Memory Care Home Solutions

Financial Statements

May 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Memory Care Home Solutions
St. Louis, Missouri

Opinion

We have audited the accompanying financial statements of Memory Care Home Solutions (the "Organization"), which comprise the statements of financial position as of May 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Memory Care Home Solutions as of May 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Memory Care Home Solutions and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Memory Care Home Solutions' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Memory Care Home Solutions' ability to continue as a going concern for a reasonable period of time.

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

Armanino LLP

Armanino LLP
St. Louis, Missouri

November 6, 2024

Memory Care Home Solutions
Statements of Financial Position
May 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 227,970	$ 1,238,421
Grants receivable	214,570	225,704
Therapy billings receivable	3,343	16,937
Unconditional promises to give, net	10,899	48,983
ERC receivable	79,476	79,476
Prepaid professional fees	8,103	12,463
Investments, at fair value	1,292,577	360,142
Building and equipment, net	572,317	574,824
Total assets	$ 2,409,255	$ 2,556,950
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 51,798	$ 24,598
Accrued expenses	17,042	47,681
Total liabilities	68,840	72,279
Net assets		
Without donor restrictions	2,158,908	2,213,624
With donor restrictions	181,507	271,047
Total net assets	2,340,415	2,484,671
Total liabilities and net assets	$ 2,409,255	$ 2,556,950

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

Memory Care Home Solutions
Statement of Activities
For the Year Ended May 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, gains and losses			
Contributions and gifts	$ 171,926	$ 13,500	$ 185,426
Grants	20,374	532,504	552,878
Special events, net	163,661	-	163,661
In-kind contributions	56,043	-	56,043
Government support	474,549	-	474,549
Professional training fees	26,483	-	26,483
Therapy billings	20,465	-	20,465
Other income	8,963	-	8,963
Investment gain, net	8,870	-	8,870
Net assets released from restrictions	635,544	(635,544)	-
Total support, revenues, gains and losses	1,586,878	(89,540)	1,497,338
Functional expenses			
Program services	1,027,998	-	1,027,998
Management and general	292,939	-	292,939
Fundraising	320,657	-	320,657
Total functional expenses	1,641,594	-	1,641,594
Change in net assets	(54,716)	(89,540)	(144,256)
Net assets, beginning of year	2,213,624	271,047	2,484,671
Net assets, end of year	$ 2,158,908	$ 181,507	$ 2,340,415

Memory Care Home Solutions
Statement of Activities
For the Year Ended May 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, gains and losses			
Contributions and gifts	$ 179,951	$ -	$ 179,951
Grants	516,808	256,249	773,057
Special events, net	216,610	-	216,610
In-kind contributions	31,039	-	31,039
Government support	47,135	-	47,135
Professional training fees	18,498	-	18,498
Therapy billings	54,271	-	54,271
Investment loss, net	(3,626)	-	(3,626)
Net assets released from restrictions	204,569	(204,569)	-
Total support, revenues, gains and losses	1,265,255	51,680	1,316,935
Functional expenses			
Program services	788,345	-	788,345
Management and general	346,549	-	346,549
Fundraising	309,236	-	309,236
Total functional expenses	1,444,130	-	1,444,130
Change in net assets	(178,875)	51,680	(127,195)
Net assets, beginning of year	2,392,499	219,367	2,611,866
Net assets, end of year	$ 2,213,624	$ 271,047	$ 2,484,671

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

Memory Care Home Solutions
Statement of Functional Expenses
For the Year Ended May 31, 2024

	Program Services			Support Services			
	Direct Services	Strategic Alliances and Awareness	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Personnel expenses							
Salaries	$ 502,843	$ 38,748	$ 541,591	$ 145,814	$ 175,048	$ 320,862	$ 862,453
Employee benefits	63,043	2,466	65,509	18,992	23,378	42,370	107,879
Payroll taxes	43,997	3,099	47,096	6,913	15,425	22,338	69,434
Total personnel expenses	609,883	44,313	654,196	171,719	213,851	385,570	1,039,766
Appeals	-	-	-	-	52,181	52,181	52,181
Auto and travel	2,949	3,809	6,758	32	142	174	6,932
Bad debt expense	-	-	-	34,301	-	34,301	34,301
Bank fees	2,003	-	2,003	1,153	6,238	7,391	9,394
Board and staff development	1,535	52	1,587	5,750	1,586	7,336	8,923
Contracted staff	5,784	-	5,784	-	-	-	5,784
Depreciation	14,304	-	14,304	1,907	2,861	4,768	19,072
Dues and licenses	2,445	-	2,445	1,734	460	2,194	4,639
Facility maintenance	22,236	-	22,236	2,793	5,675	8,468	30,704
Insurance	20,745	89	20,834	2,548	2,797	5,345	26,179
Marketing	8,790	518	9,308	515	58,051	58,566	67,874
Office supplies and IT services	65,588	297	65,885	8,375	14,814	23,189	89,074
Postage	1,851	-	1,851	191	7,530	7,721	9,572
Professional and consulting fees	47,430	18,000	65,430	55,273	23,882	79,155	144,585
Program supplies	16,814	13	16,827	-	-	-	16,827
PEO service fees	17,981	610	18,591	4,218	5,866	10,084	28,675
Payments provided to grant partners	95,141	-	95,141	-	-	-	95,141
Training	7,201	-	7,201	-	-	-	7,201
Telephone	10,958	-	10,958	851	1,406	2,257	13,215
Utilities	6,659	-	6,659	1,579	3,137	4,716	11,375
Total expenses	960,297	67,701	1,027,998	292,939	400,477	693,416	1,721,414
Direct special event expenses	-	-	-	-	(79,820)	(79,820)	(79,820)
Total functional expenses	$ 960,297	$ 67,701	$ 1,027,998	$ 292,939	$ 320,657	$ 613,596	$ 1,641,594

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

Memory Care Home Solutions
Statement of Functional Expenses
For the Year Ended May 31, 2023

	Program Services			Support Services			
	Direct Services	Strategic Alliances and Awareness	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Personnel expenses							
Salaries	$ 462,554	$ 38,043	$ 500,597	$ 141,522	$ 207,109	$ 348,631	$ 849,228
Employee benefits	56,992	1,826	58,818	23,214	17,682	40,896	99,714
Payroll taxes	41,177	2,954	44,131	10,706	17,092	27,798	71,929
Total personnel expenses	560,723	42,823	603,546	175,442	241,883	417,325	1,020,871
Appeals	-	-	-	-	15,796	15,796	15,796
Auto and travel	1,701	-	1,701	195	1,005	1,200	2,901
Bad debt expense	-	-	-	38,757	-	38,757	38,757
Bank fees	1,179	-	1,179	949	3,368	4,317	5,496
Board and staff development	1,779	47	1,826	3,517	1,236	4,753	6,579
Contracted staff	9,360	-	9,360	-	-	-	9,360
Depreciation	13,261	-	13,261	1,842	3,315	5,157	18,418
Dues and licenses	333	-	333	879	59	938	1,271
Facility maintenance	15,652	-	15,652	1,531	2,766	4,297	19,949
Insurance	20,315	110	20,425	7,578	2,134	9,712	30,137
Marketing	5,632	288	5,920	169	46,475	46,644	52,564
Office supplies and IT services	41,440	-	41,440	8,044	11,229	19,273	60,713
Postage	1,997	-	1,997	293	7,360	7,653	9,650
Professional and consulting fees	18,933	-	18,933	105,124	21,217	126,341	145,274
Program supplies	14,966	3	14,969	-	-	-	14,969
Payments provided to grant partners	16,418	-	16,418	-	-	-	16,418
Training	4,437	-	4,437	-	-	-	4,437
Telephone	10,533	-	10,533	872	1,723	2,595	13,128
Utilities	6,415	-	6,415	1,357	2,368	3,725	10,140
Total expenses	745,074	43,271	788,345	346,549	361,934	708,483	1,496,828
Direct special event expenses	-	-	-	-	(52,698)	(52,698)	(52,698)
Total functional expenses	$ 745,074	$ 43,271	$ 788,345	$ 346,549	$ 309,236	$ 655,785	$ 1,444,130

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

Memory Care Home Solutions
Statements of Cash Flows
For the Years Ended May 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	$ (144,256)	$ (127,195)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	19,072	18,418
Realized and unrealized loss on investment	2,458	13,824
Discount on unconditional promises to give	600	(3,539)
Bad debt expense	34,301	38,757
Changes in operating assets and liabilities		
Grants receivable	11,134	(155,862)
Therapy billings receivable	13,594	(6,690)
Unconditional promises to give	3,183	25,324
ERC receivable	-	10,524
Prepaid professional fees	4,360	2,431
Accounts payable	27,200	(5,163)
Accrued expenses	(30,639)	5,744
Net cash used in operating activities	(58,993)	(183,427)
Cash flows from investing activities		
Purchase of fixed assets	(16,565)	-
Proceeds from sale of investments	374,286	(9,801)
Purchase of investments	(1,309,179)	-
Net cash used in investing activities	(951,458)	(9,801)
Net decrease in cash and cash equivalents	(1,010,451)	(193,228)
Cash and cash equivalents, beginning of year	1,238,421	1,431,649
Cash and cash equivalents, end of year	$ 227,970	$ 1,238,421

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

1. NATURE OF ACTIVITIES

Memory Care Home Solutions ("MCHS" or the "Organization") is a not-for-profit 501(c)(3) organization with a mission to improve dignity and quality of life for people living with dementia and their families by transforming evidence-based interventions into accessible healthcare solutions. Founded in 2002, MCHS provides treatment using an interdisciplinary behavioral and social support approach to maximize function for people living with dementia and equip their care partners with strategies, resources, and skills to provide dementia care at home. The MCHS intervention team consists of dementia navigators, social workers and occupational therapists who help families reduce stress, prepare for the future, and stay together longer. Since its inception, Memory Care Home Solutions has impacted over 270,000 individuals through a program of dementia navigation, occupational therapy, care partner therapy, community outreach, professional education, and online resources. The vision of MCHS is that all people living with dementia and their care partners will have access to an exceptional standard of care to live with dignity on their own terms.

The intervention is informed by evidence from multiple studies funded by the National Institutes of Health, including the New York University Caregiver Intervention, Skills2Care, the Tailored Activity Program, COPE and Care Ecosystem which demonstrate improved health outcomes for people living with dementia and their family care partners. The MCHS care team delivers the twelve-month intervention in many formats including in-home visits, telehealth visits and at the MCHS dementia training venue. Using a family-centered approach, the program focuses on modifying the home environment to support the safety and function of the person with dementia while helping caregivers develop skills to address difficult symptoms and behaviors. This program has proven outcomes with significant reductions in hospitalizations, emergency room visits, falls and 911 calls for people living with dementia and improved well-being for family care partners. MCHS maintains rigorous quality standards and tracks outcomes across the intervention in partnership with the Washington University Brown School Evaluation Center.

MCHS also provides education to lay audiences and professional healthcare providers throughout the region and as invited speakers at national conferences. These educational events raise awareness of the needs of people living with dementia and family care partners and equip healthcare professionals with knowledge and skills to effectively treat this vulnerable population. The work of MCHS is supported by funds raised at signature events, through support by the Department of Health and Human Services Administration for Community Living, corporate and private foundations, generous private donors, and through health insurance billing.

MCHS has been selected to provide comprehensive dementia care as part of the Center for Medicare and Medicaid's new GUIDE (Guiding an Improved Dementia Experience) Model starting July 2025. The GUIDE Model is a new Medicare program that offers enhanced care for people living with dementia and their care partners, including the personalized support of a dementia navigator and a team of healthcare professionals, to help families manage dementia progression at home. GUIDE marks the first-time insurance will cover access to these types of dementia navigation and care management services, and this reimbursement will become a new revenue source for MCHS during the year ending May 31, 2026.

2. BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies of Memory Care Home Solutions is presented to assist in the understanding of the Organization's financial statements. The financial statements and notes are representations of the Memory Care Home Solutions' management, who are responsible for their integrity and objectivity.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net asset classifications

The financial statements are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This is accomplished by classifying net assets and current year transactions into two classes of net assets as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor restrictions. Designated amounts represent those resources that the Board has set aside for a particular purpose.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be satisfied by actions of the Organization or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity by the Organization.

Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that may affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of risk

Memory Care Home Solutions' revenue and support is comprised of grants and contributions from corporation, government, foundations, and individuals. Grant and contribution from one source comprised 25% of total support and revenue for the year ended May 31, 2024. There was $72,803 in receivable due from this source at year end. As of May 31, 2023, one grant and contribution revenue source comprised of 15% of total support and revenue. There was no receivable due from this source at year end.

2. BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less, when purchased, as cash equivalents. The Organization places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Organization does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Investments

The Organization carries investments in mutual funds, exchange traded securities, and corporate bonds with readily determinable fair values. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Property and equipment

Property and equipment are recorded at cost. Donated equipment is recorded at the fair value at the date of the donation. The Organization capitalizes additions and replacements in excess of $5,000 in the period placed in service; lesser amounts, which do not improve or extend the lives of the respective assets, are expensed as maintenance and repairs. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets ranging from 5 to 39 years.

Impairment of long-lived assets

The Organization evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis. In the opinion of management, no such impairment existed for the years ended May 31, 2024 and 2023.

Grants receivable

Grants receivable are recorded when the Organization has met all applicable eligibility requirements and the grantor has made an unconditional promise to give. Grants receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants receivable. Management has evaluated grants receivable and is of the opinion that no allowance for uncollectible grants receivable was necessary as of May 31, 2024 and 2023.

2. BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Therapy billing receivable

Therapy billing receivable are recorded when services are provided or goods are delivered, and an invoice is issued to the customer. Receivables are stated at the amount management expects to collect from outstanding balances. Management evaluates the collectability of receivables and provides for an allowance for credit loss based on historical collection experience and specific account analysis. Receivables are written off when deemed uncollectible, and recoveries of previously written-off amounts are recorded when received. Historically, the Organization has not experienced any issues with collectability of the receivable, and has not recorded an allowance for credit losses at May 31, 2024 and 2023. Therapy billings receivable was $3,343, $16,937, and $10,247 at May 31, 2024, May 31, 2023 and May 31, 2022, respectively.

Promises to Give

Unconditional promises to give are recognized as receivables and revenue in the period in which the promise is made. Receivables are recorded at their net realizable value, with management evaluating collectability and providing an allowance for uncollectible accounts based on historical collection experience and specific account analysis. Promises to give are written off when deemed uncollectible, and recoveries of previously written-off amounts are recognized when received.

Promises to give expected to be collected in more than one year are discounted to their present value, with amortization of the discount recorded as additional contribution revenue, in accordance with any donor-imposed restrictions.

Promises to give are considered conditional when a measurable barrier and a right of return or release exist. These promises become unconditional, and revenue is recognized when the barrier is overcome. If a barrier is satisfied in the same period the contribution is made, the conditional contribution is recorded as unconditional.

Support and revenue

The Organization records revenue as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions and reports expenses as decreases in net assets without donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction is met in the reporting period in which the support is recognized.

2. BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Support and revenue (continued)</u>

Therapy billings and the related receivables are recorded as revenue at contractual rates established with third-party payors as performance obligations are completed. The performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits of the healthcare services provided. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

Special events revenues contain elements of contribution and exchange transactions. The Organization estimates the fair value of the benefit received by sponsors and other attendees of the events to determine the allocation between contribution and exchange revenues. The exchange element of these transactions are recorded as revenue as performance obligations are completed. The performance obligation is satisfied over time as the attendee simultaneously receives and consumes the benefit of the event. The Organization recognized $26,775 and $26,664 of exchange revenues and $136,886 and $189,946 of contribution revenues during the years ended May 31, 2024 and 2023, respectively, which are presented together as special events, net, on the statement of activities.

<u>Donated goods and services</u>

Donated goods or contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

Donated services are recorded as public support only if they create or enhance non-financial assets, require specialized skill, or represent an integral part of the Organization's programs. Donated services are recognized at fair value when the services are performed.

<u>Functional allocation of expenses</u>

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services, management and general, and fundraising services. Certain categories of expenses are attributed to more than one function; therefore, expenses require allocation on a reasonable basis that is consistently applied.

The expenses allocated on the basis of estimates of time and effort include salaries, benefits, and payroll taxes. Depreciation, insurance, maintenance, and utility expenses are allocated on a square footage basis.

2. BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Federal income tax status

The Internal Revenue Service issued a determination ruling exempting the Organization from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization believes it has appropriate support for tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal Organization Exempt from Tax Returns are subject to examination by the IRS for the statutory period.

Reclassifications

Certain prior year amounts have been reclassified to conform to the May 31, 2024 financial statement presentation. These reclassifications had no effect on the change in net assets.

Change in accounting principle

On June 1, 2023, the Organization adopted ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets that are not measured at fair value through the change in net assets. Under the standard, disclosures are required to provide users of the financial statements with information in analyzing the Organization’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 are therapy billings receivable and are shown net of the allowance for credit losses on the statement of financial position.

The Organization adopted ASC 326 and all related amendments thereto effective June 1, 2023, using the modified retrospective approach for all financial assets measured at amortized cost and off balance sheet credit exposures. The adoption of CECL did not result in a cumulative adjustment to net assets. Results for reporting periods beginning after June 1, 2023, are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards ("Incurred Loss").

Subsequent events

Memory Care Home Solutions has evaluated subsequent events through November 6, 2024, the date which the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of Memory Care Home Solutions' financial statements.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2024	2023
Cash and cash equivalents	$ 227,970	$ 1,238,421
Grant receivables due within one year	214,570	225,704
Therapy billings receivable	3,343	16,937
Unconditional promises to give due within one year	10,899	29,583
ERC receivable	79,476	79,476
Investments	1,292,577	360,142
Less: donor restricted funds with purpose restrictions	(32,500)	(160,583)
	1,796,335	1,789,680
Less: amounts unavailable for general expenditure within one year		
Board designated operating reserve	(611,651)	-
Board designated quasi-endowment	(680,926)	-
	(1,292,577)	-
	$ 503,758	$ 1,789,680

The Organization's primary sources of support are contributions and grants. Some support is required to be used in accordance with purpose restrictions imposed by donors. As a part of a liquidity management plan, the Organization invests a portion of its cash in excess of daily requirements in mutual funds, exchange traded funds, and corporate bonds.

During the year ended May 31, 2024, the Board of Directors established a board designated operating reserve and a board designated quasi-endowment. The board designated operating reserve and board designated quasi-endowment were $611,651 and $680,926, respectively, at May 31, 2024. These board designated funds can be made available for the operations of the Organization upon Board approval, if necessary.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization determines the fair values of its financial instruments based on the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.

Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Mutual funds and Exchange traded funds: Valued at the daily closing price as reported by the funds. Mutual funds held by the Organization are open end mutual funds that are registered with the Securities Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. The mutual funds held by the Organization are deemed to be actively traded.

Corporate bonds: The fair value of investments in U.S. corporate bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

Management determines the fair value measurement valuation policies and procedures, which are subject to Board of Directors' assessment and approval. At least annually, management determines if the current valuation techniques used in fair value measurement are still appropriate. During the years ended May 31, 2024 and 2023, there were no changes in the methods or assumptions utilized to derive the fair value of the Organization's assets and liabilities.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The Organization's portfolio investments based on fair values as of May 31, 2024, are classified as follows:

	Level 1	Level 2	Level 3	Fair Value
Mutual funds	$ 73,589	$ -	$ -	$ 73,589
Exchange traded funds	657,248	-	-	657,248
Corporate bonds	-	559,967	-	559,967
	$ 730,837	$ 559,967	$ -	1,290,804
Cash equivalents				1,773
				$ 1,292,577

The Organization's portfolio investments based on fair values as of May 31, 2023, are classified as follows:

	Level 1	Level 2	Level 3	Fair Value
Mutual funds	$ 360,142	$ -	$ -	$ 360,142

For the years ended May 31, 2024 and 2023, the Organization received dividends of $17,510 and $9,801, and unrealized and realized losses of $2,458 and $13,824, respectively, which is noted as investment income (loss) in the statements of activities.

5. BOARD DESIGNATED QUASI-ENDOWMENT

The Organization's endowment includes funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In the absence of donor restrictions, under the terms of the Organization's governing documents, the Board of Directors, in its sole discretion, has the ability to distribute so much of the original principal of any trust, separate gift or fund as they shall determine necessary. Therefore, the endowment is classified as net assets without donor restrictions for financial statement purposes.

5. BOARD DESIGNATED QUASI-ENDOWMENT (continued)

The investment objective of the Organization is to provide a return on investments that supports the Organization both in the short-term for annual income and the long-term for maintenance and growth of the endowment's purchasing power. Achievement of the return will be sought from an investment strategy which provides an opportunity for optimal returns within acceptable levels of risk and volatility of returns. The Organization has adopted a distribution policy stating that distributions from the endowment fund in any fiscal year shall not exceed 4% of the fair market value of the endowment as of the last business day of the year-end, unless approved by the Executive Committee and the Board of Directors.

Change in board designated endowment net assets for the year then ended May 31:

	2024
Balance, beginning of year	$ -
Additions to endowment	676,160
Interest and dividends, net of expenses	1,315
Unrealized/realized gains/(losses)	3,451
Balance, end of year	$ 680,926

6. BUILDING AND EQUIPMENT

Building and equipment on May 31 consisted of the following:

	2024	2023
Building and building improvements	$ 778,990	$ 773,205
Furniture and fixtures	25,967	25,967
Equipment and other	37,393	26,613
Less: Accumulated depreciation	(270,033)	(250,961)
	$ 572,317	$ 574,824

Depreciation expense charged to operations for the years ended May 31, 2024 and 2023 totaled $19,072 and $18,418, respectively.

7. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of May 31 are as follows:

	2024	2023
Due within one year	$ 10,899	$ 29,583
Due in one to five years	-	20,000
Less: Unamortized discount	-	(600)
	$ 10,899	$ 48,983

As of May 31, 2024 there was no discount recorded. The discount rate of 3.00% was used as of May 31, 2023.

8. CONDITIONAL PROMISE TO GIVE

In 2022, the Organization was awarded a grant of $405,305 with a project period of January 1, 2022 through June 30, 2024. The grant is conditional in nature due to a spending criteria/limitations that must be overcome at various reporting dates throughout the project period and a right of return of the funds based on the terms of the grant agreement. As of May 31, 2024 and 2023, the Organization met certain conditions of the grant and has received a total of $96,718 and $288,322, respectively, during the grant period, which is recognized as grants revenue on the statement of activities and the remaining $19,350 and $116,983, respectively, is a conditional promise to give until the Organization overcomes the barriers.

9. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at May 31 are as follows:

	2024	2023
Investment in building and equipment	$ 572,317	$ 574,824
Board designated operating reserve	611,651	-
Board designated quasi-endowment	680,926	-
Available for general use	294,014	1,638,800
	$ 2,158,908	$ 2,213,624

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions on May 31 are subject to the following restrictions:

	2024	2023
Program restrictions	$ 32,500	$ 120,583
Purpose - endowment setup	-	40,000
Timing restriction	149,007	110,464
	$ 181,507	$ 271,047

Net assets released from donor-imposed restrictions during the year ended May 31:

	2024	2023
Passage of time	$ 474,961	$ 164,152
Programs	160,583	40,417
	$ 635,544	$ 204,569

11. EMPLOYEE RETENTION TAX CREDIT

The Employee Retention Tax Credit ("ERC"), a refundable tax credit against certain employment taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and was subsequently amended through additional legislation. The tax credit is equal to 50% of the qualified wages, up to $10,000 per employee, that an employer whose business has been financially impacted by COVID-19 pays to employees after March 12, 2020 and before January 1, 2022.

The Organization determined it was eligible to apply for the ERC and calculated a total ERC of $90,000 for the wages paid during the period July 2020 through December 2020. As the Organization has “substantially met” the program’s eligibility conditions, the Organization has recognized income for the ERC during the year ended May 31, 2022 and received ERC payment of $10,524 as of May 31, 2023. As of May 31, 2024, the Organization has not received the remaining $79,476, and is recorded as a ERC receivable on the statement of financial position.

The ERC program is subject to inspection and audit by the IRS. The purpose of such audits is to determine whether entities met eligibility requirements under the program and that funds were used in accordance with guidelines and regulations. While management believes the Organization met the ERC requirements, it is possible that ERC funds recognized could ultimately be disallowed. The ultimate liability, if any, which may result from a governmental audit cannot be reasonably estimated and, accordingly, no provision for the possible disallowance of ERC funds has been recorded on the Organization's financial statements.

12. RELATED PARTY TRANSACTIONS

During the years ended May 31, 2024 and 2023, the Organization paid for managed IT services of $23,737 and $21,680, respectively to a company that a board member is affiliated with.

13. RETIREMENT PLAN

The Organization sponsors a Simple IRA Plan covering all eligible employees. Participants may elect a salary reduction under the Plan up to the maximum allowable by the Internal Revenue Code. The Organization contributed an amount equal to 100% of participant's contribution up to 3% for the years ended May 31, 2024 and 2023, which totaled $17,089 and $17,908, respectively.