LAKEMARY CENTER, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

Years Ended June 30, 2022 and 2021

LAKEMARY CENTER, INC. AND SUBSIDIARIES

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Lakemary Center, Inc. and subsidiaries (a nonprofit organization) which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lakemary Center, Inc. and subsidiaries as of June 30, 2022 and 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lakemary Center, Inc. and subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakemary Center, Inc. and subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lakemary Center, Inc. and subsidiaries' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakemary Center, Inc. and subsidiaries' ability to continue as a going concern for a reasonable period of time.

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

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 December 13, 2022 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.

Harold K. Mayes Jr. CPA
Agler & Gaeddert, Chartered
Ottawa, Kansas
December 13, 2022

LAKEMARY CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2022 and 2021

ASSETS		2022		2021
CURRENT ASSETS				
Cash and cash equivalents	$	4,127,511	$	4,957,961
Accounts receivable (net of allowance for doubtful accounts of $51,322 and $83,470)		2,361,041		2,962,228
Accrued interest receivable		22,576		17,032
Investments		8,801,043		10,258,549
Prepaid expenses		401,013		276,601
Total current assets		15,713,184		18,472,371
LIMITED USE ASSETS				
Tenant security deposits		9,621		10,200
Cash restricted		623,857		0
Cash reserves		507,341		511,557
Total limited use assets		1,140,819		521,757
PROPERTY AND EQUIPMENT				
Land		292,109		292,109
Land improvements		863,733		810,869
Buildings and improvements		16,075,240		15,962,004
Leasehold improvements		861,412		859,062
Equipment, furnishings and software		3,657,295		3,338,167
Vehicles		1,700,043		1,711,689
Construction in process		16,640		3,910
Total		23,466,472		22,977,810
Less: accumulated depreciation		(13,612,053)		(12,678,925)
Net property and equipment		9,854,419		10,298,885
OTHER ASSETS				
Security Deposits		14,378		14,378
Electronic Health Records system, future benefits		(5,158)		3,278
Total other assets		9,220		17,656
TOTAL ASSETS	$	26,717,642	$	29,310,669
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$	318,772	$	402,675
Accrued payroll taxes		377,939		748,659
Accrued interest payable		1,199		2,331
Accrued payroll		373,375		1,034,775
Accrued paid leave		1,538,006		1,503,562
Deferred revenue		6,252		12,053
Funds and deposits held		14,044		12,525
Current portion of long-term debt		147,242		136,434
Total current liabilities		2,776,829		3,853,014
LONG-TERM DEBT AND ACCRUALS		1,162,938		1,313,439
TOTAL LIABILITIES		3,939,767		5,166,453
NET ASSETS				
Without donor restrictions:				
Board designated		10,822,807		11,706,328
Undesignated		11,092,992		11,836,637
With donor restrictions		862,076		601,251
Total net assets		22,777,875		24,144,216
TOTAL LIABILITIES AND NET ASSETS	$	26,717,642	$	29,310,669

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, 2022 AND 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and Revenue		
Support:		
Contributions	$ 663,066	$ 827,371
Public funding	2,147,050	2,130,048
Total support	2,810,116	2,957,419
Revenues:		
Medicaid and private insurance	21,094,024	21,100,513
Tuition	4,002,555	3,821,642
Program fees	563,174	513,632
Rental	251,331	241,064
HUD Section 8 rental subsidy	314,288	298,789
Production income	193,176	123,897
Fundraising events	215,460	138,461
Investment return	(1,535,704)	2,940,326
Other fees and income	32,594	147,859
Total revenues	25,130,898	29,326,183
Net assets released from restrictions	129,695	332,625
TOTAL SUPPORT AND REVENUE	28,070,709	32,616,227
EXPENSES		
Program services	25,010,056	25,268,333
Supporting services:		
Management and general	3,962,062	3,960,307
Development and fundraising	725,757	726,840
TOTAL EXPENSES	29,697,875	29,955,480
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,627,166)	2,660,747
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	390,520	537,055
Net assets released from restrictions	(129,695)	(332,625)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	260,825	204,430
INCREASE IN TOTAL NET ASSETS	(1,366,341)	2,865,177
NET ASSETS - BEGINNING OF YEAR	24,144,216	21,279,039
NET ASSETS - END OF YEAR	$ 22,777,875	$ 24,144,216

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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,366,341)	$ 2,865,177
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,040,190	1,099,429
Net realized and unrealized investment gain	1,535,704	(2,808,946)
Gain on disposition of fixed assets	11,534	4,345
Bad debt provision, net of recoveries	(42,009)	44,900
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	601,187	(70,294)
Contributions receivable	0	4,300
Accrued interest receivable	(5,544)	(4,139)
Prepaid expenses and other assets	(124,412)	(67,349)
Tenant security deposits	579	(368)
Increase (decrease) in:		
Accounts payable	(83,903)	76,664
Accrued payroll taxes	(370,720)	550,820
Accrued interest payable	(1,132)	0
Accrued payroll	(661,400)	25,227
Accrued paid leave	34,444	32,741
Deferred revenue	(5,801)	(3,794)
Funds and deposits held, unrestricted	1,519	2,693
Net cash provided by operating activities	563,895	1,751,406
CASH FLOWS FROM INVESTING ACTIVITIES		
Net activity in limited use accounts	(619,062)	(53,829)
Purchase of investments	(662,028)	(4,215,192)
Proceeds from maturities or sales of investments	526,634	3,618,932
Acquisition of property and equipment	(500,196)	(804,049)
Proceeds from sale of property and equipment	0	0
Net cash used by investing activities	(1,254,652)	(1,454,138)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	(139,693)	(126,691)
Net cash used by investing activities	(139,693)	(126,691)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(830,450)	170,577
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,957,961	4,787,384
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,127,511	$ 4,957,961

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, 2022 AND 2021

	2022						
	Program Services						
EXPENSES	Children's Services	Adult Services	HUD Projects	Total Program Services	Management and general	Development and fundraising	2022 Total
Salaries and wages	$ 9,018,522	$ 7,597,078	$ 28,809	$ 16,644,409	$ 2,132,685	$ 448,933	$ 19,226,027
Payroll taxes	659,111	556,882	2,099	1,218,092	151,226	32,034	1,401,352
Health, dental and disability insurance	991,696	866,253	2,722	1,860,671	244,759	45,256	2,150,686
Retirement	69,880	147,093	0	216,973	72,112	4,517	293,602
Unemployment	2,111	0	0	2,111	0	0	2,111
Worker's compensation insurance	196,125	136,900	0	333,025	9,153	466	342,644
Staff development/personnel	64,104	45,337	0	109,441	40,049	6,871	156,361
Administrative fees	52,831	0	0	52,831	0	0	52,831
Office supplies and expenses	14,980	7,926	0	22,906	108,276	30,124	161,306
Marketing	25,853	2,617	0	28,470	6,535	11,142	46,147
Membership fees and subscriptions	157,418	78,480	0	235,898	237,560	9,082	482,540
Legal and audit fees	5,774	-	0	5,774	58,608	0	64,382
Transportation and vehicle expenses	28,249	230,757	0	259,006	77,854	0	336,860
Rent	9,000	252,353	0	261,353	30,427	4,500	296,280
Repairs and maintenance	242,098	190,770	59,100	491,968	93,391	629	585,988
Property and liability insurance	228,777	175,239	53,388	457,404	46,841	2,131	506,376
Supplies - household and other	225,233	162,649	0	387,882	(6,628)	0	381,254
Food, clothing and personal care items	422,103	298,936	0	721,039	16,483	13	737,535
Recreation, travel and entertainment	40,440	10,337	0	50,777	24,885	667	76,329
Electricity	94,344	47,028	46,105	187,477	23,589	0	211,066
Gas	19,536	14,600	2,876	37,012	9,392	0	46,404
Water, sewer and trash	38,809	22,011	28,398	89,218	23,465	0	112,683
Telephone and internet	38,673	74,408	6,937	120,018	71,962	6,471	198,451
Consultants and outside services	171,572	20,637	0	192,209	204,039	47,335	443,583
Small furniture and equipment	106,128	41,441	0	147,569	58,483	5,306	211,358
Miscellaneous	16,815	16,983	0	33,798	2,571	187	36,556
(Gain)/loss on disposition of fixed assets	0	0	0	0	11,534	0	11,534
Bad debts	(25,062)	(16,947)	0	(42,009)	0	0	(42,009)
Interest expense	38,955	0	19,519	58,474	0	0	58,474
Fundraising events	0	0	0	0	0	68,974	68,974
Depreciation and amortization	452,798	275,803	97,659	826,260	212,811	1,119	1,040,190
	$ 13,406,873	$ 11,255,571	$ 347,612	$ 25,010,056	$ 3,962,062	$ 725,757	$ 29,697,875

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, 2022 AND 2021

	2021						
	Program Services						
EXPENSES	Children's Services	Adult Services	HUD Projects	Total Program Services	Management and general	Development and fundraising	2021 Total
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	0	146,649	22,505	0	169,154
Gas	48,349	13,060	46,434	107,843	17,583	0	125,426
Water, sewer and trash	37,034	18,641	2,249	57,924	18,188	0	76,112
Telephone and internet	42,337	63,044	25,498	130,879	88,055	6,053	224,987
Consultants and outside services	159,456	22,557	8,465	190,478	204,313	102,690	497,481
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.

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:

> "Empowing 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).

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 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021, the allowance for doubtful accounts was $51,322 and $83,470, 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.

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:

	Owned
Land improvements	5 to 20 years
Buildings and improvements	10 to 40 years
Building furnishings	5 to 15 years
Equipment	3 to 20 years
Automobiles and trucks	5 years

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021 amounted to $1,040,190 and $1,099,429 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:

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, 2022 and 2021.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FAIR VALUE MEASUREMENTS (Continued)

Current Liabilities
Current liabilities consist of payables due in less than one year and are recorded at amount due as of June 30, 2022 and 2021.

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.

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, 2022 and 2021, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES (Continued)

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.

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, 2022 and 2021:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	$ 4,127,511	$ 4,957,961
Accounts receivable	2,361,041	2,962,228
Investments	8,801,043	10,258,594
Total financial assets	15,289,595	18,178,783
Less amounts not available to be used within one year:		
Net assets with donor restrictions	862,076	601,251
Quasi-endowment	9,647,807	10,531,328
	10,512,943	11,.132,579
Financial assets available to meet general expenditures within one year	$ 4,776,652	$ 7,046,204

NOTE 3 – AVAILABILITY AND LIQUIDITY (Continued)

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, 2022, advances on the line of credit totaled $0.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

The Endowment conducts fundraising events at which commitments are made for various needs of the Organization. Sometimes these commitments are paid in subsequent years and thus are recorded as a receivable at year-end. For June 30, 2022 and 2021 the balance was $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, 2022 and 2021 consisted of the following types of securities:

2022 - Level 1	Cost	Fair Value	Gross Unrealized Gain/(Loss)
Common stocks	$ 4,696,998	$ 5,818,953	$ 1,121,955
Fixed income	3,008,325	2,942,179	(66,146)
ETFs / other marketable	39,911	39,911	0
	$ 7,745,234	$ 8,801,043	$ 1,055,809

2021 - Level 1	Cost	Fair Value	Gross Unrealized Gain/(Loss)
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

NOTE 5 – INVESTMENTS (Continued)

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

	2022	2021
Due in on year or less	$ 300,072	$ 200,000
Due in 1-2 years	613,374	200,000
Due in 2-5 years	887,172	500,000
Due after five years	0	0
Total fixed income securities	$ 1,800,618	$ 900,000

Investment return for the years ended June 30, 2022 and 2021 consists of the following:

	2022	2021
Interest and dividends	$ 213,332	$ 174,421
Realized gain (loss)	526,634	909,670
Unrealized gain (loss)	(2,178,222)	1,899,276
Investment fees	(97,448)	(43,041)
Total investment return	$ (1,535,704)	$ 2,940,326

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%

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%

NOTE 6 – INVESTMENT POLICY (Continued)

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).

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.

CASH RESTRICTED – Funds restricted by donors which are invested in U.S. Treasury Bills that mature every 3 months and thus are available in the short term to meet expenditures that are appropriate for the restricted purpose.

NOTE 8 – FINANCE 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, 2022 was $47,203. 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 finance lease is secured by the related equipment. Finance 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 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.

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

NOTE 10 – LONG-TERM DEBT (Continued)

was renewed through December 2021 at a rate of 4.95% with monthly payments of $6,550 and a balloon payment of $997,296.

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

Fiscal Year Ending	
2023	147,242
2024	150,280
2025	113,097
2026	899,561
Total	$ 1,310,180

Interest expense during the years ended June 30, 2022 and 2021 was $58,474 and $77,510, 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.

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%

NOTE 11 – QUASI-ENDOWMENT (Continued)

SPENDING POLICY (Continued)

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, 2022 and 2021:

2022	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ 0	$ 862,076	$ 862,076
Board designated endowment funds	9,647,807	0	9,647,807
	$ 9,647,807	$ 862,076	$ 10,509,883

2021	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ 0	$ 601,251	$ 601,251
Board designated endowment funds	10,531,328	0	10,531,328
	$ 10,531,328	$ 601,251	$ 11,132,579

NOTE 11 – QUASI-ENDOWMENT (Continued)

The change in endowment net assets for the years ended June 30, 2022 and 2021:

2022		Without Donor Restrictions		With Donor Restrictions		Total
Endowment net assets, beginning of year	$	10,531,328	$	601,251	$	11,132,579
Investment Return						
Investment income		201,945		0		201,945
Gain (loss) on sale of investments		(96,802)		0		(96,802)
Net appreciation of investments		(1,599,687)		0		(1,599,687)
Total investment return		(1,494,844)		0		(1,494,844)
Contributions		663,066		390,520		1,053,586
Net events and other income		146,486		0		146,486
Appropriation of endowment assets for expenditure		(198,529)		(129,695)		(328,224)
Endowment net assets, end of year	$	9,647,807	$	862,076	$	10,509,883

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		1,866,276
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

The Endowment's annualized rate of return for fiscal year 2022 was 40.00% on unrestricted cash and investments, which is sufficient to meet long-term objectives.

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:

	2022	2021
Capital reserves	$ 1,175,000	$ 1,175,000
Quasi-endowment	9,647,807	10,531,328
Total Board designated net assets	$ 10,822,807	$ 11,706,328

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2022 and 2021 net assets with donor restrictions consisted of the following:

	2022	2021
Adult services – general	$ 123,882	$ 119,852
Adult services – residential	17,143	35,233
Adult services – day	1,223	1,660
Adult services – behavioral health	10,000	10,000
Children's services – PRTF	93,152	95,968
Children's services – foster care	2,201	2,061
Children's services – school	9,561	23,003
Children's services – equipment	1,054	1,054
Celebrations fund	46,908	33,887
Ranch	23,869	22,923
Special Olympics	2,310	2,105
Recreation	782	107
Projects – Security	21,295	21,295
Projects – COVID-19	0	59,797
Projects – Emergency Fund	51,876	47,240
Projects – Founders Fieldhouse	42,543	42,543
Projects – KSO practice field	12,257	12,257
Projects – Vehicles	2,029	2,027
Projects –Wellness	37,938	0
Projects –Autism	1,000	0
Projects –Ursuline Sisters Legacy	159,464	0
Projects –Swimming Pool	58,650	0
Capital Campaign	142,939	68,239
Total net assets with donor restrictions	$ 862,076	$ 601,251

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.

	2022	2021
Adult services – general	$ 6,075	$ 4,453
Adult services – residential	24,919	0
Adult services – day	1,934	5,301
Children's services – PRTF	7,893	32,347
Children's services – foster care	0	200
Children's services – school	15,732	62,474
Children's services – equipment	0	0
Celebrations fund	10,604	32,063
Ranch	0	0
Recreation	0	1,689
Projects – COVID-19	28,255	95,490
Projects – Security	0	24,759
Projects – Founders Fieldhouse	0	0
Projects – Wellness	2,929	0
Projects – KSO practice field	0	19,945
Projects – Vehicles	0	13,284
Projects – Emergency fund	1,354	1,273
Capital Campaign	30,000	39,347
Total net assets released from restrictions	$ 129,695	$ 332,625

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, 2022 and 2021 was as follows:

	2022	2021
Kansas Medicaid, including managed care organizations	$ 13,099,608	$ 14,018,179
State of Alaska	1,388,429	1,436,345
State of Illinois	1,074,695	1,171,236
East Central Kansas Special Education Cooperative	1,455,941	1,464,815
Total significant contracts	$ 17,018,673	$ 18,090,575

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.

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 $58,454 and $57,485 for years ended June 30, 2022 and 2021, 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 $278,629 and $325,399 were made during the years ended June 30, 2022 and 2021, respectively.

The Organization's 457(b) nonqualified incentive plan covers "top hat" employees. The Board of Directors determines contributions. Employer contributions of $14,973 and $32,093 were made for the years ended June 30, 2022 and 2021, 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 $1,538,006 and $1,503,562 as of June 30, 2022 and 2021, 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

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

NOTE 19 – CONTINGENCIES - Continued

if such reviews take place. As of June 30, 2022 and 2021, 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, 2022 and 2021, the net carrying value of these vehicles was $0 and $63,181, respectively.

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, 2022 and 2021 was $296,280 and $310,476, respectively.

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

Fiscal Year Ending	
2023	$ 9,525

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 2022 and 2021, 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 2022 and 2021, the Endowment contributed $261,069 and $912,666 to the Organization, respectively.

NOTE 23 - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through December 13, 2022, the date the financial statements were available for issue. Lakemary Center, Inc. is in a lawsuit with two former employees (who are claiming wrongful termination) as of the date of this report. At the present time, Lakemary Center, Inc. and the attorneys are denying these claims.

SUPPLEMENTAL INFORMATION

LAKEMARY CENTER, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2022

ASSETS	Lakemary Center, Inc.	HUD Projects	Endowment Association	Eliminations	Consolidated
CURRENT ASSETS					
Cash and cash equivalents	$ 3,062,253	$ 11,791	$ 1,053,467	$ 0	$ 4,127,511
Accounts receivable (net of allowance for doubtful accountsof $51,322)	2,384,035	0	0	(22,994)	2,361,041
Contributions receivable	0	0	0	0	0
Accrued interest receivable	0	0	22,576	0	22,576
Investments	0	0	8,801,043	0	8,801,043
Prepaid expenses	389,013	0	12,000	0	401,013
Total current assets	5,835,301	11,791	9,889,086	(22,994)	15,713,184
LIMITED USE ASSETS					
Tenant security deposits	0	9,621	0	0	9,621
Cash restricted	0	0	623,857	0	623,857
Cash reserves	0	507,341	0	0	507,341
Total limited use assets	0	516,962	623,857	0	1,140,819
PROPERTY AND EQUIPMENT					
Land	157,204	134,905	0	0	292,109
Land improvements	863,733	0	0	0	863,733
Buildings and improvements	13,971,417	2,103,823	0	0	16,075,240
Leasehold improvements	861,412	0	0	0	861,412
Equipment, furnishings and software	3,478,893	178,402	0	0	3,657,295
Vehicles	1,700,043	0	0	0	1,700,043
Construction in process	16,640	0	0	0	16,640
Total	21,049,342	2,417,130	0	0	23,466,472
Less: accumulated depreciation	(11,949,490)	(1,662,563)	0	0	(13,612,053)
Net property and equipment	9,099,852	754,567	0	0	9,854,419
OTHER ASSETS					
Security Deposits	14,378	0	0	0	14,378
E.H.R System	(5,158)	0	0	0	(5,158)
Total other assets	9,220	0	0	0	9,220
TOTAL ASSETS	$ 14,944,373	$ 1,283,320	$ 10,512,943	$ (22,994)	$ 26,717,642
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	$ 304,655	$ 34,051	$ 3,060	$ (22,994)	$ 318,772
Accrued payroll taxes	377,939	0	0	0	377,939
Accrued interest payable	0	1,199	0	0	1,199
Accrued payroll	373,375	0	0	0	373,375
Accrued paid leave	1,538,006	0	0	0	1,538,006
Deferred revenue	2,198	4,054	0	0	6,252
Funds and deposits held	4,423	9,621	0	0	14,044
Current portion of long-term debt	49,842	97,400	0	0	147,242
Total current liabilities	2,650,438	146,325	3,060	(22,994)	2,776,829
LONG-TERM DEBT AND ACCRUALS	921,919	241,019	0	0	1,162,938
TOTAL LIABILITIES	3,572,357	387,344	3,060	(22,994)	3,939,767
NET ASSETS					
Without donor restrictions:					
Board designated	1,175,000	0	9,647,807	0	10,822,807
Undesignated	10,197,016	895,976	0	0	11,092,992
With donor restrictions	0	0	862,076	0	862,076
Total net assets	11,372,016	895,976	10,509,883	0	22,777,875
TOTAL LIABILITIES AND NET ASSETS	$ 14,944,373	$ 1,283,320	$ 10,512,943	$ (22,994)	$ 26,717,642

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, 2022

SUPPORT AND REVENUE	Lakemary Center, Inc.	HUD Projects	Endowment Association	Eliminations	Consolidated
Support:					
Contributions	$ 261,069	$ 0	$ 1,053,586	$ (261,069)	$ 1,053,586
Public funding	2,147,050	0	0	0	2,147,050
Total support	2,408,119	0	1,053,586	(261,069)	3,200,636
Revenues:					
Medicaid and private insurance	21,094,024	0	0	0	21,094,024
Tuition	4,002,555	0	0	0	4,002,555
Program fees	563,174	0	0	0	563,174
Rental	79,524	171,807	0	0	251,331
HUD Section 8 rental subsidy	0	314,288	0	0	314,288
Production income	193,176	0	0	0	193,176
Fundraising events	0	0	215,460	0	215,460
Investment return	10,965	422	(1,547,091)	0	(1,535,704)
Other fees and income	56,692	0	0	(24,098)	32,594
Total revenues	26,000,110	486,517	(1,331,631)	(24,098)	25,130,898
TOTAL SUPPORT AND REVENUE	28,408,229	486,517	(278,045)	(285,167)	28,331,534
EXPENSES					
Program services	24,662,444	347,612	261,069	(261,069)	25,010,056
Supporting services:					
Management and general	3,885,027	94,775	6,358	(24,098)	3,962,062
Development and fundraising	648,533	0	77,224	0	725,757
TOTAL EXPENSES	29,196,004	442,387	344,651	(285,167)	29,697,875
CHANGE IN NET ASSETS	$ (787,775)	$ 44,130	$ (622,696)	$ 0	$ (1,366,341)

LAKEMARY CENTER, INC. AND SUBSIDIARIES
SCHEDULE OF SUPPORT, REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	LAKEMARY CENTER										
			Program Services								
			Children's Services			Adult Services		HUD	ENDOWMENT		
SUPPORT AND REVENUE	Administration	Development	Residential	Education	Other	Residential	Vocational	PROJECTS	ASSOCIATION	Eliminations	Totals
Support:											
Contributions	$ 131,720	$ 30,000	$ 22,118	$ 25,973	$ 1,176	$ 35,055	$ 15,027	$ 0	$ 1,053,586	$ (261,069)	$ 1,053,586
Public funding	488,908	0	160,457	1,420,778	1,658	42,119	33,130	0	0	0	2,147,050
Total support	620,628	30,000	182,575	1,446,751	2,834	77,174	48,157	0	1,053,586	(261,069)	3,200,636
Revenues:											
Medicaid and private insurance	0	0	11,566,385	50,323	467,951	5,916,668	3,092,697	0	0	0	21,094,024
Tuition	0	0	0	4,002,555	0	0	0	0	0	0	4,002,555
Program fees	180	0	0	0	0	502,610	60,384	0	0	0	563,174
Rental	0	0	0	0	0	79,524	0	171,807	0	0	251,331
HUD Section 8 rental subsidy	0	0	0	0	0	0	0	314,288	0	0	314,288
Production income	0	0	0	0	0	0	193,176	0	0	0	193,176
Fundraising events	0	0	0	0	0	0	0	0	215,460	0	215,460
Investment return	10,965	0	0	0	0	0	0	422	(1,547,091)	0	(1,535,704)
Other fees and income	27,155	0	3,303	302	0	25,932	0	0	0	(24,098)	32,594
Total revenues	38,300	0	11,569,688	4,053,180	467,951	6,524,734	3,346,257	486,517	(1,331,631)	(24,098)	25,130,898
TOTAL SUPPORT AND REVENUE	658,928	30,000	11,752,263	5,499,931	470,785	6,601,908	3,394,414	486,517	(278,045)	(285,167)	28,331,534
EXPENSES											
Salaries and wages	2,123,082	448,933	6,888,112	1,711,806	418,604	5,652,127	1,944,951	38,412	0	0	19,226,027
Payroll taxes	150,526	32,034	496,886	130,938	31,287	418,047	138,835	2,799	0	0	1,401,352
Health, dental and disability insurance	243,851	45,256	836,048	123,650	31,998	598,854	267,399	3,630	0	0	2,150,686
Retirement	72,112	4,517	59,136	0	10,744	99,615	47,478	0	0	0	293,602
Unemployment	0	0	0	1,961	150	0	0	0	0	0	2,111
Worker's compensation insurance	9,153	466	191,661	1,071	3,393	112,453	24,447	0	0	0	342,644
Staff development/personnel	40,049	6,871	54,906	8,570	628	36,778	8,559	0	0	0	156,361
Administrative fees	0	0	0	49,130	3,701	0	0	0	0	0	52,831
Office supplies and expenses	88,943	30,124	6,342	7,566	1,072	3,440	4,486	14,970	4,363	0	161,306
Marketing	6,535	11,142	25,294	559	0	2,617	0	0	0		46,147
Membership fees and subscriptions	235,565	9,082	122,872	18,759	15,787	46,697	31,783	0	1,995	0	482,540
Legal and audit fees	51,243	0	3,889	1,885	0	0	0	7,365	0	0	64,382
Transportation and vehicle expenses	77,854	0	11,690	8,690	7,869	139,414	91,343	0	0	0	336,860
Rent	27,427	4,500	0	0	9,000	38,468	213,885	3,000	0	0	296,280
Repairs and maintenance	93,391	629	142,901	96,553	2,644	123,078	67,692	59,100	0	0	585,988
Property and liability insurance	46,841	2,131	121,793	102,722	4,262	85,030	90,209	53,388	0	0	506,376
Supplies - household and other	(6,628)	0	162,961	55,375	6,897	122,104	40,545	0	0	0	381,254

LAKEMARY CENTER, INC. AND SUBSIDIARIES
SCHEDULE OF SUPPORT, REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(Continued)

	LAKEMARY CENTER										
			Program Services								
			Children's Services			Adult Services		HUD	ENDOWMENT		
	Administration	Development	Residential	Education	Other	Residential	Vocational	PROJECTS	ASSOCIATION	Eliminations	Totals
EXPENSES - continued											
Food, clothing and personal care items	$ 16,483	$ 13	$ 412,664	$ 9,373	$ 66	$ 286,884	$ 12,052	$ 0	$ 0	$ 0	$ 737,535
Recreation, travel and entertainment	24,885	667	35,604	4,743	93	8,302	2,035	0	0	0	76,329
Electricity	23,589	0	49,724	44,620	0	17,690	29,338	46,105	0	0	211,066
Gas	9,392	0	6,471	13,065	0	1,984	12,616	2,876	0	0	46,404
Water, sewer and trash	23,465	0	19,226	19,583	0	12,396	9,615	28,398	0	0	112,683
Telephone and internet	69,649	6,471	25,126	6,882	6,665	45,782	28,626	9,250	0	0	198,451
Consultants and outside services	172,221	39,085	75,816	13,642	82,114	10,966	9,671	55,916	8,250	(24,098)	443,583
Small furniture and equipment	58,483	5,306	71,970	34,077	81	27,062	14,379	0	0	0	211,358
Miscellaneous	2,571	187	8,988	6,249	1,578	14,395	2,588	0	0	0	36,556
(Gain)/loss on disposition of fixed assets	11,534	0	0	0	0	0	0	0	0	0	11,534
Bad debts, net of recoveries	0	0	(25,062)	0	0	(11,096)	(5,851)	0	0	0	(42,009)
Interest expense	0	0	38,955	0	0	0	0	19,519	0	0	58,474
Endowment support	0	0	0	0	0	0	0	0	261,069	(261,069)	0
Fundraising event expense	0	0	0	0	0	0	0	0	68,974	0	68,974
Total expenses before depreciation	3,672,216	647,414	9,843,973	2,471,469	638,633	7,893,087	3,086,681	344,728	344,651	(285,167)	28,657,685
Depreciation and amortization	212,811	1,119	331,547	109,101	12,150	113,761	162,042	97,659	0	0	1,040,190
	3,885,027	648,533	10,175,520	2,580,570	650,783	8,006,848	3,248,723	442,387	344,651	(285,167)	29,697,875
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER EXPENSES	$ (3,226,099)	$ (618,533)	$ 1,576,743	$ 2,919,361	$ (179,998)	$ (1,404,940)	$ 145,691	$ 44,130	$ (622,696)	$ 0	$ (1,366,341)

LAKEMARY CENTER, INC. AND SUBSIDIARIES
SUMMARY OF LAND, BUILDINGS AND EQUIPMENT AND
ACCUMULATED DEPRECIATION
June 30, 2022

ASSET CLASSIFICATION	Balance 6/30/2021	Additions	Deductions	Transfers	Balance 6/30/2022
Lakemary Center					
Land	$ 157,204	$ 0	$ 0	$ 0	$ 157,204
Land improvements	810,869	119,835	(66,971)	0	863,733
Buildings and improvements	13,889,393	91,177	(9,153)	0	13,971,417
Leasehold improvements	859,062	11,204	(8,854)	0	861,412
Equipment, furnishings and software					
Program	2,104,025	251,517	(8,626)	0	2,346,916
General and administrative	1,078,768	59,256	(6,047)	0	1,131,977
Vehicles	1,711,689	0	(11,646)	0	1,700,043
Construction in process	3,910	12,730	0	0	16,640
Total Lakemary Center	20,614,920	545,719	(111,297)	0	21,049,342
Community Residences					
Sunrise residences:					
Land	41,452	0	0	0	41,452
Buildings and improvements	815,884	11,704	(784)	0	826,804
Equipment and furnishings	55,719	2,797	(874)	0	57,642
Total Sunrise residences	913,055	14,501	(1,658)	0	925,898
LMC Developmental Services residences:					
Land	32,577	0	0	0	32,577
Buildings and improvements	677,158	3,962	0	0	681,120
Equipment and furnishings	59,536	16,970	(545)	0	75,961
Total LMC Developmental Services	769,271	20,932	(545)	0	789,658
Lakemary Center Homes residences:					
Land	60,877	0	0	0	60,877
Buildings and improvements	579,570	21,412	(5,082)	0	595,900
Equipment and furnishings	40,117	6,311	(1,631)	0	44,797
Total Lakemary Center Homes	680,564	27,723	(6,713)	0	701,574
Total Community Residences	2,362,890	63,156	(8,916)	0	2,417,130
TOTAL ASSETS	$ 22,977,810	$ 608,875	$ (120,213)	$ 0	$ 23,466,472

LAKEMARY CENTER, INC. AND SUBSIDIARIES
SUMMARY OF LAND, BUILDINGS AND EQUIPMENT AND
ACCUMULATED DEPRECIATION
(Continued)
June 30, 2022

ASSET CLASSIFICATION	Balance 6/30/2021	Additions	Deductions	Transfers	Balance 6/30/2022
ACCUMULATED DEPRECIATION					
Lakemary Center					
Land improvements	$ 453,032	$ 48,279	$ (56,161)	$ 0	$ 445,150
Buildings and improvements	6,265,249	438,834	(9,153)	0	6,694,930
Leasehold improvements	756,652	16,752	(7,830)	0	765,574
Equipment, furnishings and software					
Program	1,454,912	227,223	(8,626)	0	1,673,509
General and administrative	731,133	91,056	(6,047)	0	816,142
Vehicles	1,445,444	120,387	(11,646)	0	1,554,185
Total Lakemary Center	11,106,422	942,531	(99,463)	0	11,949,490
Community Residences					
Sunrise residences:					
Buildings and improvements	526,445	36,977	(565)	0	562,857
Equipment and furnishings	29,846	7,062	(504)	0	36,404
Total Sunrise residences	556,291	44,039	(1,069)	0	599,261
LMC Developmental Services residences:					
Buildings and improvements	523,479	23,235	0	0	546,714
Equipment and furnishings	46,342	5,143	(363)	0	51,122
Total LMC Developmental Services resic	569,821	28,378	(363)	0	597,836
Lakemary Center Homes residences:					
Buildings and improvements	419,231	21,153	(5,082)	0	435,302
Equipment and furnishings	27,160	4,090	(1,086)	0	30,164
Total Lakemary Center Homes residenc	446,391	25,243	(6,168)	0	465,466
Total Community Residences	1,572,503	97,660	(7,600)	0	1,662,563
TOTAL ACCUMULATED DEPRECIATIO	$ 12,678,925	$ 1,040,191	$ (107,063)	$ 0	$ 13,612,053

LAKEMARY CENTER, INC. AND SUBSIDIARIES

HISTORICAL FINANCIAL REVIEW
For the Year Ended June 30,

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
SUPPORT AND REVENUES										
Contributions	$ 1,053,586	$ 1,364,426	$ 383,745	$ 612,748	$ 360,960	$ 545,175	$ 232,633	$ 434,496	$ 99,179	$ 498,357
Public funding	2,147,050	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
Medicaid and private insurance	21,094,024	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
Tuition	4,002,555	3,821,642	3,716,665	4,411,230	3,915,005	3,486,737	1,993,384	1,637,556	3,221,244	3,152,506
Private pay	563,174	513,632	608,896	676,894	692,331	648,969	631,539	526,988	519,535	454,773
HUD subsidy and other rents	565,619	539,853	534,129	513,106	499,611	508,053	500,735	492,409	482,012	472,386
Production income	193,176	123,897	165,462	210,218	203,471	157,533	204,071	192,413	202,799	247,910
Fundraising events	215,460	138,461	172,699	257,918	227,347	279,328	182,836	154,257	181,489	-
Investment return	(1,535,704)	2,940,326	307,087	368,302	533,911	713,277	15,617	258,934	921,571	6,198
Other revenues	32,594	147,859	39,681	215,492	327,882	24,164	23,921	16,407	22,383	34,044
Total support and revenues	28,331,534	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
EXPENSES										
Children's residential	9,843,973	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
Education	2,471,469	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
Children's other	638,633	720,629	686,905	668,870	635,508	519,322	805,109	826,600	804,054	776,499
Adult residential	8,237,815	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
Adult vocational	3,086,681	2,608,842	2,940,891	3,078,929	2,762,426	2,655,423	2,685,170	2,612,078	2,290,385	2,227,714
Administration and development	4,379,114	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
Depreciation	1,040,190	1,099,429	1,046,067	1,063,997	998,121	930,933	749,205	651,481	551,922	552,715
Total expense	29,697,875	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
CHANGE IN NET ASSETS	$ (1,366,341)	$ 2,865,177	$ 366,539	$ 1,137,855	$ 2,184,562	$ 3,338,712	$ (423,807)	$ (304,680)	$ 1,591,732	$ 364,991
Cash and cash equivalents	5,268,330	$ 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
Accounts and contributions receivable	2,383,617	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
Investments	8,801,043	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	410,233	294,257	226,908	136,381	238,524	481,392	172,405	145,047	129,268	94,032
Net property and equipment	9,854,419	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
TOTAL ASSETS	$ 26,717,642	$ 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
Accounts payable	$ 318,772	$ 1,151,334	$ 460,972	$ 454,671	$ 274,965	$ 352,342	$ 568,939	$ 514,428	$ 541,156	$ 278,267
Accruals and deferrals	2,296,771	2,552,721	2,498,992	2,364,344	2,162,024	2,017,377	1,750,378	1,506,048	1,669,425	1,358,248
Funds and deposits held	14,044	12,525	15,235	16,973	15,864	11,798	11,433	11,063	13,478	14,143
Other current liabilities	147,242	136,434	1,102,367	162,911	156,287	326,864	805,418	1,675,008	97,359	261,914
Total current liabilities	2,776,829	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
Long-term debt and accruals	1,162,938	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
Total liabilities	3,939,767	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
Net assets	22,777,875	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
TOTAL LIABILITIES AND NET ASSETS	$ 26,717,642	$ 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

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

LAKEMARY CENTER, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass Through Grantor/ Grant Title	Federal CFDA Number	Agency Number	Federal Expenditures	State Expenditures	Total Expenditures
US DEPARTMENT OF AGRICULTURE					
Kansas State Department of Education					
Child Nutrition Cluster					
School Breakfast Program	10.553	N/A	$ 51,539	$ 0	$ 51,539
National School Lunch	10.555	N/A	101,508	897	102,405
Cash for Commodities	10.559	N/A	5,399	0	5,399
Total Child Nutrition Cluster			158,446	897	159,343
2021 COVID 19	10.649	N/A	614	0	614
Total US Department of Agriculture			159,060	897	159,957
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	106,759	0	106,759
LMC Developmental Services, Inc.	14.195	KS 16-T841-003	106,734	0	106,734
Lakemary Center Homes, Inc.	14.195	KS 16-T871-010	99,294	0	99,294
Total US Department of HUD			312,787	0	312,787
US DEPARTMENT OF EDUCATION					
Kansas State Department of Education					
Title I-A Improving Basic Programs	84.010	N/A	72,152	0	72,152
Total US Department of Education			72,152	0	72,152
US DEPARTMENT OF HEALTH AND HUMAN SERVICES					
CARES Act Provider Relief Fund	93.498	N/A	427,432	0	427,432
Total US Department of Health and Human Services			427,432	0	427,432
Total expenditures of federal and state awards			$ 971,431	$ 897	$ 972,328

See Accompanying Notes.

See Independent Auditor's Report.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022. 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 Organization 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, 2022.

NOTE D. SUB-GRANTEES

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

SPECIAL REPORTS

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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, 2022, and the related notes to the financial statements, which comprise the Organization's financial statements and have issued our report thereon dated December 13, 2022.

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 serve 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*.

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harold K. Mayes Jr

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

December 13, 2022

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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

Opinion on 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, 2022. 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.

In our opinion, Lakemary Center, Inc. and Subsidiaries 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lakemary Center, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lakemary Center, Inc. and Subsidiaries' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Lakemary Center, Inc. and Subsidiaries' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lakemary Center, Inc. and Subsidiaries' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lakemary Center, Inc. and Subsidiaries' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lakemary Center, Inc. and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Lakemary Center, Inc. and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Lakemary Center, Inc. and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 on the requirements of the 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

December 13, 2022

LAKEMARY CENTER, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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:

CFDA Number's	Name of Federal Program or Cluster		Amount
US Department of Housing and Urban Development			
14.195	Section 8 Rental Housing Assistance Payments Program	$	312,787
US Department of Health and Huaman Services			
93.498	CARES Act Provider Relief Fund		427,432
		$	740,219

Dollar threshold used to distinguish between Type A and Type B programs	$	750,000
Auditee qualified as a low-risk auditee?		No