577</u>
US DEPARTMENT OF HEALTH AND HUMAN SERVICES					
CARES Act Provider Relief Fund	93.498	N/A	182,842	0	182,842
Total US Department of Health and Human Services			<u>182,842</u>	<u>0</u>	<u>182,842</u>
Total expenditures of federal and state awards			\$ <u>789,867</u>	\$ <u>17,264</u>	\$ <u>807,131</u>

*The Section 5311 Operating Assistance grant is awarded on a pass-through basis through the local Coordinated Transit District via the Kansas Department of Transportation.

LAKEMARY CENTER, INC. AND SUBSIDIARIES

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Lakemary Center, Inc. and Subsidiaries under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Lakemary Center, Inc. and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets of cash flows of Lakemary Center, Inc. and Subsidiaries

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures are reported on the accrual basis of accounting. Such expenditures are recognized under the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Corporation has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE C. NON-CASH ASSISTANCE, INSURANCE AND LOANS

The District did not receive or expend any Federal awards in the form of noncash assistance, insurance, loans or loan guarantees for the year ended June 30, 2021.

NOTE D. SUB-GRANTEES

There were no federal funds passed through to sub-recipients during the fiscal year.

SPECIAL REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Lakemary Center, Inc. and Subsidiaries
Paola, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Lakemary Center, Inc. and Subsidiaries as of and for the year ended June 30, 2021, and the related notes to the financial statements, which comprise the Organization's financial statements and have issued our report thereon dated October 6, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Lakemary Center, Inc. and Subsidiaries
Paola, Kansas

Report on Compliance for Each Major Federal Program

We have audited Lakemary Center, Inc. and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on each Major Federal Program

In our opinion, the Organization complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based upon requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Harold K. Mayes Jr

Harold K. Mayes Jr. CPA
Agler & Gaeddert, Chartered
Ottawa, Kansas

October 6, 2021

LAKEMARY CENTER, INC. AND SUBSIDIARIES

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No
 Significant deficiencies identified not considered to be material weaknesses: None reported
 Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No
 Significant deficiencies identified not considered to be material weaknesses: None noted
 Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal awards No

Identification of major programs:

<u>CFDA Number's</u> <u>Name of Federal Program or Cluster</u>	<u>Amount</u>
US Department of Housing and Urban Development	
14.195 Section 8 Rental Housing Assistance Payments Program	\$ 296,764
US Department of Health and Human Services	
93.498 CARES Act Provider Relief Fund	182,842
	<u>\$ 479,606</u>

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as a low-risk auditee? No