

**PRESBYTERIAN HOMES AND  
FAMILY SERVICES, INCORPORATED  
dba HumanKind  
LYNCHBURG, VIRGINIA  
FINANCIAL STATEMENTS  
FOR YEARS ENDED  
DECEMBER 31, 2019 AND 2018**



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**PRESBYTERIAN HOMES AND  
FAMILY SERVICES, INCORPORATED  
Dba HumanKind**

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**INDEPENDENT AUDITORS' REPORT**

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**The Board of Directors**  
Presbyterian Homes and Family Services, Incorporated dba HumanKind  
Lynchburg, Virginia

**Report on the Financial Statements**

We have audited the accompanying financial statements of Presbyterian Homes and Family Services, Incorporated dba HumanKind ("HumanKind") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit 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 auditors' 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 HumanKind as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 May 29, 2020, on our consideration of HumanKind'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 solely 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 HumanKind'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 HumanKind's internal control over financial reporting and compliance.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia

May 29, 2020

# FINANCIAL STATEMENTS

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PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED  
 dba HumanKind  
 Statements of Financial Position  
 At December 31, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 951,378	\$ 2,061,576
Accounts receivable, net of allowance for uncollectible accounts of \$139,235 and \$85,437 in 2019 and 2018	914,992	682,627
Pledges receivable	59,200	53,137
Prepaid expenses	63,880	63,423
Bequests and gift annuities receivable	16,718	14,403
Beneficial interest in perpetual trusts	3,803,234	3,400,905
Investments	27,473,846	25,469,867
Movie investment	50,000	50,000
Land, buildings, and equipment, net of accumulated depreciation	9,675,149	9,796,928
<b>Total assets</b>	<b>\$ 43,008,397</b>	<b>\$ 41,592,866</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable, trade	\$ 316,799	\$ 300,802
Accrued compensation and other expenses	316,580	344,921
Deferred revenue	-	240,763
Notes payable	3,068,403	3,195,366
<b>Total liabilities</b>	<b>\$ 3,701,782</b>	<b>\$ 4,081,852</b>
<b>Net Assets</b>		
Without donor restrictions	\$ 29,284,719	\$ 28,091,770
With donor restrictions	10,021,896	9,419,244
<b>Total net assets</b>	<b>\$ 39,306,615</b>	<b>\$ 37,511,014</b>
<b>Total liabilities and net assets</b>	<b>\$ 43,008,397</b>	<b>\$ 41,592,866</b>

The accompanying notes to financial statements are an integral part of this statement.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED  
dba HumanKind  
Statement of Activities  
Year Ended December 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains, and other support</b>			
<b>Contributions</b>			
Bequests	\$ 32,361	\$ -	\$ 32,361
Individuals, churches, foundations and corporations	393,918	267,106	661,024
In-kind donations	-	158,104	158,104
<b>Total contributions</b>	<b>\$ 426,279</b>	<b>\$ 425,210</b>	<b>\$ 851,489</b>
<b>Program related revenue</b>			
Tuition and resident fees	\$ 470,470	\$ -	\$ 470,470
Medicaid	2,474,732	-	2,474,732
Grants	1,926,035	-	1,926,035
Product income	185	-	185
Other	1,568,414	-	1,568,414
<b>Total program related revenue</b>	<b>\$ 6,439,836</b>	<b>\$ -</b>	<b>\$ 6,439,836</b>
<b>Other revenue (loss)</b>			
Investment return	\$ 4,357,437	\$ 114,642	\$ 4,472,079
Distributions from perpetual trusts	151,053	70,592	221,645
Net unrealized gain (loss), perpetual trusts	-	402,329	402,329
Net unrealized gain (loss), gift annuities	-	2,315	2,315
Gain (loss) on disposal of assets	305,506	-	305,506
Other	119,662	65,317	184,979
<b>Total other revenue (loss)</b>	<b>\$ 4,933,658</b>	<b>\$ 655,195</b>	<b>\$ 5,588,853</b>
<b>Net assets released from restrictions</b>			
Satisfaction of restrictions	\$ 477,753	\$ (477,753)	\$ -
<b>Total revenues, gains, and other support</b>	<b>\$ 12,277,526</b>	<b>\$ 602,652</b>	<b>\$ 12,880,178</b>
<b>Expenses</b>			
Supporting services			
Administrative services	\$ 2,336,283	\$ -	\$ 2,336,283
Development	984,732	-	984,732
Program services			
Community based services	4,778,744	-	4,778,744
Residential services	2,984,818	-	2,984,818
<b>Total expenses</b>	<b>\$ 11,084,577</b>	<b>\$ -</b>	<b>\$ 11,084,577</b>
<b>Changes in net assets</b>	<b>\$ 1,192,949</b>	<b>\$ 602,652</b>	<b>\$ 1,795,601</b>
<b>Net assets at beginning of year</b>	<b>28,091,770</b>	<b>9,419,244</b>	<b>37,511,014</b>
<b>Net assets at end of year</b>	<b>\$ 29,284,719</b>	<b>\$ 10,021,896</b>	<b>\$ 39,306,615</b>

The accompanying notes to financial statements are an integral part of this statement.

**PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED**  
**dba HumanKind**  
**Statement of Activities**  
**Year Ended December 31, 2018**

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains, and other support</b>			
<b>Contributions</b>			
Bequests	\$ 190,194	\$ -	\$ 190,194
Individuals, churches, foundations and corporations	420,087	166,016	586,103
In-kind donations	-	117,230	117,230
<b>Total contributions</b>	<b>\$ 610,281</b>	<b>\$ 283,246</b>	<b>\$ 893,527</b>
<b>Program related revenue</b>			
Tuition and resident fees	\$ 472,560	\$ -	\$ 472,560
Medicaid	2,796,084	-	2,796,084
Grants	1,561,701	25,528	1,587,229
Product income	1,450	-	1,450
Other	972,482	-	972,482
<b>Total program related revenue</b>	<b>\$ 5,804,277</b>	<b>\$ 25,528</b>	<b>\$ 5,829,805</b>
<b>Other revenue (loss)</b>			
Investment return	\$ (1,726,642)	\$ (83,725)	\$ (1,810,367)
Distributions from perpetual trusts	167,108	43,204	210,312
Net unrealized gain (loss), perpetual trusts	-	(410,447)	(410,447)
Net unrealized gains (loss), gift annuities	-	(657)	(657)
Gain on disposal of assets	(91,294)	-	(91,294)
Other	28,620	36,276	64,896
<b>Total other revenue (loss)</b>	<b>\$ (1,622,208)</b>	<b>\$ (415,349)</b>	<b>\$ (2,037,557)</b>
<b>Net assets released from restrictions</b>			
Satisfaction of restrictions	\$ 363,400	\$ (363,400)	\$ -
<b>Total revenues, gains, and other support</b>	<b>\$ 5,155,750</b>	<b>\$ (469,975)</b>	<b>\$ 4,685,775</b>
<b>Expenses</b>			
Supporting services			
Administrative services	\$ 1,967,933	\$ -	\$ 1,967,933
Development	851,738	-	851,738
Program services			
Community based services	4,693,765	-	4,693,765
Residential services	3,617,798	-	3,617,798
<b>Total expenses</b>	<b>\$ 11,131,234</b>	<b>\$ -</b>	<b>\$ 11,131,234</b>
<b>Changes in net assets</b>	<b>\$ (5,975,484)</b>	<b>\$ (469,975)</b>	<b>\$ (6,445,459)</b>
<b>Net assets at beginning of year</b>	<b>34,067,254</b>	<b>9,889,219</b>	<b>43,956,473</b>
<b>Net assets at end of year</b>	<b>\$ 28,091,770</b>	<b>\$ 9,419,244</b>	<b>\$ 37,511,014</b>

The accompanying notes to financial statements are an integral part of this statement.

**PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED**  
**dba HumanKind**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2019**

	Supporting Services		
	Administrative Services	Development	Total
Auto expenses	\$ 2,236	\$ 3,659	\$ 5,895
Bad debt expense	-	-	-
Board expenses	3,027	-	3,027
Community relations	8,795	4,713	13,508
Computer expenses	314,692	385	315,077
Depreciation	574,845	-	574,845
Direct mail appeals	-	17,285	17,285
Dues	7,482	440	7,922
Electricity and water	476	632	1,108
Employee insurance	57,417	48,591	106,008
Food purchases	-	-	-
Fuel	-	-	-
Household supplies	-	-	-
In-kind donations	-	87,426	87,426
Insurance	16,664	9,921	26,585
Interest expense	116,635	-	116,635
Investment consultant	92,083	-	92,083
Medicaid contract services	-	-	-
Medical attention and drugs	-	-	-
Miscellaneous	10,703	249	10,952
Office supplies	5,765	8,702	14,467
Payroll taxes	59,920	23,765	83,685
Pension	61,759	18,040	79,799
Postage	6,740	2,722	9,462
Printing	-	25,024	25,024
Professional fees	38,424	-	38,424
Professional resources	55,707	139,831	195,538
Promotion	122	160,150	160,272
Rent	-	-	-
Repairs and maintenance	-	-	-
Salaries	848,533	331,189	1,179,722
School and education	-	-	-
Small equipment and tools	-	-	-
Staff training	24,895	74,776	99,671
Student/resident expenses	-	-	-
Telephone	12,292	1,792	14,084
Travel	17,071	25,440	42,511
<b>Totals</b>	<b>\$ 2,336,283</b>	<b>\$ 984,732</b>	<b>\$ 3,321,015</b>

The accompanying notes to financial statements are an integral part of this statement.

Program Services			
Community Based Services	Residential Services	Total	Total Expenses
\$ 70,752	\$ 30,992	\$ 101,744	\$ 107,639
40,897	-	40,897	40,897
-	-	-	3,027
-	-	-	13,508
34,634	-	34,634	349,711
-	-	-	574,845
-	-	-	17,285
7,230	1,380	8,610	16,532
97,891	26,705	124,596	125,704
435,938	192,804	628,742	734,750
13,468	48,871	62,339	62,339
21,049	2,213	23,262	23,262
46,193	15,566	61,759	61,759
70,678	-	70,678	158,104
62,230	46,310	108,540	135,125
1,306	-	1,306	117,941
-	-	-	92,083
-	1,175,162	1,175,162	1,175,162
1,577	9,787	11,364	11,364
11,480	-	11,480	22,432
75,125	11,582	86,707	101,174
216,526	77,944	294,470	378,155
172,694	62,009	234,703	314,502
6,489	2,056	8,545	18,007
-	-	-	25,024
9,909	2,355	12,264	50,688
4,056	6,833	10,889	206,427
11,302	-	11,302	171,574
96,312	2,296	98,608	98,608
213,382	75,888	289,270	289,270
2,915,499	1,098,728	4,014,227	5,193,949
3,324	-	3,324	3,324
700	1,330	2,030	2,030
32,900	2,046	34,946	134,617
38,404	64,168	102,572	102,572
25,115	15,213	40,328	54,412
41,684	12,580	54,264	96,775
<u>\$ 4,778,744</u>	<u>\$ 2,984,818</u>	<u>\$ 7,763,562</u>	<u>\$ 11,084,577</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED  
dba HumanKind  
Statement of Functional Expenses  
Year Ended December 31, 2018

	Supporting Services		
	Administrative Services	Development	Total
Auto expenses	\$ 246	\$ 2,992	\$ 3,238
Bad debt expense	-	-	-
Board expenses	79,125	-	79,125
Community relations	7,542	6,941	14,483
Computer expenses	267,793	-	267,793
Depreciation	37,511	-	37,511
Direct mail appeals	-	7,710	7,710
Dues	2,569	1,224	3,793
Electricity and water	-	-	-
Employee insurance	133,758	62,374	196,132
Food purchases	-	-	-
Fuel	-	-	-
Household supplies	-	-	-
In-kind donations	-	54,787	54,787
Insurance	15,181	9,439	24,620
Interest expense	122,095	-	122,095
Investment consultant	89,013	-	89,013
Medicaid contract services	-	-	-
Medical attention and drugs	-	-	-
Miscellaneous	17,865	1,271	19,136
Office supplies	5,174	7,238	12,412
Payroll taxes	60,337	24,785	85,122
Peanut program	-	-	-
Pension	56,049	19,980	76,029
Postage	8,504	2,647	11,151
Printing	-	8,345	8,345
Professional fees	46,395	-	46,395
Professional resources	109,824	64,377	174,201
Promotion	-	213,147	213,147
Recreation	-	-	-
Rent	-	-	-
Repairs and maintenance	-	-	-
Salaries	851,985	324,923	1,176,908
School and education	-	-	-
Small equipment and tools	-	-	-
Staff training	33,832	21,089	54,921
Student/resident expenses	-	-	-
Telephone	12,153	16,279	28,432
Travel	10,982	2,190	13,172
Totals	<u>\$ 1,967,933</u>	<u>\$ 851,738</u>	<u>\$ 2,819,671</u>

The accompanying notes to financial statements are an integral part of this statement.

Program Services			
Community Based Services	Residential Services	Total	Total Expenses
\$ 45,839	\$ 29,578	\$ 75,417	\$ 78,655
78,282	-	78,282	78,282
-	-	-	79,125
-	-	-	14,483
3,855	-	3,855	271,648
383,141	226,148	609,289	646,800
-	-	-	7,710
7,808	1,503	9,311	13,104
101,584	51,821	153,405	153,405
421,241	212,000	633,241	829,373
8,597	52,843	61,440	61,440
22,655	16,123	38,778	38,778
41,581	18,408	59,989	59,989
62,442	-	62,442	117,229
63,252	63,946	127,198	151,818
564	-	564	122,659
-	-	-	89,013
-	1,411,417	1,411,417	1,411,417
1,274	6,387	7,661	7,661
6,612	-	6,612	25,748
44,638	10,490	55,128	67,540
205,934	90,957	296,891	382,013
-	619	619	619
149,488	62,396	211,884	287,913
4,662	1,361	6,023	17,174
-	-	-	8,345
18,687	6,211	24,898	71,293
1,168	503	1,671	175,872
12,640	51	12,691	225,838
-	875	875	875
55,436	13,434	68,870	68,870
135,420	74,805	210,225	210,225
2,611,269	1,166,275	3,777,544	4,954,452
7,663	-	7,663	7,663
6,333	4,207	10,540	10,540
24,750	7,282	32,032	86,953
82,710	49,349	132,059	132,059
30,269	20,394	50,663	79,095
53,971	18,415	72,386	85,558
<u>\$ 4,693,765</u>	<u>\$ 3,617,798</u>	<u>\$ 8,311,563</u>	<u>\$ 11,131,234</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED  
 dba HumanKind  
 Statements of Cash Flows  
 Years Ended December 31, 2019 and 2018

	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,795,601	\$ (6,445,459)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	574,845	646,800
(Gain) loss on disposal of assets	(305,506)	91,294
Realized and unrealized (gains) losses on investments	(4,347,927)	1,894,457
Income on investments	(124,152)	(84,090)
Contributions restricted for investment in permanent endowment	-	20,591
(Increase) decrease in operating assets:		
Accounts receivable, net	(232,365)	(33,183)
Pledges receivable	(6,063)	(6,289)
Prepaid expenses	(457)	105,190
Bequests and gift annuities receivable	(2,315)	657
Beneficial interest in perpetual trusts	(402,329)	410,446
Increase (decrease) in operating liabilities:		
Accounts payable, trade	15,997	(60,665)
Accrued compensation and other expenses	(28,341)	(6,234)
Deferred revenue	(240,763)	127,843
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (3,303,775)</b>	<b>\$ (3,338,642)</b>
<b>Cash flows from investing activities</b>		
Purchases of land, buildings, and equipment	\$ (453,065)	\$ (549,203)
Proceeds from sale of land, buildings, and equipment	305,506	1,314,853
Net change in investments	2,468,100	4,145,305
<b>Net cash provided by (used for) investing activities</b>	<b>\$ 2,320,541</b>	<b>\$ 4,910,955</b>
<b>Cash flows from financing activities</b>		
Contributions restricted for investment in permanent endowment	\$ -	\$ (20,591)
Issuance of note payable	136,915	141,771
Principal retirement of notes payable	(263,879)	(234,704)
<b>Net cash provided by (used for) financing activities</b>	<b>\$ (126,964)</b>	<b>\$ (113,524)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (1,110,198)</b>	<b>\$ 1,458,789</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,061,576</b>	<b>602,787</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 951,378</b>	<b>\$ 2,061,576</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 117,941	\$ 122,659

The accompanying notes to financial statements are an integral part of this statement.



**PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED**  
**dba Humankind**

**Notes to Financial Statements**  
**At December 31, 2019 and 2018**

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**NOTE 1 – NATURE OF ORGANIZATION**

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The financial statements of Presbyterian Homes and Family Services, Incorporated dba HumanKind (“HumanKind”) have been prepared on the accrual basis. HumanKind provides high-quality prevention, education, economic empowerment, mental health, and residential services to individuals, families, and communities. Various services are provided in many cities and counties across Virginia with offices or residential facilities located in Fredericksburg, Lexington, Lynchburg, Richmond, South Hill, Stuarts Draft, and Zuni, Virginia. Accounting policies considered to be significant are described below.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Financial Statement Presentation**

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Net Assets**

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

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.
- *Net assets with donor restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Contributions**

Unconditional promises to give are recorded in the period in which the promise is received and allowances are provided for promises estimated to be uncollectible. Promises to give are received from a broad base of individuals, churches, corporations, and foundations. Pledges and bequests expected to be received after one year have been discounted at 5%. Management records bequests receivables at a conservative estimate of asset value.

Contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations which limit their use. When donor restrictions are satisfied, 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 restrictions. When donor restrictions are satisfied in the year the gift is recognized, the amounts are reported as net assets without donor restrictions.

**PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED**  
**dba HumanKind**

**Notes to Financial Statements**  
**At December 31, 2019 and 2018 (Continued)**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**Contributions: (Continued)**

Contributions of property and equipment are recorded as support at their estimated fair value. Such contributions are reported as net assets without donor restrictions unless the donor has restricted the contributed asset to a specific purpose. Assets contributed with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those contributed assets must be maintained, HumanKind reports expirations of donor restrictions when the contributed or acquired assets are placed in service as instructed by the donor. HumanKind reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**Cash and Cash Equivalents**

HumanKind considers cash and cash equivalents to include cash on hand and temporary investments purchased with an original maturity of three months or less.

HumanKind has been designated as representative payee for a number of residents receiving benefits from the Social Security Administration (“SSA”). In accordance with SSA guidelines, HumanKind maintains a separate bank account for funds received on behalf of these residents.

**Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight line basis. Betterments and major renewals which extend the lives of properties are capitalized and maintenance, repairs, and minor renewals are expensed as costs are incurred. Acquisitions of buildings and equipment in excess of \$2,500 are capitalized.

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values, as determined by quoted market prices, in the statements of financial position. Investments in private investment funds are reported at estimated fair value. Realized and unrealized gains and losses on investments are reflected in the statements of activities. Management believes the carrying value of real estate investments is not less than fair market value. Investment return that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires or is satisfied during the reporting period in which the investment return is recognized.

HumanKind has a spending policy, based on the total return concept that governs the rate at which funds are transferred from the Endowment Fund to the operating budget. The spending policy, in general, allows for spending at a specified percentage of average investment market value for the previous twelve quarters. The spending rate is determined annually by the Programs and Resources Committee and voted upon by the Board of Directors as part of the budgeting process.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED  
dba HumanKind

Notes to Financial Statements  
At December 31, 2019 and 2018 (Continued)

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**Accounts Receivable**

Accounts receivable consist of amounts due from Medicaid, governmental agencies, third-party payers, and individuals for program service fees and are stated at invoiced amount less an allowance for uncollectible accounts. Management's determination of the allowance for uncollectible accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the accounts receivable portfolio.

**Income Taxes**

HumanKind is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. In addition, HumanKind has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

**Contributed Services**

HumanKind receives services from a variety of unpaid volunteers. Contributed services are recognized in the financial statements only if they create or enhance nonfinancial assets or if they require specialized skills and would typically need to be purchased if not received by contribution.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3 – INVESTMENTS**

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Investments are presented in the financial statements at fair value and are comprised of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Temporary investments	\$ 4,447,642	\$ 422,382
Bonds	128,172	3,031,716
Corporate stocks, domestic	8,939,447	8,434,051
Corporate stocks, foreign	9,729,351	8,888,817
Private investment funds	<u>4,229,234</u>	<u>4,692,901</u>
Total	<u>\$ 27,473,846</u>	<u>\$ 25,469,867</u>

**PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED**  
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**Notes to Financial Statements**  
**At December 31, 2019 and 2018 (Continued)**

**NOTE 3 - INVESTMENTS: (CONTINUED)**

Investment return for the years ended December 31, 2019 and 2018 consisted of the following:

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Interest and dividends	\$ 211,309	\$ -	\$ 211,309
Realized and unrealized gains, net	4,233,285	114,642	4,347,927
Management fees	(87,157)	-	(87,157)
Total investment return (loss)	<u>\$ 4,357,437</u>	<u>\$ 114,642</u>	<u>\$ 4,472,079</u>
	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Interest and dividends	\$ 203,926	\$ -	\$ 203,926
Realized and unrealized gains, net	(1,810,732)	(83,725)	(1,894,457)
Management fees	(119,836)	-	(119,836)
Total investment return (loss)	<u>\$ (1,726,642)</u>	<u>\$ (83,725)</u>	<u>\$ (1,810,367)</u>

HumanKind has investments with eight fund managers which invest in private investment funds as part of HumanKind's asset allocation. The investment in private investment funds is an alternative investment strategy with the purpose of increasing the diversification of HumanKind's holdings and is consistent with HumanKind's overall investment objectives. The private investment funds are not traded on any organized exchange, and accordingly, investments in such funds may not be as liquid as investments in marketable equity or debt securities. The private investment funds may invest in other private investment funds, equity or debt securities which may or may not have readily available fair values, and foreign exchange or commodity forward contracts.

**NOTE 4 – BENEFICIAL INTEREST IN PERPETUAL TRUSTS AND GIFT ANNUITIES**

HumanKind is the beneficiary of various trusts created by donors, the assets of which are not in the possession of HumanKind. HumanKind has enforceable rights and claims to these assets, including the right to the income earned by the trust assets. Net realized and unrealized gains and losses related to the beneficial interests are reported as changes in net assets with donor restrictions. HumanKind's beneficial interests in these trusts are carried at the fair value of the trust assets held for HumanKind's benefit.

The gift annuities provide the annuitants with income for life, after which the designated remaining funds will be distributed to HumanKind as directed by the donor. The amount of gift annuities is reported at present value net of the amounts that are expected to be paid to the donors during their lifetime. The gift annuities are discounted at 6%. These actuarially determined amounts fluctuate over time according to the life expectancies of the donors.

**PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED**  
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**Notes to Financial Statements**  
**At December 31, 2019 and 2018 (Continued)**

**NOTE 5 – PLEDGES, BEQUESTS, AND GIFT ANNUITIES RECEIVABLE**

Pledges and bequests receivable at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 59,818	\$ 54,218
Receivable in one to five years	16,718	14,403
Total pledges and bequests receivable	\$ 76,536	\$ 68,621
Less discounts to net present value	(618)	(571)
Less allowance for uncollectible	-	(510)
Net pledges and bequests receivable	<u>\$ 75,918</u>	<u>\$ 67,540</u>

Bequests receivable include gifts totaling \$16,718 and \$14,403 as of December 31, 2019 and 2018, respectively, which represent amounts receivable under gift annuity agreements which are administered by the Presbyterian Church (U.S.A.) Foundation (the “Foundation”). These agreements were established between the Foundation and the donor with HumanKind being named as the beneficiary. The Foundation is responsible for investing these funds and making required payments to annuitants. HumanKind has recorded as assets the net present value of the amounts expected to be received after all required payments to annuitants have been made. Pledges and bequests receivable in more than one year are discounted at 5%. Uncollectible pledges and bequests are expected to be 5% of the balance.

**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS**

	<u>2019</u>	<u>2018</u>
Subject to the passage of time:		
Pledges receivable	\$ 59,200	\$ 53,137
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Community trust endowment	\$ 10,264	\$ 10,264
Advanced education	230,449	169,023
Community scholarships	87,297	70,570
Early education	28,235	23,082
Pastoral counseling	41,285	9,949
Total subject to appropriation and expenditure	<u>\$ 397,530</u>	<u>\$ 282,888</u>
Subject to NFP endowment spending policy and appropriation:		
Endowment funds required to be held in perpetuity by donor	<u>\$ 5,745,214</u>	<u>\$ 5,667,911</u>
Total Endowments	<u>\$ 6,142,744</u>	<u>\$ 5,950,799</u>
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trusts	\$ 3,803,234	\$ 3,400,905
Gift annuities receivable	16,718	14,403
Total not subject to spending policy or appropriation	<u>\$ 3,819,952</u>	<u>\$ 3,415,308</u>
Grand Total	<u>\$ 10,021,896</u>	<u>\$ 9,419,244</u>

**PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED**  
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**Notes to Financial Statements**  
**At December 31, 2019 and 2018 (Continued)**

**NOTE 7 – ACCOUNTS RECEIVABLE**

Accounts receivable include \$157,607 and \$288,483 at December 31, 2019 and 2018, respectively, for services rendered under the Medicaid health insurance program in connection with the operation of adult group homes. All other accounts receivable are due primarily from governmental agencies, third-party payers, and individuals.

**NOTE 8 – LAND, BUILDINGS, AND EQUIPMENT**

Land, buildings, and equipment consist of the following as of December 31:

	<b>2019</b>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land and improvements	\$ 4,125,718	\$ 813,657	\$ 3,312,061
Buildings and improvements	11,488,828	6,044,512	5,444,316
Machinery and equipment	1,244,146	1,121,894	122,252
Automobiles	1,098,347	783,907	314,440
Furniture and fixtures	960,770	955,682	5,088
Intangibles	11,500	11,500	-
Construction in progress	476,992	-	476,992
<b>Totals</b>	<b>\$ 19,406,301</b>	<b>\$ 9,731,152</b>	<b>\$ 9,675,149</b>

  

	<b>2018</b>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land and improvements	\$ 4,125,718	\$ 775,569	\$ 3,350,149
Buildings and improvements	11,375,216	5,739,624	5,635,592
Machinery and equipment	1,093,967	1,007,453	86,514
Automobiles	1,060,126	749,411	310,715
Furniture and fixtures	960,770	941,944	18,826
Intangibles	11,500	11,500	-
Construction in progress	395,132	-	395,132
<b>Totals</b>	<b>\$ 19,022,429</b>	<b>\$ 9,225,501</b>	<b>\$ 9,796,928</b>

**NOTE 9 – RETIREMENT PLAN**

HumanKind has a tax deferred annuity plan which covers substantially all full-time employees. The plan includes provisions for voluntary employee contributions and discretionary contributions by HumanKind. After twelve months of service, employees are eligible for discretionary contributions made by HumanKind. During the year ended December 31, 2019, HumanKind elected to contribute an amount equal to 4% of eligible payroll in addition to matching up to 4% voluntary employee contributions. During the year ended December 31, 2018, HumanKind elected to contribute an amount equal to 4% of eligible payroll. Contributions to the plan amounted to \$314,502 and \$293,997 in 2019 and 2018, respectively.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED  
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Notes to Financial Statements  
At December 31, 2019 and 2018 (Continued)

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**NOTE 10 – FUNCTIONAL ALLOCATION OF EXPENSES**

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Functional expenses are apportioned between program and supporting services based on personnel time and space utilized for the related activities. Some expense apportionments are estimates because of the overlap of activities and the difficulty of record keeping for usage. Specifically, identifiable expenses are directly allocated.

**NOTE 11 – SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK**

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HumanKind maintains cash balances at financial institutions located within its market area. The amount at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, the balances maintained at one or more institutions may exceed the maximum amount insured by the FDIC.

**NOTE 12 – NOTES PAYABLE**

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Details of notes payable at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
In January 2011, HumanKind paid off the operating line of credit with a promissory note for \$4,312,430. This note is for a term of twenty years and bears interest for the first five years at 3.7%. Thereafter, it can bear interest at the Five Year Treasury Security Yield, as published in the Wall Street Journal, plus 4%. The interest rate will not go below 3.7% or above 7%. Principal and Interest are due in monthly payments of \$25,480 through January 21, 2016, then monthly payments of \$25,381 through January 21, 2031. The note is secured by investments owned by HumanKind.	\$ 2,777,545	\$ 2,975,323
Note payable to Bank for purchase of four vehicles. Principal and interest are due in monthly payments of \$1,459 through March 2022. Interest at 3.20%. Loan secured by vehicles.	36,582	52,617
Note payable to Bank for purchase of vehicle. Principal and interest are due in monthly payments of \$627 through February 2023. Interest at 4.75%. Loan secured by vehicles.	21,503	28,348
Note payable to Bank for purchase of vehicle. Principal and interest are due in monthly payments of \$627 through February 2023. Interest at 4.75%. Loan secured by vehicles.	22,006	28,359



**PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED**  
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**Notes to Financial Statements**  
**At December 31, 2019 and 2018 (Continued)**

**NOTE 12 – NOTES PAYABLE: (CONTINUED)**

Note payable to Bank for purchase of vehicle. Principal and interest are due in monthly payments of \$671 through October 2023. Interest at 5.99%. Loan secured by vehicles.	\$	27,438	33,156
Note payable to Bank for purchase of vehicle. Principal and interest are due in monthly payments of \$351 through February 2023. Interest at 1.90%. Loan secured by vehicles.		12,930	16,854
Note payable to Bank for purchase of vehicle. Principal and interest are due in monthly payments of \$356 through July 2023. Interest at 1.90%. Loan secured by vehicles.		14,746	18,700
Note payable to Bank for purchase of four vehicles. Principal and interest are due in monthly payments of \$1,459 through March 2022. Interest at 3.20%. Loan secured by vehicles.		29,982	42,009
Note payable to Bank for purchase of eight vehicles. Principal and interest are due in monthly payments of \$2,564 through October 2024. Interest rates varying from 4.25-4.75%. Loan secured by vehicles.		<u>125,671</u>	<u>-</u>
Total	\$	<u>3,068,403</u>	\$ <u>3,195,366</u>

Annual payments of principal and interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 287,342	\$ 109,469
2021	298,112	98,699
2022	287,899	87,657
2023	270,057	75,510
2024	237,957	66,619
2025-2029	1,347,164	258,734
2030-2032	<u>339,872</u>	<u>7,757</u>
Totals	\$ <u>3,068,403</u>	\$ <u>704,445</u>

**NOTE 13 – ENDOWMENT**

HumanKind’s endowment (Investment Pool) consists of approximately 12 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by 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.



PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED  
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Notes to Financial Statements  
At December 31, 2019 and 2018 (Continued)

NOTE 13 – ENDOWMENT: (CONTINUED)

HumanKind 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. As a result of this interpretation, HumanKind retained in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation 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 is not held in perpetuity are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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, and
- (7) The investment policies of the organization.

**Endowment Net Asset Composition by Type of Fund as of December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Endowment funds required to be held in perpetuity by donor	\$ -	\$ 5,745,214	\$ 5,745,214
Subject to appropriation and expenditure when a specified event occurs	-	397,530	397,530
Board-designated endowment funds	<u>21,331,102</u>	<u>-</u>	<u>21,331,102</u>
Total Funds	<u>\$ 21,331,102</u>	<u>\$ 6,142,744</u>	<u>\$ 27,473,846</u>

**Endowment Net Asset Composition by Type of Fund as of December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Endowment funds required to be held in perpetuity by donor	\$ -	\$ 5,667,911	\$ 5,667,911
Subject to appropriation and expenditure when a specified event occurs	-	282,888	282,888
Board-designated endowment funds	<u>19,519,068</u>	<u>-</u>	<u>19,519,068</u>
Total Funds	<u>\$ 19,519,068</u>	<u>\$ 5,950,799</u>	<u>\$ 25,469,867</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED  
dba HumanKind

Notes to Financial Statements  
At December 31, 2019 and 2018 (Continued)

NOTE 13 – ENDOWMENT: (CONTINUED)

Changes in Endowment Net Assets for the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 19,519,068	\$ 5,950,799	\$ 25,469,867
Investment return:			
Net appreciation (realized and unrealized)	\$ 4,233,285	\$ 114,642	\$ 4,347,927
Interest and dividends	211,309	-	211,309
Management fees	(87,157)	-	(87,157)
Total investment return	\$ 4,357,437	\$ 114,642	\$ 4,472,079
Contributions	\$ -	\$ 77,303	\$ 77,303
Appropriation of endowment assets for expenditure	\$ (2,545,403)	\$ -	\$ (2,545,403)
Endowment net assets, end of year	\$ 21,331,102	\$ 6,142,744	\$ 27,473,846

Changes in Endowment Net Assets for the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 25,409,579	\$ 6,015,960	\$ 31,425,539
Investment return:			
Net appreciation (realized and unrealized)	\$ (1,810,732)	\$ (83,725)	\$ (1,894,457)
Interest and dividends	203,926	-	203,926
Management fees	(119,836)	-	(119,836)
Total investment return	\$ (1,726,642)	\$ (83,725)	\$ (1,810,367)
Contributions	\$ -	\$ 20,591	\$ 20,591
Appropriation of endowment assets for expenditure	\$ (4,163,869)	\$ (2,027)	\$ (4,165,896)
Endowment net assets, end of year	\$ 19,519,068	\$ 5,950,799	\$ 25,469,867

Return Objectives and Risk Parameters

HumanKind has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to accommodate investment styles and strategies that are considered reasonable and prudent, while providing long-term growth.

**NOTE 13 – ENDOWMENT: (CONTINUED)**

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**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, HumanKind 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). HumanKind 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 Policy and How the Investment Objectives Relate to Spending Policy**

HumanKind has a spending policy, based on the total return concept that governs the rate at which funds are transferred from the Endowment Fund to the operating budget. The spending policy, in general, allows for spending at a specified percentage of average investment market value for the previous twelve quarters. The spending rate is determined annually by the Programs and Resources Committee and voted upon by the Board of Directors as part of the budgeting process.

**NOTE 14 – INVESTMENTS FAIR VALUE MEASUREMENTS**

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Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

HumanKind has investments with eight fund managers which invest in private investment funds as part of HumanKind's asset allocation. The investment in private investment funds is an alternative investment strategy with the purpose of increasing the diversification of HumanKind's holdings and is consistent with HumanKind's overall investment objectives. The private investment funds are not traded on any organized exchange, and accordingly, investments in such funds may not be as liquid as investments in marketable equity or debt securities. The private investment funds may invest in other private investment funds, equity or debt securities which may or may not have readily available fair values, and foreign exchange or commodity forward contracts. Investments in private investment funds are reported at estimated fair value provided by fund managers. The framework permits to measure the fair value of its funds' investments as pro-rata interest in the net asset value (NAV) of such investment funds as reported by the fund management, if the NAV is prepared on a fair value basis as of December 31, 2019.

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED  
dba HumanKind

Notes to Financial Statements  
At December 31, 2019 and 2018 (Continued)

NOTE 14 – INVESTMENTS FAIR VALUE MEASUREMENTS: (CONTINUED)

HumanKind is providing the following information related to its investments:

	Fair Value Measurements at Reporting Date Using			
	12/31/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Temporary investments	\$ 4,447,642	\$ 4,186,243	\$ 261,399	\$ -
Bonds	128,172	128,172	-	-
Corporate stocks, domestic	8,939,447	85,117	8,854,330	-
Corporate stocks, foreign	9,729,351	-	9,729,351	-
Private investment funds	4,229,234	-	4,229,234	-
Total	<u>\$ 27,473,846</u>	<u>\$ 4,399,532</u>	<u>\$ 23,074,314</u>	<u>\$ -</u>

	Fair Value Measurements at Reporting Date Using			
	12/31/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Temporary investments	\$ 422,382	\$ 202,382	\$ 220,000	\$ -
Bonds	3,031,716	3,031,716	-	-
Corporate stocks, domestic	8,434,051	959,051	7,475,000	-
Corporate stocks, foreign	8,888,817	676,000	8,212,817	-
Private investment funds	4,692,901	2,953	4,689,948	-
Total	<u>\$ 25,469,867</u>	<u>\$ 4,872,102</u>	<u>\$ 20,597,765</u>	<u>\$ -</u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED  
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Notes to Financial Statements  
At December 31, 2019 and 2018 (Continued)

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**NOTE 15 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

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The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the statements of financial position to fund expenses without limitations:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 951,378	\$ 2,061,576
Accounts receivable, net of allowance for uncollectible accounts of \$139,235 and \$85,437 in 2019 and 2018	914,992	682,627
Pledges receivable, due within one year	59,818	54,218
Investments without donor restrictions	<u>21,331,102</u>	<u>19,519,068</u>
Total	<u>\$ 23,257,290</u>	<u>\$ 22,317,489</u>

**NOTE 16 – DATE OF MANAGEMENT’S REVIEW**

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In preparing these financial statements, management of HumanKind, Inc. has evaluated events and transactions for potential recognition or disclosure through May 29, 2020, the date the financial statements were issued. The effects of the COVID-19 pandemic on the operations of the Organization are unknown at this time.

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# COMPLIANCE

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**Independent Auditors' 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***

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**The Board of Directors  
Presbyterian Homes and Family Services, Incorporated dba HumanKind  
Lynchburg, Virginia**

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 financial statements of Presbyterian Homes and Family Services, Incorporated dba HumanKind ("HumanKind") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 29, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered HumanKind'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of HumanKind's internal control. Accordingly, we do not express an opinion on the effectiveness of HumanKind'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 HumanKind's 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 HumanKind'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 HumanKind's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia

May 29, 2020



**Independent Auditors' Report on Compliance for Each Major Program and on  
Internal Control over Compliance Required by the Uniform Guidance**

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**The Board of Directors  
Presbyterian Homes and Family Services, Incorporated dba HumanKind  
Lynchburg, Virginia**

**Report on Compliance for Each Major Federal Program**

We have audited Presbyterian Homes and Family Services, Incorporated dba HumanKind's (a nonprofit organization) compliance with the types of compliance requirements described in *the OMB Compliance Supplement* that could have a direct and material effect on each of HumanKind's major federal programs for the year ended December 31, 2019. HumanKind's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, HumanKind 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 December 31, 2019.

## Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia

May 29, 2020

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED  
dba HumanKind

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2019

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through Payments:			
Virginia Department of Social Services:			
Promoting Safe and Stable Families	93.556	Not Available	\$ 20,678
Affordable Care Act - Maternal, Infant, and Early Childhood Home Visiting Programs	93.505	Not Available	290,972
Temporary Assistance to Needy Families (TANF Cluster)	93.558	SVC-07-070-02	<u>482,600</u>
Total Department of Health and Human Services			\$ <u>794,250</u>
Department of Housing and Urban Development:			
Pass-Through Payments:			
Lynchburg Redevelopment and Housing Authority:			
Continuum of Care Program	14.267	Not Available	\$ 60,000
LISC:			
Section 4 Capacity Building for Community Development and Affordable Housing	14.252	Not Available	<u>86,536</u>
Total Department of Housing and Urban Development			\$ <u>146,536</u>
Total Expenditures of Federal Awards			\$ <u><u>940,786</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED  
dba HumanKind  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2019

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Presbyterian Homes and Family Services, Inc. dba HumanKind under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Presbyterian Homes and Family Services, Inc. dba HumanKind, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Presbyterian Homes and Family Services, Inc. dba HumanKind.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - De Minimis Cost Rate

The Organization did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Relationship to Financial Statements

Federal expenditures and revenues are reported in the Organization's financial statements as follows:

Per the financial statements:		
Grants	\$	1,926,035
Less: Non-federal grants		<u>(985,249)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>940,786</u></u>

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED  
 dba HumanKind  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2019

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
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 2 CFR Section 200.516(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance to Needy Families
93.505	Affordable Care Act - Maternal, Infant, and Early Childhood Home Visiting Programs

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

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

PRESBYTERIAN HOMES AND FAMILY SERVICES, INCORPORATED  
dba HumanKind  
Schedule of Prior Year Findings and Questioned Costs  
Year Ended December 31, 2019

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There were no findings or questioned costs in the prior year.