



FINANCIAL STATEMENTS

June 30, 2022 and 2021

With Independent Auditor's Report

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
One Sky Community Services, Inc.

### Opinion

We have audited the accompanying financial statements of One Sky Community Services, Inc. (the Organization), which comprise the 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 financial position of the Organization as of June 30, 2022 and 2021, and the change in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

### Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS). 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP, 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 U.S. GAAS 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 U.S. GAAS, 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
August 30, 2023

**ONE SKY COMMUNITY SERVICES, INC.**

**Statements of Financial Position**

**June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,568,018	\$ 2,219,464
Client funds held	485,521	532,993
Accounts receivable, net	4,044,640	4,079,179
Prepaid expenses	<u>25,907</u>	<u>64,817</u>
Total current assets	<u>6,124,086</u>	<u>6,896,453</u>
Property and equipment		
Land	463,680	253,200
Buildings	1,981,865	1,440,681
Leasehold improvements	741,261	796,386
Vehicles	91,213	91,213
Equipment	<u>779,466</u>	<u>753,432</u>
	4,057,485	3,334,912
Less accumulated depreciation	<u>(1,868,388)</u>	<u>(1,704,609)</u>
Property and equipment, net	<u>2,189,097</u>	<u>1,630,303</u>
Other assets	<u>17,343</u>	<u>17,343</u>
Total assets	<u>\$ 8,330,526</u>	<u>\$ 8,544,099</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 4,251,446	\$ 3,081,551
Accrued expenses and other current liabilities	243,314	365,695
Refundable advances	126,671	495,075
Deferred revenue	207,273	262,626
Client funds held	485,521	532,993
Current portion of long-term debt	<u>34,046</u>	<u>55,932</u>
Total current liabilities	5,348,271	4,793,872
Long-term debt, excluding current portion	<u>-</u>	<u>28,435</u>
Total liabilities	<u>5,348,271</u>	<u>4,822,307</u>
Net assets		
Without donor restrictions	2,811,679	3,621,204
With donor restrictions	<u>170,576</u>	<u>100,588</u>
Total net assets	<u>2,982,255</u>	<u>3,721,792</u>
Total liabilities and net assets	<u>\$ 8,330,526</u>	<u>\$ 8,544,099</u>

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

**ONE SKY COMMUNITY SERVICES, INC.**

**Statements of Activities**

**Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Changes in net assets without donor restrictions		
Public support and revenue		
Medicaid revenue	\$ 36,658,905	\$ 35,179,375
Bureau of Developmental Services	1,619,701	1,598,026
Interest	93	223
Other revenue	364,793	376,755
Grant income	2,374,646	1,950,850
Net assets released from restriction for operating purposes	<u>27,983</u>	<u>68,464</u>
Total public support and revenue	<u>41,046,121</u>	<u>39,173,693</u>
Expenses		
Program services		
Service coordination	1,367,422	1,159,324
Combined residential and day services	20,328,782	17,998,318
Participant directed and managed/in-home supports	5,540,638	5,647,912
Early intervention	1,341,194	1,234,243
Family support	299,839	438,219
Respite care	126,382	127,979
Independent living	161,390	123,069
Day services	7,133,814	5,823,082
Clinical supports	<u>385,530</u>	<u>341,585</u>
Total program services	<u>36,684,991</u>	<u>32,893,731</u>
Supporting services		
General management	<u>5,170,655</u>	<u>4,158,310</u>
Total expenses	<u>41,855,646</u>	<u>37,052,041</u>
Change in net assets without donor restrictions	<u>(809,525)</u>	<u>2,121,652</u>
Changes in net assets with donor restrictions		
Contributions	97,971	44,969
Net assets released from restriction for operating purposes	<u>(27,983)</u>	<u>(68,464)</u>
Change in net assets with donor restrictions	<u>69,988</u>	<u>(23,495)</u>
Change in net assets	<u>(739,537)</u>	2,098,157
Net assets, beginning of year	<u>3,721,792</u>	<u>1,623,635</u>
Net assets, end of year	<u>\$ 2,982,255</u>	<u>\$ 3,721,792</u>

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

**ONE SKY COMMUNITY SERVICES, INC.**

**Statement of Functional Expenses**

**Year Ended June 30, 2022**

	<u>Service Coordination</u>	<u>Combined Residential and Day Services</u>	<u>Participant Directed and Managed / In-Home Supports</u>	<u>Early Intervention</u>	<u>Family Support</u>	<u>Respite Care</u>	<u>Independent Living</u>	<u>Day Services</u>	<u>Clinical Supports</u>	<u>General Management</u>	<u>Total</u>
Personnel costs											
Salary and wages	\$ 901,666	\$ -	\$ 1,266,914	\$ -	\$ 108,043	\$ -	\$ -	\$ -	\$ -	\$ 1,570,945	\$ 3,847,568
Employee benefits	150,657	-	153,241	-	21,155	-	-	-	-	234,603	559,656
Payroll taxes	74,951	-	104,987	-	-	5,563	-	-	-	115,629	301,130
Professional fees and consultants											
Client treatment and services	29,313	259,467	3,174,747	11,772	-	83,756	-	-	385,530	206	3,944,791
Accounting and auditing	-	-	-	-	-	-	-	-	-	79,614	79,614
Legal	-	-	-	-	-	-	-	-	-	40,914	40,914
Payroll preparation	-	-	-	-	-	-	-	-	-	40,550	40,550
Other	31,177	-	14,898	-	-	-	-	-	-	337,845	383,920
Conferences and conventions	-	-	-	-	150	-	-	-	-	59,727	59,877
Occupancy costs											
Rent	85,244	-	-	-	-	26,919	-	-	-	112,163	224,326
Electricity and other utilities	15	4,268	-	-	-	-	-	-	-	45,607	49,890
Maintenance and repairs	-	46,975	-	-	-	-	1,147	-	-	35,239	83,361
Consumable supplies											
Client consumables	-	9,554	-	-	26	-	-	-	-	13,096	22,676
Office	3,801	2,384	-	-	17	-	-	-	-	76,480	82,682
Equipment maintenance	-	2,100	-	-	-	-	-	-	-	67,863	69,963
Advertising	-	-	1,109	-	-	-	-	-	-	46,495	47,604
Printing	-	-	-	-	1,103	-	-	-	-	1,939	3,042
Telephone	-	-	-	-	-	-	-	-	-	42,733	42,733
Postage	-	-	-	-	9	-	-	-	-	14,457	14,466
Transportation	22,089	1,716	92,852	-	-	-	-	309	-	2,265	119,231
Assistance to individuals	-	6,596	4,201	-	153,544	4,000	-	-	-	54,115	222,456
Insurance	13,237	3,968	-	-	-	-	-	-	-	42,524	59,729
Members' dues	-	-	-	-	-	-	-	-	-	6,280	6,280
Other expenditures	-	12,799	-	-	400	-	-	906	-	222,164	236,269
Subcontractor	5,124	19,914,571	727,689	1,329,422	-	-	160,243	7,132,599	-	1,879,491	31,149,139
Total expenses before depreciation	1,317,274	20,264,398	5,540,638	1,341,194	284,447	120,238	161,390	7,133,814	385,530	5,142,944	41,691,867
Depreciation	50,148	64,384	-	-	15,392	6,144	-	-	-	27,711	163,779
Total expenses	<u>\$ 1,367,422</u>	<u>\$ 20,328,782</u>	<u>\$ 5,540,638</u>	<u>\$ 1,341,194</u>	<u>\$ 299,839</u>	<u>\$ 126,382</u>	<u>\$ 161,390</u>	<u>\$ 7,133,814</u>	<u>\$ 385,530</u>	<u>\$ 5,170,655</u>	<u>\$ 41,855,646</u>

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

**ONE SKY COMMUNITY SERVICES, INC.**

**Statement of Functional Expenses**

**Year Ended June 30, 2021**

	Service Coordination	Combined Residential and Day Services	Participant Directed and Managed / In- Home Supports	Early Intervention	Family Support	Respite Care	Independent Living	Day Services	Clinical Supports	General Management	Total
Personnel costs											
Salary and wages	\$ 764,779	\$ -	\$ 1,170,786	\$ -	\$ 206,036	\$ -	\$ -	\$ -	\$ -	\$ 1,471,290	\$ 3,612,891
Employee benefits	152,847	-	175,581	-	18,679	-	-	-	-	255,921	603,028
Payroll taxes	57,135	-	118,429	-	-	15,090	-	-	-	105,835	296,489
Professional fees and consultants											
Client treatment and services	28,957	303,979	3,221,130	25,308	-	73,725	-	-	341,585	192	3,994,876
Accounting and auditing	15	-	-	-	-	-	-	-	-	33,531	33,546
Legal	3,478	-	-	-	-	8,230	-	-	-	40,675	52,383
Payroll preparation	-	-	-	-	-	-	-	-	-	39,762	39,762
Other	40,741	-	7,192	-	-	-	-	-	-	254,601	302,534
Conferences and conventions	2,826	-	-	-	-	-	-	-	-	54,309	57,135
Occupancy costs											
Rent	60,462	26,364	-	-	-	26,169	-	-	-	113,684	226,679
Electricity and other utilities	7,068	47,973	-	-	415	-	-	-	-	41,801	97,257
Maintenance and repairs	-	51,168	-	-	-	-	786	-	-	44,508	96,462
Consumable supplies											
Client consumables	756	24,203	-	-	49	-	-	-	-	5,842	30,850
Office	2,204	1,163	85	-	119	-	-	-	-	98,723	102,294
Equipment maintenance	3,817	108	-	-	197	51	-	-	-	78,633	82,806
Advertising	-	-	1,640	-	-	-	-	-	-	16,569	18,209
Printing	-	-	-	-	-	-	-	-	-	1,020	1,020
Telephone	5,265	-	-	-	-	-	-	-	-	29,329	34,594
Postage	17	-	-	-	-	-	-	-	-	13,781	13,798
Transportation	4,195	4,207	100,318	-	-	-	-	244	-	628	109,592
Assistance to individuals	300	23,209	14,180	-	211,020	4,302	-	-	-	15,036	268,047
Insurance	10,393	3,195	-	-	267	-	-	-	-	34,246	48,101
Members' dues	-	-	-	-	-	-	-	-	-	2,540	2,540
Other expenditures	697	129	84	-	405	-	-	614	-	99,317	101,246
Subcontractor	9,170	17,464,773	838,487	1,208,935	-	-	122,283	5,822,224	-	1,222,153	26,688,025
Total expenses before depreciation	1,155,122	17,950,471	5,647,912	1,234,243	437,187	127,567	123,069	5,823,082	341,585	4,073,926	36,914,164
Depreciation	4,202	47,847	-	-	1,032	412	-	-	-	84,384	137,877
Total expenses	<u>\$ 1,159,324</u>	<u>\$ 17,998,318</u>	<u>\$ 5,647,912</u>	<u>\$ 1,234,243</u>	<u>\$ 438,219</u>	<u>\$ 127,979</u>	<u>\$ 123,069</u>	<u>\$ 5,823,082</u>	<u>\$ 341,585</u>	<u>\$ 4,158,310</u>	<u>\$ 37,052,041</u>

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

**ONE SKY COMMUNITY SERVICES, INC.**

**Statements of Cash Flows**

**Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (739,537)	\$ 2,098,157
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	163,779	137,877
Change in allowance for uncollectible accounts	475,000	-
Changes in operating assets and liabilities		
Accounts receivable, net	(440,461)	(1,836,213)
Prepaid expenses	38,910	(54,278)
Accounts payable	1,169,895	866,760
Accrued expenses and other current liabilities	(122,381)	125,338
Deferred revenue	(55,353)	110,077
Refundable advances	<u>(368,404)</u>	<u>(123,925)</u>
Net cash provided by operating activities	<u>121,448</u>	<u>1,323,793</u>
Cash flows from investing activities		
Purchases of property and equipment	(722,573)	(795,755)
Change in other assets	<u>-</u>	<u>66,652</u>
Net cash used by investing activities	<u>(722,573)</u>	<u>(729,103)</u>
Cash flows from financing activities		
Principal payments on long-term debt	<u>(50,321)</u>	<u>(54,744)</u>
Net cash used by financing activities	<u>(50,321)</u>	<u>(54,744)</u>
Net (decrease) increase in cash and cash equivalents	(651,446)	539,946
Cash and cash equivalents, beginning of year	<u>2,219,464</u>	<u>1,679,518</u>
Cash and cash equivalents, end of year	<u>\$ 1,568,018</u>	<u>\$ 2,219,464</u>

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



# ONE SKY COMMUNITY SERVICES, INC.

## Notes to Financial Statements

June 30, 2022 and 2021

### **Nature of Activities**

One Sky Community Services, Inc. (the Organization) is a New Hampshire nonprofit corporation providing a wide range of community-based services. It contracts with the New Hampshire Department of Health and Human Services (NH DHHS) to provide community-based services and support for those with developmental disabilities and acquired brain disorders in Rockingham County. The majority of its funding is from federal and state government programs.

### 1. **Summary of Significant Accounting Policies**

#### **Basis of Presentation**

Net assets and revenues, expenses, gains, and losses are classified as follows based on the existence or absence of donor-imposed restrictions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*:

**Net assets without donor restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

**Net assets with donor restrictions** – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions 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 be maintained in perpetuity. At June 30, 2022 and 2021, net assets with donor restrictions consisted of funds temporary in nature restricted for critical essential client needs.

#### **Contributions**

Contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. The Organization records donor-restricted contributions whose restrictions are met in the same reporting period as support without donor restrictions in the year of the gift. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in subsequent years are reported at the present value of their expected future cash flows, using risk-free interest rates applicable to the years in which the promises are to be received.

# ONE SKY COMMUNITY SERVICES, INC.

## Notes to Financial Statements

June 30, 2022 and 2021

### **Contributions of Property and Services**

Contributions of donated non-cash assets are recorded at their fair value in the period received. 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. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an original maturity date of less than three months to be cash equivalents.

The Organization maintains its cash, including client funds held, in bank deposit accounts which, at times, may exceed federally insured limits. It has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash and cash equivalents.

### **Accounts Receivable and Allowance for Uncollectible Accounts**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts by analyzing its past history and identification of trends for all funding sources in the aggregate. Management regularly reviews data about revenue in evaluating the sufficiency of the allowance for doubtful accounts. Amounts not collected after all reasonable collection efforts have been exhausted are applied against the allowance for uncollectible accounts. As of June 30, 2022 and 2021, an allowance in the amount of \$475,000 and \$16,635, respectively, was recognized. Accounts receivable, net, amounted to \$2,090,417 as of July 1, 2019.

# ONE SKY COMMUNITY SERVICES, INC.

## Notes to Financial Statements

June 30, 2022 and 2021

### **Property, Equipment and Depreciation**

Purchased property and equipment are recorded at cost. Expenditures for repairs and maintenance are charged against operations. Renewals and betterments which materially extend the life of the assets are capitalized. Depreciation is provided on the straight-line method in amounts designed to amortize the costs of the assets over their estimated lives as follows:

Buildings and leasehold improvements	10-40 years
Equipment	3-10 years
Vehicles	5 years

### **Revenue Recognition**

Program fee revenue is reported at the estimated net realizable amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing client services. Generally, the Organization bills third-party payors several days after services are provided. Revenue is recognized as performance obligations are satisfied. It is the Organization's expectation that the period between the time the service is provided to a client and the time a third-party payor pays for that service will be one year or less.

Under the Organization's contractual arrangements with NH DHHS, the Organization provides services to clients for an agreed upon fee. The Organization recognizes revenue for client services in accordance with the provisions of FASB ASC Topic 606, *Revenue from Contracts with Customers*.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual services rendered. Generally, performance obligations are satisfied ratably over the life of the contract with the client. The Organization measures the performance obligation from when the Organization begins to provide services to a client to the point when it is no longer required to provide services to that client, which is generally at the time of notification to the Organization.

Each performance obligation is separately identifiable from other promises in the contract with the client and NH DHHS. As the performance obligations are met, revenue is recognized based upon allocated transaction price. The transaction price is allocated to separate performance obligations based upon the relative stand-alone selling price.

Because all of its performance obligations relate to short-term contracts, the Organization has elected to apply the optional exemption provided in FASB ASC Subtopic 606-10-50-14(a), and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

# ONE SKY COMMUNITY SERVICES, INC.

## Notes to Financial Statements

June 30, 2022 and 2021

### **Income Taxes**

The Organization is a public charity under Section 501(c)(3) of the Internal Revenue Code. As a public charity, the Organization is exempt from income taxes on income earned in accordance with its tax-exempt purpose. Unrelated business income is subject to state and federal income tax. Management has evaluated the Organization's tax positions and concluded that the Organization has no unrelated business income or uncertain tax positions that require adjustment to the financial statements.

### **Functional Allocation of Expenses**

The costs of providing various programs and activities are summarized on a functional basis in the statements of activities and functional expenses. Accordingly, rent and insurance have been allocated based on time spent between locations and functions among the programs and supporting services benefited.

### **Subsequent Events**

For purposes of the preparation of these financial statements in conformity with U.S. GAAP, management has considered transactions or events occurring through August 30, 2023, which is the date that the financial statements were available to be issued.

## **2. Availability and Liquidity of Financial Assets**

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to optimize its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and a line of credit as disclosed in Note 3.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing operating activities as well as the conduct of services undertaken to support those operating activities.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover expenditures not covered by donor-restricted resources or, where appropriate, borrowings. Refer to the statements of cash flows, which identifies the sources and uses of the Organization's cash and cash equivalents.

**ONE SKY COMMUNITY SERVICES, INC.**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

The following financial assets are expected to be available within one year of the statements of financial position date to meet general expenditures as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents available for operations	\$ 1,397,442	\$ 2,118,876
Accounts receivable, net	<u>4,044,640</u>	<u>4,079,179</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,442,082</u>	<u>\$ 6,198,055</u>

Cash and cash equivalents in the statements of financial position includes amounts that are part of net assets with donor restrictions, which are excluded from the above table.

**3. Line of Credit**

The Organization has a revolving line of credit agreement with a bank amounting to \$1,500,000, collateralized by a security interest in substantially all business assets. Monthly interest payments on any unpaid principal balance are required at a variable rate, which was 5.50% at June 30, 2022. At June 30, 2022 and 2021, there was no outstanding balance on the line of credit.

**4. Long-Term Debt**

As of June 30, long-term debt consisted of the following:

	<u>2022</u>	<u>2021</u>
Note payable to Hewlett-Packard Financial Service Company (HPFSC), due in monthly installments of \$1,943, including interest at 5.88%, through March 2023. Note payable is collateralized by equipment.	\$ 17,019	\$ 38,676
Note payable to HPFSC, due in monthly installments of \$2,859, through December 2022. Note payable is collateralized by equipment.	<u>17,027</u>	<u>45,691</u>
Less current portion	<u>34,046</u> <u>(34,046)</u>	84,367 <u>(55,932)</u>
Long-term debt, excluding current portion	<u>\$ -</u>	<u>\$ 28,435</u>

**ONE SKY COMMUNITY SERVICES, INC.**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

**5. Conditional Promise to Give**

During 2021, the Organization was awarded a grant from the New Hampshire Community Development Finance Authority in the amount of \$427,750 to be used for housing and public facility projects in New Hampshire. Receipt of the grant and recognition of the related revenue is conditional upon incurring qualified expenditures. For the years ended June 30, 2022 and 2021, the Organization did not recognize any revenue related to this grant.

**6. Commitments and Contingencies**

**Operating Lease**

The Organization leases its primary facility pursuant to the terms of a lease that expires in May 2027. The initial rent of \$16,413 per month increases 2% on each anniversary, with tiered increases in the annual percentage beginning in the third year of the lease term. The Organization is responsible for all utilities, repairs and maintenance and insurance and a prorated share of the real estate taxes and common area costs. Rent expense was \$224,326 and \$226,679 for the years ended June 30, 2022 and 2021, respectively.

Future minimum operating lease payments are as follows:

2023	\$	225,780
2024		236,285
2025		243,374
2026		250,675
2027		<u>214,092</u>
		<u>\$ 1,170,206</u>

**7. Concentration of Revenues and Risk**

For the years ended June 30, 2022 and 2021, approximately 89% and 90%, respectively, of the public support and revenue of the Organization was derived from Medicaid. Accounts receivable from Medicaid totaled \$4,510,463 and \$4,033,465 at June 30, 2022 and 2021, respectively. The future existence of the Organization is dependent upon continued support from Medicaid.

Every five years the Organization is reviewed and approved by the New Hampshire Bureau of Developmental Services (BDS), as a designated provider for developmentally disabled individuals in Rockingham County in New Hampshire. In 2019, the Organization underwent its redesignation review by the BDS. As a result of the review, BDS issued a report that identified several programmatic and financial findings that prevented BDS from providing redesignation to the Organization.

# ONE SKY COMMUNITY SERVICES, INC.

## Notes to Financial Statements

June 30, 2022 and 2021

Effective July 1, 2019, BDS granted a conditional redesignation for 180 days. BDS indicated its intent, through a corrective action plan, is to work with the Organization to demonstrate an acceptable level of confidence to grant permanent redesignation for the next five years. BDS indicated it expects to monitor the Organization until satisfactory outcomes are achieved. Permanent redesignation and licensing was dependent on management addressing the findings and BDS accepting the corrective action plan. The Organization worked with BDS to address the findings identified. As a result, effective November 27, 2019, BDS granted the Organization redesignation, with reservation allowing BDS to undesignate the Organization at any time, through September 2023. There has been no further correspondence on this matter subsequent to being granted redesignation, with reservation.

### 8. **Pandemic Relief Funding**

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. Local, U.S., and world governments encouraged self-isolation to curtail the spread of the global pandemic by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and the size and duration of group meetings. Many sectors continue to experience disruption to business operations and may feel further impacts related to delayed government reimbursement, volatility in investment returns, and reduced philanthropic support.

The U.S. government has responded with several phases of relief legislation as a response to the COVID-19 outbreak. Legislation enacted into law on March 27, 2020, called the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a statute to address the economic impact of the COVID-19 outbreak. The CARES Act, among other things, 1) authorizes emergency loans to distressed businesses by establishing, and providing funding for, forgivable bridge loans; 2) provides additional funding for grants and technical assistance; 3) delays due dates for employer payroll taxes and estimated tax payments for organizations; and 4) revises provisions of the Internal Revenue Code, including those related to losses, charitable deductions, and business interest.

#### **CARES Act Paycheck Protection Program**

During 2020, the Organization obtained \$619,000 under the CARES Act Paycheck Protection Program (PPP). The PPP has specific criteria for eligibility and provides for forgiveness of the funds under the program if the Organization meets certain requirements. During 2021, the Organization received notice from the Small Business Administration (SBA) that its PPP funds were fully forgiven. As of June 30, 2021, the revenue was included in grant income in the statement of activities. The loan forgiveness has an audit period by the SBA for six years from the date of forgiveness.

# **ONE SKY COMMUNITY SERVICES, INC.**

## **Notes to Financial Statements**

**June 30, 2022 and 2021**

### **CARES Act Long-Term Care Stabilization Funds**

The Organization also received emergency grant funding under the CARES Act passed through the State of New Hampshire in the amount of approximately \$1,332,000 to help offset incremental costs related to the pandemic. This funding is commonly referred to as long-term care stabilization funds which are included in grant income in the statement of activities for the year ended June 30, 2021.

### **CARES Act Provider Relief Funds**

The Organization also received emergency federal grant funding under the CARES Act from the Provider Relief Fund (PRF), which were funds to support healthcare providers in responding to the COVID-19 outbreak. The PRF was administered by the U.S. Department of Health and Human Services. These funds were used for qualifying expenses and to cover lost revenue due to COVID-19. The PRF were considered conditional contributions and were recognized as revenue when qualifying expenditures or lost revenues were incurred. The Organization received PRF in the amount of approximately \$495,000 during the year ended June 30, 2021. During 2022, the Organization recognized the PRF in revenue which is included in grant income in the statement of activities. Due to the complexity of the reporting requirements and the continued issuance of clarifying guidance, there is at least a reasonable possibility that the amount of income recognized may change by a material amount. Any difference between amounts previously estimated and amounts subsequently determined to be recoverable or payable will be included in income in the year that such amounts become known.

### **American Rescue Plan Act (ARPA) Retention, Recruiting, and Training Funds**

In March 2021, the U.S. government enacted ARPA. ARPA, amongst other things, provided support for health and human services workforce development in response to COVID-19 and broader economic impacts of the pandemic. During 2022, the Organization was awarded emergency grant funding under the ARPA, passed through the State of New Hampshire in the amount of approximately \$2,006,000 for the purpose of recruitment, retention, and training of Direct Support Workers. For the year ended June 30, 2022, the Organization recognized approximately \$1,880,000 in ARPA funds which are included in grant income in the statement of activities. The Organization has until 2024 to spend the remaining funds. Unspent funds as of June 30, 2022 were approximately \$126,000 and are included in refundable advances in the statement of financial position.