



**VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**JUNE 30, 2020 and 2019**

**WITH**

**INDEPENDENT AUDITOR'S REPORTS**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Vera Lloyd Presbyterian Family Services, Inc.

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Vera Lloyd Presbyterian Family Services, Inc. and affiliate, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vera Lloyd Presbyterian Family Services, Inc. and affiliate as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of governmental assistance, schedule of units of service, and supplemental data sheet for the year ended June 30, 2020, as required by the Arkansas Department of Human Services, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2020, on our consideration of Vera Lloyd Presbyterian Family Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 results of that testing, and not to provide an opinion on the effectiveness of Vera Lloyd Presbyterian Family Services, Inc.'s 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 Vera Lloyd Presbyterian Family Services, Inc.'s and affiliate internal control over financial reporting and compliance.



Little Rock, Arkansas  
September 15, 2020

**VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**June 30, 2020 and 2019**

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 963,507	\$ 874,008
Certificates of deposit	110,760	250,314
Accounts receivable	1,202,127	100,164
Investments at fair value	10,979,890	10,532,142
Other assets	102,723	96,597
Total current assets	13,359,007	11,853,225
Property and equipment, net	3,425,418	3,593,858
Total assets	\$ 16,784,425	\$ 15,447,083
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 23,784	\$ 39,986
Accrued liabilities	104,499	97,477
Note payable	317,900	-
Total current liabilities	446,183	137,463
Net assets:		
Without donor restrictions	13,307,988	12,272,966
With donor restrictions	3,030,254	3,036,654
Total net assets	16,338,242	15,309,620
Total liabilities and net assets	\$ 16,784,425	\$ 15,447,083

**VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.**

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND NET ASSETS**

**Years ended June 30, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues:</b>						
Contributions	\$ 1,598,907	\$ -	\$ 1,598,907	\$ 821,997	\$ -	\$ 821,997
Federal and state contracts and grants	1,375,059	-	1,375,059	1,123,010	-	1,123,010
Interest and dividends	284,840	11,886	296,726	292,683	13,797	306,480
Net realized and unrealized appreciation of investments, net of fees	393,377	18,899	412,276	484,847	21,800	506,647
Other revenues	69,490	-	69,490	130,442	-	130,442
Net assets released from restriction	37,185	(37,185)	-	3,219	(3,219)	-
<b>Total support and revenues</b>	<b>3,758,858</b>	<b>(6,400)</b>	<b>3,752,458</b>	<b>2,856,198</b>	<b>32,378</b>	<b>2,888,576</b>
<b>Expenses:</b>						
Program services	1,979,262	-	1,979,262	1,890,727	-	1,890,727
Management and general	423,097	-	423,097	448,516	-	448,516
Fundraising	321,477	-	321,477	350,764	-	350,764
<b>Total expenses</b>	<b>2,723,836</b>	<b>-</b>	<b>2,723,836</b>	<b>2,690,007</b>	<b>-</b>	<b>2,690,007</b>
Change in net assets	1,035,022	(6,400)	1,028,622	166,191	32,378	198,569
Net assets, beginning of year	12,272,966	3,036,654	15,309,620	12,106,775	3,004,276	15,111,051
Net assets, end of year	\$ 13,307,988	\$ 3,030,254	\$ 16,338,242	\$ 12,272,966	\$ 3,036,654	\$ 15,309,620

See notes to consolidated financial statements.

**VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

**Years ended June 30, 2020 and 2019**

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 968,947	\$ 274,516	\$ 159,991	\$ 1,403,454	\$ 932,912	\$ 260,667	\$ 178,350	\$ 1,371,929
Payroll taxes and benefits	203,743	57,723	33,646	295,112	182,334	50,946	34,858	268,138
Travel/training/board/membership	16,433	1,580	6,376	24,389	20,040	2,905	6,099	29,044
Development	-	-	23,236	23,236	-	-	29,741	29,741
Insurance	48,379	5,827	4,951	59,157	46,132	4,291	3,218	53,641
Depreciation	268,047	4,010	4,508	276,565	271,428	5,596	2,799	279,823
Office supplies/equipment/postage	33,780	8,182	15,418	57,380	32,648	10,091	16,621	59,360
Utilities/telephone	92,863	8,487	7,875	109,225	95,216	10,325	9,177	114,718
Maintenance	91,198	12,956	29,961	134,115	114,041	14,662	34,212	162,915
Automobile	10,013	1,161	3,338	14,512	12,630	948	2,210	15,788
Food	75,238	-	-	75,238	72,658	-	-	72,658
Other program costs	78,725	-	-	78,725	83,891	-	-	83,891
Professional and legal fees	91,896	24,600	7,120	123,616	26,797	64,512	7,941	99,250
Rent	-	24,055	25,057	49,112	-	23,573	25,538	49,111
<b>Total</b>	<b>\$ 1,979,262</b>	<b>\$ 423,097</b>	<b>\$ 321,477</b>	<b>\$ 2,723,836</b>	<b>\$ 1,890,727</b>	<b>\$ 448,516</b>	<b>\$ 350,764</b>	<b>\$ 2,690,007</b>

See notes to consolidated financial statements.

**VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years ended June 30, 2020 and 2019**

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,028,622	\$ 198,569
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized appreciation of investments	(476,576)	(569,540)
In-kind contributions	-	(4,919)
Depreciation	276,565	279,823
Loss (gain) on disposal of property and equipment	(1,600)	7,111
Change in operating assets and liabilities:		
Accounts receivable	(1,101,963)	35,661
Other assets	(6,126)	(18,692)
Accounts payable	(16,202)	(6,266)
Accrued liabilities	7,022	11,070
	(290,258)	(67,183)
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(108,125)	(84,119)
Proceeds from sale of property and equipment	1,600	-
Purchase of certificates of deposit	(110,000)	(966,260)
Proceeds from maturities of certificates of deposits	249,554	769,941
Purchase of investments	(2,396,610)	(2,953,308)
Proceeds from sale of investments	2,425,438	3,060,214
	61,857	(173,532)
<b>Cash Flows from Financing Activities</b>		
Proceeds from Paycheck Protection Program note payable	317,900	-
	89,499	(240,715)
Net change in cash and cash equivalents		
Cash and cash equivalents, beginning of year	874,008	1,114,723
	\$ 963,507	\$ 874,008
Cash and cash equivalents, end of year	\$ 963,507	\$ 874,008

# VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

### Note 1 – Organization

Vera Lloyd Presbyterian Family Services, Inc. and affiliate (Vera Lloyd or the Organization) is a nonprofit organization incorporated under Arkansas law. Services provided include residential care, emergency shelter, and family counseling to young people who have suffered through extreme family turmoil. The Organization's business offices are located in Little Rock, Arkansas, and services are provided through facilities located in Monticello, Arkansas. Funding sources include contributions, earnings from investments, and contracts with the Arkansas Department of Human Services (DHS).

### 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 (U.S. GAAP).

#### Principles of consolidation

It is the Organization's policy to consolidate the financial statements of Vera Lloyd and Vera Lloyd Presbyterian Foundation, Inc. (the Foundation), which are legally separate entities, as both the control and economic interest factors established in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958-810, *Not-for-Profit Entities – Consolidation*, are met.

The Foundation was incorporated under Arkansas law during the fiscal year ended June 30, 2016, to benefit and support the operations of Vera Lloyd. The Foundation became an active corporation in June 2016. The financial statements as of and for the years ended June 30, 2020 and 2019, have been consolidated and all significant inter-organizational accounts and transactions are eliminated in consolidation. Summarized financial information of the Foundation as of and for the years ending June 30, is as follows:

	2020	2019
Total assets	\$ 11,465,444	\$ 10,280,081
Total liabilities	3,301	5,841
Total net assets	11,462,145	10,274,240
Total revenues	1,258,561	348,438
Total expenses	70,657	50,768

Assets of the Foundation will be distributed to Vera Lloyd in accordance with the Organization's spending policy.

#### Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

### Certificates of deposit

The Organization records certificates of deposit at face value plus accrued interest, which includes earnings through the last day of the fiscal year.

### Accounts receivable

Accounts receivable for federal and state contracts and awards are recorded, along with the corresponding revenues, when services are performed either through the provision of units of service or through the claim for reimbursement of expenditures. These awards are subject to review by state and federal funding agencies, which could result in a request for reimbursement by these agencies for services disallowed under the terms and conditions of the agreements. In the opinion of management, such disallowances, if any, would not be significant.

### Investments at fair value

Investments are stated at estimated fair values as determined primarily by quoted prices on the last day of the fiscal year, with interest, dividends, and realized and unrealized gains and losses recognized in the accompanying statements of activities.

### Credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, investments, and accounts receivable. At times throughout the year, the Organization may maintain its bank accounts at levels in excess of the Federal Deposit Insurance Corporation insured limit. Management believes that its policies are adequate to minimize potential credit risk. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Organization's account balances. Credit risk with respect to accounts receivable is limited as the majority of the accounts receivable are due from state agencies and bequests received upon the donor's death.

### Property and equipment

The Organization capitalizes expenditures for property and equipment at cost for items exceeding \$500. Donated assets are stated at their estimated fair market value at the date of the gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

### Net assets classification

The Organization distinguishes between net assets without donor restrictions and net assets with donor restrictions and changes in net assets in the accompanying consolidated financial statements. A description of these net asset classifications is as follows:

*Net assets without donor restrictions* – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes of the Organization. From time to time the Board may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. Board-designated net assets may be earmarked for the support of both current and future programs, maintenance of the houses, and other uses. See Note 8 for more information on the composition of net assets without donor restrictions.

*Net assets with donor restrictions* – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Some donor-imposed restrictions are

temporary in nature and may or will be met by expenditures or actions of the Organizations. Such restrictions include time and purpose restrictions imposed by donors, as well as restrictions imposed by law that restrict net investment income and gains on donor-restricted endowed funds until appropriated for expenditure. Other donor-imposed restrictions are perpetual in nature but permit the Organization to expend the income generated in accordance with the provision of the related donor agreements. Those net assets of the Organization which include restrictions that are perpetual in nature are comprised of funds whose earnings are to be used to operate and maintain the specific homes, pay for scholarships, and for private referrals form the programs in Monticello. See Note 9 for more information on the composition of net assets with donor restrictions.

#### Net assets released from restrictions

Net assets that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is recognized. Donor restricted net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose, by the passage of time or by the occurrence of other events specified by the donor.

#### Spending policy

The Organization's spending is governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was approved by the Uniform Law Commission to serve as a guideline to states to use in enacting legislation. The state of Arkansas has enacted UPMIFA, which requires nonprofit organizations with donor-restricted endowed funds to follow certain standards when making investment and spending policy decisions.

#### Revenue recognition

Revenues are generally recognized when performance obligations are satisfied, or control of the promised goods or services is transferred to customers in an amount that reflects the consideration Vera Lloyd expects to be entitled to receive in exchange for those goods or services.

#### *Contributions*

Unconditional pledges to give cash and other assets are reported at fair value at the date the pledge is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of these discounts is included in contribution revenue. Conditional promises are not recognized as revenue until the donor-imposed barrier is met.

#### *Grants and contracts*

The Organization receives government funding, in the form of federal and state contracts, to oversee and administer several programs. These revenues are accounted for as unconditional contributions as the revenue is not received in advance of performance but is rather received based on reports filed with the sponsoring organization for the preceding month. In light of the above, revenue is recorded on a monthly basis when the conditions of receiving the money are met in full.

### Concentration of revenues

Approximately 100% of the Organization's revenues from federal and state contracts and grants for the years ended June 30, 2020 and 2019, were received from DHS, either directly or as funding passed through from the United States Department of Health and Human Services.

### Functional expenses

Functional expenses have been allocated between program services, management and general, and fundraising. Personnel related expenses are allocated based on an analysis of personnel time utilized for the related activities. Other expenses are allocated based on other meaningful measures for the particular type of expenditure.

### Income taxes

Vera Lloyd and the Foundation are publicly supported organizations exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (the Code) and are classified as other than private foundations. Both are also exempt from state tax under similar provisions of state law. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

### Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

### Fair value measurements

The Organization follows a framework for measuring fair value under U.S. GAAP and establishing disclosures about fair value measurements. This framework applies to all financial instruments that are being measured and recognized at fair value on a recurring and nonrecurring basis.

### Recently adopted accounting standards

In 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Under this ASU, recognition of revenue from customer contracts is a principles-based framework ensuring that revenue is recognized in a manner which reflects the consideration the Organization is entitled in exchange for goods and services. The Organization adopted the provisions of this new standard on July 1, 2019, under the modified retrospective method. Adoption of the standard had no material effect on the Organization's consolidated financial statements.

In conjunction with the adoption of ASU 2014-09, the Organization adopted ASU 2018-08, *Not-for-Profit-Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The contributions standard aims to assist entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization adopted the provisions of this new standard on July 1, 2019. Adoption of this standard had no material effect on the Organization's consolidated financial statements.

In August 2018, FASB issued ASU 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements of Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements. The Organization adopted ASU 2018-13 on a retrospective basis as of July 1, 2018. The adoption of this accounting guidance resulted in the removal or modification of certain fair value measurement disclosures previously presented in the Organization's financial statements.

### Recent accounting pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of adopting this new standard on its consolidated financial statements.

### Subsequent events

As a result of the spread of the novel coronavirus (COVID-19), economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the Organization. These uncertainties include market value fluctuations of investments and uncertain levels of donor giving. The Organization is closely managing expenses to limit the negative impact on its operations in the subsequent fiscal period. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

The Organization has evaluated subsequent events for recognition and disclosure that occurred through September 15, 2020, the date the consolidated financial statements were available to be issued.

### **Note 3 – Liquidity and Availability of Financial Assets**

The Organization's financial assets available for general expenditure within one year of the June 30, statements of financial position are as follows:

	2020	2019
Cash and cash equivalents	\$ 963,507	\$ 874,008
Certificates of deposit	110,760	250,314
Accounts receivable	1,202,127	100,164
Investments at fair value	10,979,890	10,532,142
Other current assets	102,723	96,597
Total financial assets, at year-end	13,359,007	11,853,225
Less amounts unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Subject to appropriation and satisfaction of donor restrictions	(163,666)	(203,566)
Endowment funds	(2,866,588)	(2,833,088)
Board designated endowment funds after appropriation	(7,991,609)	(6,840,776)
Total financial assets available to management for general expenditure within one year	<u>\$ 2,337,144</u>	<u>\$ 1,975,795</u>

The Organization's expenses are significantly related to the day-to-day operational costs of the homes owned by the Organization, maintenance costs directly related to general upkeep of the facilities, and salary expenses to run the programs. The majority of the Organization's support and revenues are not restricted by donors. The Organization receives funds at both the federal and state level to assist with the costs incurred at the program level. The Organization has exhibited a prudent spending and investment policy in response to the state's shift away from congregate housing and an environment of declining referrals over the previous years. Effective July 2019, the Organization introduced a new program called Qualified Residential Treatment Program (QRTP). This new program has resulted in additional revenues of approximately \$580,000 that have helped to offset declining Division of Youth Services (DYS) funding, formerly received in support of residential care programs. Although the Organization holds a portion of net assets with donor restrictions, approximately 81% of its net assets are without donor restrictions and, therefore, could be made available for current operations as deemed necessary.

#### **Note 4 – Fair Value of Financial Instruments**

In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by market data by correlation or other means. If the asset or liability has a specified (contractual) term, the input must be observable for substantially the full term of the asset or liability.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair value on a recurring basis

The balances of assets measured at fair value on a recurring basis at June 30, 2020, are as follows:

	Level 1	Level 2	Level 3	Total
Equity securities	\$ 1,880,108	\$ -	\$ -	\$ 1,880,108
Mutual funds:				
Large cap funds	1,858,407	2,337,719	-	4,196,126
Mid cap funds	18,886	-	-	18,886
Small cap funds	107,168	7,549	-	114,717
Balanced funds	12,349	1,384,350	-	1,396,699
Income funds	1,356,816	702,543	-	2,059,359
International funds	95,808	-	-	95,808
Emerging markets	10,448	7,745	-	18,193
Real estate fund	-	17,027	-	17,027
Growth funds	54,801	288,905	-	343,706
Real estate investment trusts	40,925	-	-	40,925
Corporate bonds	468,451	-	-	468,451
United States government and municipal obligations	73,968	-	-	73,968
Private equities	-	-	174,169	174,169
Gift annuities and unitrust	-	-	81,748	81,748
Total assets	<u>\$ 5,978,135</u>	<u>\$ 4,745,838</u>	<u>\$ 255,917</u>	<u>\$ 10,979,890</u>

The balances of assets measured at fair value on a recurring basis at June 30, 2019, are as follows:

	Level 1	Level 2	Level 3	Total
Equity securities	\$ 1,436,344	\$ -	\$ -	\$ 1,436,344
Mutual funds:				
Large cap funds	1,556,253	2,246,948	-	3,803,201
Mid cap funds	97,473	-	-	97,473
Small cap funds	79,657	7,004	-	86,661
Balanced funds	11,621	1,419,272	-	1,430,893
Income funds	1,459,225	672,067	-	2,131,292
International funds	558,351	-	-	558,351
Emerging markets	53,275	7,632	-	60,907
Real estate fund	-	16,444	-	16,444
Growth funds	77,570	233,307	-	310,877
Real estate investment trusts	37,064	-	-	37,064
Corporate bonds	366,369	-	-	366,369
Private equities	-	-	114,595	114,595
Gift annuities and unitrust	-	-	81,671	81,671
Total assets	<u>\$ 5,733,202</u>	<u>\$ 4,602,674</u>	<u>\$ 196,266</u>	<u>\$ 10,532,142</u>

The Organization had no purchases or transfers into or out of Level 3 during the year ending June 30, 2020.

For the years ended June 30, 2020 and 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following table summarizes the quantitative inputs and assumptions used for items categorized in Level 3 of the fair value hierarchy as of June 30, 2020 and 2019, respectively. In addition to the techniques and inputs noted in the table below, according to the Organization's valuation policy, other valuation techniques and methodologies may also be used when determining fair value measurements. The table below is not intended to be all inclusive, but rather provides information on the significant Level 3 inputs as they relate to fair value measurements.

Financial Asset	Fair Value at June 30,		Valuation Technique	Unobservable Inputs
	2020	2019		
Private equities	\$ 174,169	\$ 114,595	Private equities are valued based on a valuation of the stock provided by the management of the companies based on a multiple of taxable income and discounted due to lack of marketability.	15% Discount rate
Gift annuities	\$ 81,748	\$ 81,671	Measured and recorded at the actuarially determined present value as calculated by the administrator of the gift instrument.	N/A

#### Note 5 – Property and Equipment

Property and equipment consist of the following at June 30:

Description	Estimated Useful Life	2020	2019
Buildings and improvements	10 - 40 years	\$ 5,726,396	\$ 5,670,215
Equipment	3 - 10 years	1,137,883	1,085,241
Furniture and fixtures	5 - 10 years	264,203	267,759
Vehicles	3 - 4 years	202,899	247,274
Land	N/A	41,400	41,400
Construction in progress		-	7,958
Total		7,372,781	7,319,847
Less accumulated depreciation		(3,947,363)	(3,725,989)
Property and equipment, net		<u>\$ 3,425,418</u>	<u>\$ 3,593,858</u>

#### Note 6 – Notes Payable

Notes payable consisted of the following at June 30:

	2020	2019
Payroll Protection Program loan at a fixed rate of 1.00%; monthly principal and interest payments of \$17,890.19 due beginning December 8, 2020, with a final maturity of May 8, 2022	<u>\$ 317,900</u>	<u>\$ -</u>

On May 8, 2020, the Organization executed a \$317,900 loan payable with a financial institution under the Small Business Administration's Paycheck Protection Program. Vera Lloyd's management expects the loan and all interest will be forgiven during the year ending June 30, 2021. Loan forgiveness from the Small Business Administration is contingent upon meeting the conditions of the Paycheck Protection Program.

Scheduled principal payments are as follows for years subsequent to June 30, 2020:

2021	\$ 122,084
2022	<u>195,816</u>
	<u>\$ 317,900</u>

## Note 7 – Endowments

The Organization's endowment consists of 17 individual funds established for a variety of purposes including donor-restricted endowment funds and funds designated by its board of directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of relevant law

The Board of the Organization has interpreted UPMIFA 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. As a result of this interpretation, the Organization classifies net assets with donor restrictions of a perpetual nature as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that will also remain under the net assets with donor restrictions classification until those amounts are appropriated for expenditure by the Board of the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization 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 Organization
- (7) The investment and spending policies of the Organization

Endowment net asset composition by type of fund as of June 30, is as follows:

	<u>2020</u>	<u>2019</u>
Donor-restricted endowment funds	\$ 2,866,588	\$ 2,833,088
Board-designated endowment funds, without donor restrictions	7,991,609	6,840,776
Total endowment funds	<u>\$ 10,858,197</u>	<u>\$ 9,673,864</u>

Changes in endowment net assets for the years ended June 30, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year, July 1, 2018	\$ 6,476,028	\$ 2,801,390	\$ 9,277,418
Investment return:			
Interest and dividends	197,156	11,050	208,206
Net appreciation (unrealized and realized), net of fees	437,613	20,648	458,261
Total investment return	634,769	31,698	666,467
Appropriation of endowment assets for expenditure	(126,109)	-	(126,109)
Transfers to/(from) board designated endowment funds, net	(143,912)	-	(143,912)
Endowment net assets, end of year, June 30, 2019	6,840,776	2,833,088	9,673,864
Investment return:			
Interest and dividends	181,348	9,522	190,870
Net appreciation (unrealized and realized), net of fees	-	23,978	23,978
Total investment return	181,348	33,500	214,848
Appropriation of endowment assets for expenditure	(76,411)	-	(76,411)
Transfers to/(from) board designated endowment funds, net	1,045,896	-	1,045,896
Endowment net assets, end of year, June 30, 2020	<u>\$ 7,991,609</u>	<u>\$ 2,866,588</u>	<u>\$ 10,858,197</u>

Risk objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to support the current and future operations of the Organization, while maintaining the endowed assets at the level restricted by the donor to be held in perpetuity or for a donor-specified period. Under the investment policy, as approved by the Board, the endowment assets are invested in a manner that is intended to preserve the principal value of the assets and to provide for appreciation in value of the assets in order to hedge against the effects of inflation.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending rate

The spending rate of earnings on endowments is determined annually by the Board, and was 5% and 5.7% of the value of the invested endowment assets for the years ended June 30, 2020 and 2019, respectively. The calculation of the spending amount is based on the quarterly average endowment fund market values as of March 31 and the preceding 20 quarters. This policy was adopted to achieve the objective of maintaining purchasing power of the endowment assets held in perpetuity or for a specified time.

### Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain in perpetuity. Deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2020 and 2019, funds with an original gift value of \$500,000 had deficiencies of \$88,909 and \$67,244, respectively. These deficiencies resulted from unfavorable market fluctuations. Continued appropriation for certain programs are considered prudent by the Board.

### **Note 8 – Net Assets without Donor Restrictions**

The Organization's net assets without donor restrictions are comprised of undesignated and Board-designated amounts for the following purposes as of June 30:

	2020	2019
Undesignated	\$ 5,316,379	\$ 5,432,190
Board designated endowment	7,991,609	6,840,776
Total net assets without donor restrictions	<u>\$ 13,307,988</u>	<u>\$ 12,272,966</u>

### **Note 9 – Net Assets with Donor Restrictions**

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

	2020	2019
Endowment earnings, subject to expenditure for specified purpose:		
Assist with private referrals for programs in Monticello	\$ 27,515	\$ 25,416
Scholarships	531,228	478,162
Investment earnings in excess of spend rate	30,848	30,848
Total endowment earnings, subject to expenditure for specified purpose	589,591	534,426
Funds restricted in perpetuity:		
Charbeck Fund	302,500	302,500
Pettus Home Endowment	48,278	48,278
Jerry Newbold Memorial	7,596	7,596
General Endowment Donor	714,114	714,114
Barton Home Endowment	137,300	137,300
Williamson Endowment	115,777	115,777
Walton Endowment	411,091	432,756
Wooten Anderson Endowment	114,859	114,859
Marsh Horsfall Fund	25,000	25,000
Lorene Empson Private Placement	25,000	25,000
Icy Gregory Endowment	375,482	375,482
Total funds restricted in perpetuity	<u>2,276,997</u>	<u>2,298,662</u>
Total donor-restricted endowment funds	2,866,588	2,833,088

	2020	2019
Subject to expenditure for specified purpose:		
Renovation of facilities	8,100	45,285
Maintenance of the Lewis Home	155,566	158,281
Total subject to expenditure for specified purpose	163,666	203,566
Total net assets with donor restrictions	<u>\$ 3,030,254</u>	<u>\$ 3,036,654</u>

#### **Note 10 – Employee Benefit Plans**

The Organization self-administers two employee benefit plans, which qualify for tax deferral under the Code.

The tax-sheltered annuity plan is under Internal Revenue Service (IRS) Code Section 403(b). Employees enter into a salary reduction agreement, up to IRS limits, for which the proceeds are used to invest in mutual funds. Employees do not pay income tax on these amounts until the benefits are received under the plan. Contributions by the Organization on behalf of the employees for the years ended June 30, 2020 and 2019, totaled approximately \$41,000 and \$32,000, respectively.

The cafeteria plan is under IRS Code Section 125. Employees enter into a salary reduction agreement, up to IRS limits, for which the proceeds are used as payment toward health or life insurance. Employees do not pay income tax or Social Security/Medicare taxes on these amounts.

#### **Note 11 – Related Party Transactions**

The Organization is the beneficiary of the income derived from assets held in the Presbyterian Children's Home Endowment Trust (the Trust). The Trust was established in 1949 as a permanent endowment fund for the use and benefit of the Synod of Arkansas of the Presbyterian Church to be applied to the maintenance, operation, and support of the Organization. The Trust remains in effect until the Organization ceases operations, at which time the Trust shall terminate and the remaining assets shall be distributed to the Synod of Arkansas of the Presbyterian Church.

Income derived from Trust assets and paid to the Organization is recorded by the Organization in the period in which it is received and consists primarily of proceeds from harvesting timber on real estate owned by the Trust. The Trust has delegated the authority for managing the timber to the Organization. The total amount of trust income related to the harvesting of timber for the years ended June 30, 2020 and 2019, was approximately \$7,000 and \$83,000, respectively.

The Organization's facilities in Monticello, Arkansas, are located on land owned by the Trust at no cost to the Organization. Due to the undeterminable fair market value of this land, no costs have been capitalized or expensed in the accompanying consolidated financial statements.

**SUPPLEMENTAL INFORMATION**

**VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.**

**SCHEDULE OF GOVERNMENTAL ASSISTANCE**

**Year ended June 30, 2020**

<u>Program Grantor/Pass Through Entity/Program Title</u>	Federal CFDA Number	Federal/State Revenues	Federal/State Expenditures
<u>Federal Assistance</u>			
United States Department of Health and Human Services/Arkansas Department of Human Services:			
Foster Care – Title IV E	93.658	\$ 116,887	\$ 116,887
Social Services Block Grant	93.667	43,156	43,156
National School Lunch Program	10.555	44,048	44,048
Total federal revenues and expenditures		<u>\$ 204,091</u>	<u>\$ 204,091</u>
<u>State Assistance</u>			
Arkansas Department of Human Services:			
Division of Youth Services		\$ 350,040	\$ 350,040
Foster Care – Title IV E		54,305	54,305
Foster Care – State		766,623	766,623
Total state revenues and expenditures		<u>\$ 1,170,968</u>	<u>\$ 1,170,968</u>

**VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.**

**NOTES TO THE SCHEDULE OF GOVERNMENTAL ASSISTANCE**

**June 30, 2020**

**Note 1 – Basis of Presentation**

The accompanying Schedule of Governmental Assistance (the Schedule) includes the federal and state grant and contract activity of Vera Lloyd Presbyterian Family Services, Inc. under programs of the federal and state governments for the year ended June 30, 2020. No federal awards were passed-through subrecipients. Because the Schedule presents only a portion of the operations of Vera Lloyd Presbyterian Family Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Vera Lloyd Presbyterian Family Services, Inc.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No indirect cost rate has been elected by Vera Lloyd Presbyterian Family Services, Inc.

**Note 3 – Subrecipients**

Of the federal expenditures presented in the Schedule, no federal and state awards were provided to subrecipients.

**VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.**

**SCHEDULE OF UNITS OF SERVICE**

**Year ended June 30, 2020**

The following units of service were provided by the Organization:

Month	Year	(1) Residential Home Days	(1) Emergency Shelter Days	(1) Respite Care Days	(2) Therapeutic Group Home Days	(1) Resource Parent Training Days	(4) Qualified Residential Treatment Days	(3) Lunch Meals	(3) Breakfast Meals
July	2019	158	34	8	363	4	292	799	825
August	2019	210	21	-	354	-	288	556	869
September	2019	216	48	-	272	-	300	460	901
October	2019	196	60	-	242	18	295	319	819
November	2019	180	73	2	309	10	295	464	827
December	2019	186	97	-	303	-	299	522	904
January	2020	186	81	-	279	1	273	395	780
February	2020	174	94	6	258	1	271	324	773
March	2020	186	117	31	272	-	281	713	828
April	2020	134	122	9	204	14	272	726	726
May	2020	79	139	-	178	7	300	663	666
June	2020	25	148	6	192	16	290	637	639
		<u>1,930</u>	<u>1,034</u>	<u>62</u>	<u>3,226</u>	<u>71</u>	<u>3,456</u>	<u>6,578</u>	<u>9,557</u>

Funding by DHS is provided through units of service. Units represent number of days of service or meals provided under the programs funded by DHS. The units are applied to a rate per day or amount per meal served to determine the reimbursement under the programs. The Organization recognizes the revenue from these contracts when the services are provided.

- (1) Residential home service, emergency shelter, respite care, and resource parent training are provided through the Foster Care – Title IV E and Foster Care – State programs.
- (2) Therapeutic group home service is provided through the Social Service Block Grant and the Arkansas State General Revenue Division of Youth Services program.
- (3) Lunch and breakfast meals are provided through the National School Lunch Program.
- (4) Qualified residential treatment is provided through the Foster Care - Title IV E, Division of Children and Family Services IV E TFC – Match Rate, and Foster Care – State programs.

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

To the Board of Directors  
Vera Lloyd Presbyterian Family Services, Inc.

We have audited, in accordance with the 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 consolidated financial statements of Vera Lloyd Presbyterian Family Services, Inc., which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 15, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Vera Lloyd Presbyterian Family Services, Inc.'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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vera Lloyd Presbyterian Family Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Vera Lloyd Presbyterian Family Services, Inc.'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in 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 Vera Lloyd Presbyterian Family Services, Inc.'s consolidated financial statements are free from 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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Hogan Taylor LP". The signature is written in a cursive, flowing style.

Little Rock, Arkansas  
September 15, 2020

**VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.**

**SUPPLEMENTAL DATA SHEET**

**June 30, 2020**

Entity Full Name: Vera Lloyd Presbyterian Family Services, Inc.

Address: 1501 N. University, Suite 345  
Little Rock, AR 72207

EIN: 71-0419191

Phone: 501-666-8195

Chief Executive Officer and Contact Person: Ms. Donna Mahurin