

**RESOURCES FOR HUMAN
DEVELOPMENT, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORTING REQUIREMENTS FOR
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR)
PART 200 AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019

AND

INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP[®]

ACCOUNTANTS AND ADVISORS

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

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RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

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ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors and Officers
Resources for Human Development, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Resources for Human Development, Inc. (a nonprofit organization) and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, changes in net assets, functional expenditures, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

(Continued)

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Resources for Human Development, Inc. and Subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Resources for Human Development, Inc. only schedule of expenditures of federal, state and city awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2021, on our consideration of Resources for Human Development, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Resources for Human Development, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Resources for Human Development, Inc.'s internal control over financial reporting and compliance.



Philadelphia, Pennsylvania
March 29, 2021

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 21,518,585	\$ 10,071,326
Limited use cash and cash equivalents	1,709,536	1,703,732
Investments	6,985,009	6,649,835
Limited use investments	657,262	637,033
Accounts receivable, net of allowance for doubtful accounts of \$6,298,325 for 2020 and \$6,256,881 for 2019	32,525,813	35,737,064
Advances and loans, current portion and net of allowance for uncollectible advances and loans of \$8,390 for 2020 and 2019	3,647	3,647
Prepaid expenses and other current assets	3,205,355	1,580,433
Total current assets	66,605,207	56,383,070
Property and equipment, net	17,075,071	18,127,052
Advances and loans, net of current portion and allowance for uncollectible advances and loans of \$8,953 for 2020 and 2019	115,801	118,705
Other assets	498,494	486,388
Total assets	\$ 84,294,573	\$ 75,115,215

(Continued)

See notes to consolidated financial statements.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2020	2019
LIABILITIES AND NET ASSETS		
Current liabilities		
Long-term debt, current portion	\$ 437,426	\$ 2,134,674
Accounts payable and accrued expenses	15,275,619	12,804,673
Accrued payroll and related liabilities, current portion	19,058,192	17,311,832
Refundable advances, current portion	13,466,099	8,770,322
Due to consumers	1,240,968	974,139
Total current liabilities	49,478,304	41,995,640
Long-term liabilities		
Long-term debt, net of current portion	7,042,749	7,119,261
Accrued payroll and related liabilities, net of current portion	1,350,822	-
Refundable advances, net of current portion	672,883	204,244
Deferred rent obligation, net of current portion	791,912	611,813
Retirement plans, net of current portion	797,767	666,009
Total liabilities	60,134,437	50,596,967
Net assets		
Without donor restrictions	21,753,500	21,089,107
With donor restrictions	1,749,374	2,792,108
Total net assets before noncontrolling interest	23,502,874	23,881,215
Noncontrolling interest	657,262	637,033
Total net assets	24,160,136	24,518,248
Total liabilities and net assets	\$ 84,294,573	\$ 75,115,215

See notes to consolidated financial statements.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended June 30,	
	2020	2019
Changes in net assets without donor restrictions		
Support and revenue		
Government grants	\$ 82,430,670	\$ 77,273,020
Net patient services	187,669,848	188,921,636
Grants and contributions (non-government)	96,490	233,104
Interest and miscellaneous	3,519,655	3,873,570
Total support and revenue without donor restrictions		
before net assets released from restrictions	273,716,663	270,301,330
Net assets released from restrictions	3,276,945	2,557,021
Total support, revenue and other without donor restrictions	276,993,608	272,858,351
 Expenditures		
Program	241,616,817	235,860,540
Management and general	33,236,549	31,955,801
Fundraising	537,619	548,922
Other operating	913,031	1,009,538
Total expenditures	276,304,016	269,374,801
 Changes in net assets without donor restrictions before noncontrolling interest		
	689,592	3,483,550
Noncontrolling interest in net income on investments	(25,199)	(24,694)
Changes in net assets without donor restrictions	664,393	3,458,856
 Changes in net assets with donor restrictions		
Contributions	2,234,211	2,340,858
Net assets released from restrictions	(3,276,945)	(2,557,021)
Changes in net assets with donor restrictions	(1,042,734)	(216,163)
 Changes in total net assets	 \$ (378,341)	 \$ 3,242,693

See notes to consolidated financial statements.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2020 AND 2019

	Without donor restriction	With donor restriction	Noncontrolling interest	Total
Balance at July 1, 2018	\$ 17,630,251	\$ 3,008,271	\$ 600,754	\$ 21,239,276
Changes in net assets	3,458,856	(216,163)	-	3,242,693
Net investment income, SNPT	-	-	24,694	24,694
Contributions, SNPT	-	-	38,065	38,065
Distributions, SNPT	-	-	(26,480)	(26,480)
Balance at June 30, 2019	21,089,107	2,792,108	637,033	24,518,248
Changes in net assets	664,393	(1,042,734)	-	(378,341)
Net investment income, SNPT	-	-	25,199	25,199
Contributions, SNPT	-	-	25,500	25,500
Distributions, SNPT	-	-	(30,470)	(30,470)
Balance at June 30, 2020	\$ 21,753,500	\$ 1,749,374	\$ 657,262	\$ 24,160,136

See notes to consolidated financial statements.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES

YEAR ENDED JUNE 30, 2020

	Program Services					Supporting Services			
	Behavioral		Intellectual		Total Program	Management and			Total Expenditures
	Health	Healthcare	Developmental Disability	Miscellaneous and other		General	Fundraising	Other Operating	
Salaries	\$ 55,801,329	\$ 11,421,192	\$ 66,837,398	\$ 363,683	\$ 134,423,602	\$ 18,493,747	\$ 382,306	\$ 126,366	\$ 153,426,021
Benefits	13,012,348	2,471,206	16,345,283	66,607	31,895,444	3,666,225	67,014	11,293	35,639,976
Communications	1,396,426	151,160	1,107,803	18,669	2,674,058	478,443	20,966	5,752	3,179,219
Depreciation and amortization	970,391	229,416	829,653	5,314	2,034,774	1,738,661	-	225,551	3,998,986
Fees and services	7,529,073	8,525,923	7,221,763	637,318	23,914,077	2,270,863	13,032	447,590	26,645,562
Occupancy	9,551,895	1,349,986	8,852,615	49,157	19,803,653	1,804,452	351	-	21,608,456
Office and program supplies	4,553,498	3,920,615	3,376,833	323,997	12,174,943	323,358	42,392	4,045	12,544,738
Small equipment and maintenance	3,541,755	514,131	5,040,304	29,891	9,126,081	3,232,719	3,213	92,434	12,454,447
Training and development	146,915	106,904	180,478	6,347	440,644	82,631	720	-	523,995
Travel and miscellaneous	1,973,836	836,866	1,572,991	745,848	5,129,541	1,145,450	7,625	-	6,282,616
Total expenditures	\$ 98,477,466	\$ 29,527,399	\$ 111,365,121	\$ 2,246,831	\$ 241,616,817	\$ 33,236,549	\$ 537,619	\$ 913,031	\$ 276,304,016

See notes to consolidated financial statements.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES

YEAR ENDED JUNE 30, 2019

	Program Services					Supporting Services			
	Behavioral		Intellectual		Total Program	Management and			Total Expenditures
	Health	Healthcare	Developmental Disability	Miscellaneous and other		General	Fundraising	Other Operating	
Salaries	\$ 53,912,224	\$ 10,906,799	\$ 67,689,151	\$ 417,896	\$ 132,926,070	\$ 17,630,264	\$ 351,942	\$ 123,028	\$ 151,031,304
Benefits	11,996,561	2,620,515	17,076,129	73,272	31,766,477	3,384,672	67,047	7,852	35,226,048
Communications	1,267,122	168,556	1,147,438	29,523	2,612,639	491,179	23,732	-	3,127,550
Depreciation and amortization	667,193	249,269	1,028,108	161,804	2,106,374	1,990,375	-	227,980	4,324,729
Fees and services	8,037,467	6,781,939	4,797,948	597,165	20,214,519	1,514,838	14,462	15,259	21,759,078
Occupancy	9,257,163	1,259,742	9,016,640	68,904	19,602,449	1,809,687	-	98,061	21,510,197
Office and program supplies	4,658,350	3,238,049	3,393,506	349,138	11,639,043	447,027	66,415	341,922	12,494,407
Small equipment and maintenance	3,908,974	437,727	5,665,634	26,328	10,038,663	3,307,293	4,775	140,303	13,491,034
Training and development	246,061	150,534	176,737	5,319	578,651	219,410	-	-	798,061
Travel and miscellaneous	1,841,442	696,113	1,742,748	95,352	4,375,655	1,161,056	20,549	55,133	5,612,393
Total expenditures	\$ 95,792,557	\$ 26,509,243	\$ 111,734,039	\$ 1,824,701	\$ 235,860,540	\$ 31,955,801	\$ 548,922	\$ 1,009,538	\$ 269,374,801

See notes to consolidated financial statements.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2020	2019
Cash flows from operating activities		
Changes in total net assets	\$ (378,341)	\$ 3,242,693
Adjustments to reconcile changes in total net assets to net cash provided by operating activities		
Noncontrolling interests in net income on investments	25,199	24,694
Gain on sale/disposition of property and equipment	(295,507)	(251,306)
Donated property and equipment	-	(175,000)
Net realized and unrealized gains on limited use investments	(13,331)	(25,492)
Net realized and unrealized losses (gains) on investments	30,676	(141,622)
Change in allowances for uncollectible advances and loans	-	139,770
Bad debt expense and contractual allowances	6,976,323	6,177,157
Depreciation and amortization	3,998,986	4,324,729
Debt forgiveness	(96,000)	-
Revenue received for the purchase of property and equipment	(2,049,330)	(2,833,445)
Change in deferred tax asset	2,564	357,260
Change in valuation allowance on deferred tax asset	(2,564)	(357,260)
Changes in operating assets and liabilities		
Accounts receivable	(3,761,425)	(5,011,017)
Prepaid expenses and other current assets	(1,624,922)	1,610,987
Other assets	(12,106)	226,167
Accounts payable and accrued expenses	2,469,002	(700,344)
Accrued payroll and related liabilities	3,097,182	976,647
Refundable advances	5,166,360	(240,877)
Deferred rent obligation	180,099	280,156
Retirement plans	131,758	190,403
Net cash provided by operating activities	13,844,623	7,814,300
Cash flows from investing activities		
Net change to consumer funds	266,829	(103,095)
Acquisitions of property and equipment	(3,051,086)	(3,774,701)
Proceeds from sale of property and equipment	399,588	365,321
Purchases of investments	(843,186)	(1,133,841)
Proceeds from sale of investments	477,336	415,277
Purchases of limited use investments	1,337,057	(253,700)
Proceeds from sale of limited use investments	(1,343,955)	242,914
Net collection of advances and loans	(743)	184,041
Net cash used in investing activities	(2,758,160)	(4,057,784)

(Continued)

See notes to consolidated financial statements.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2020	2019
Cash flows from financing activities		
Revenue received for the purchase of property and equipment	2,049,330	2,833,445
Principal payments on long-term debt	(1,677,760)	(2,098,138)
Contributed capital from noncontrolling interest	25,500	38,065
Distributions to noncontrolling interest	(30,470)	(26,480)
Net cash provided by financing activities	366,600	746,892
Net increase in cash and cash equivalents and restricted cash	11,453,063	4,503,408
Cash and cash equivalents and restricted cash, beginning of year	11,775,058	7,271,650
Cash and cash equivalents and restricted cash, end of year	\$ 23,228,121	\$ 11,775,058
Reconciliation of cash, cash equivalents, and restricted cash, beginning of year		
Cash and cash equivalents	\$ 10,071,326	\$ 5,489,358
Consumer funds	974,139	1,077,234
Escrow funds	729,593	705,058
Cash, cash equivalents and restricted cash, beginning of year	\$ 11,775,058	\$ 7,271,650
Reconciliation of cash, cash equivalents, and restricted cash, end of year		
Cash and cash equivalents	\$ 21,518,585	\$ 10,071,326
Consumer funds	1,240,968	974,139
Escrow funds	468,568	729,593
Cash, cash equivalents and restricted cash, end of year	\$ 23,228,121	\$ 11,775,058
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Cash paid for interest	\$ 383,593	\$ 366,198
Income taxes paid	\$ 546	\$ 5,892
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Debt incurred related to the refinance of long-term debt	\$ 2,102,429	\$ -

See notes to consolidated financial statements.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - NATURE OF THE ORGANIZATION

Nature of Activities

Resources for Human Development, Inc. (“RHD”) is a comprehensive social services organization whose mission is to empower the most vulnerable and marginalized members of our society as they build the highest level of independence possible. As of June 30, 2020, RHD oversees and supports more than 160 locally-managed programs in 13 states, which helps tens of thousands of people of all abilities each year. These innovative and effective programs specialize in helping people who have mental illnesses or intellectual disabilities, those who are homeless, and people with histories of substance abuse, so that they may build better lives for themselves, their families, and their communities. Program areas encompass the following community needs: arts, culture and humanities, community improvement and capacity building, crime prevention, education, employment readiness and job training, environmental quality, health care, homelessness prevention, behavioral health, substance abuse, intellectual disabilities, volunteer development, and youth development, wellness and education.

Through its for-profit subsidiary, Murex, the Organization has invested in various special purpose entities. This investment includes Taunton Run which is a senior living facility located in New Jersey. Murex Investments was designed to assist businesses which provide quality low-moderate income jobs that lead to sustainable improvements in distressed communities, primarily by providing capital, investment funding and technical assistance. As of December 31, 2018, Murex Investments ceased operations.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of RHD, its for-profit subsidiaries, Murex Corporation (Murex) (100% owned by RHD) and Murex Investments (through its dissolution as of December 31, 2018), as well as one related not-for-profit organization which RHD controls, The Non-Profit Housing Corporation of Pennsylvania (NPHO), and one trust which is consolidated as a variable interest entity, the RHD Special Needs Pooled Trust (SNPT) (collectively referred to hereafter as “the Organization”). The following entities have been consolidated with Murex and are reflected in the consolidated financial statements: Murex TRS, Inc. and TRS, LLP (Taunton Run).

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The consolidated financial statements have been prepared in accordance with the audit guide published by the American Institute of Certified Public Accountants, Audit and Accounting Guide for Not-for-Profit Organizations, as required for Voluntary Health and Welfare Organizations. Inter-company investments, advances and transactions have been eliminated.

These statements reflect the accounts of the Organization and have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles ("US GAAP") and presented in accordance with Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*.

SNPT has been consolidated with the Organization under the requirements of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification. SNPT is a variable interest entity in which RHD is the primary beneficiary. See Note 19 for additional information.

Other operating expenditures included in the consolidated statements of activities relate to the operating expenses of the for-profit consolidated entities.

Revenue and Support

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASC 606"). The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an organization providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard supersedes existing revenue recognition guidance. This standard was effective for annual reporting periods beginning after December 15, 2018. Effective July 1, 2019, RHD adopted ASC 606 using the modified retrospective method. There was no cumulative effect of adopting ASC 606 to be recognized as an adjustment to opening net assets as of July 1, 2019. The initial application was applied to all contracts outstanding at July 1, 2019.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support (Continued)

RHD determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract, or contracts with customers;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Organization satisfies the performance obligations.

RHD's major sources of operating revenue and support and related recognition policies are summarized as follows:

Net Patient Services

Net patient service revenues is recognized based on the amount RHD expects to receive in exchange for providing patient care services once the Organization has met its related performance obligation. The performance obligation is typically met at the point in time when the service is provided. These amounts are due from patients, third-party payors (including private insurance and government programs), and others and includes variable consideration for retroactive revenue adjustments that may occur under the terms of the various agreements RHD has with its payors.

RHD determines the transaction price based on standard charges for the services provided, reduced by contractual adjustments, discounts, and implicit price concessions provided to uninsured and under-insured patients. RHD determines its initial 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 with uninsured and under-insured patients. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient care service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support (Continued)

Net Patient Services (Continued)

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- Medicaid - Reimbursements for allowable services are generally paid at prospectively determined rates per visit or per covered member.
- Medicare - Outpatient services are paid using prospectively determined rates.
- 340B Pharmacy – RHD, through its Healthcare Division, participates in the Section 340B program of the Public Health Service Act ("PHS Act"), Limitation on Prices of Drugs Purchased by Covered Entities. Participation in this program allows the Organization to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients. The 340B program operates through its agreement with an unrelated third party for the years ended June 30, 2020 and 2019. Under this program, RHD uses the third party as its agent for the purpose of operating and managing the pharmacy and providing pharmacy services.
- Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per visit, discounts from established charges, and prospectively determined daily rates.

Settlements with third-party payors for retroactive adjustments are included in the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and RHD's historical settlement activity. Estimated settlements are adjusted in future periods as adjustments become known or as new information becomes available.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. There can be no assurance that regulatory authorities will not challenge RHD's compliance with these regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support (Continued)

Net Patient Services (Continued)

In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Because all of its performance obligations relate to contracts with a duration of less than one year, RHD has elected to apply the optional exemption provided in FASB ASC 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Organization's performance obligations consist primarily of services that occur within one day of a patient's visit, thus, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

Government Grants

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities— Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This ASU provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. RHD adopted ASU 2018-08 effective July 1, 2019 on a modified prospective basis. The adoption of this ASU did not impact the consolidated financial statements.

Government grant revenue is substantially derived from federal, state, and local government grants and contracts, which are considered conditional contributions, conditioned upon certain barriers. Amounts received are recognized as revenue when the Organization has satisfied the related barrier, typically specific performance requirements and/or the incurrence of allowable qualifying expenses.

Conditional grants and contracts whose conditions are satisfied in the same reporting period in which the funding is received are reported as an increase in net assets without donor restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Amounts received in advance are not recognized as revenue until the conditions are met and are included in refundable advances on the consolidated statement of financial position.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support (Continued)

Non-government Grants and Contributions

The Organization recognizes contributions from non-government sources when cash, securities or other assets; an unconditional promise to give (pledge); or a notification of a beneficial interest is received. Unconditional promises to give cash and other assets to RHD are reported as contributions and recorded at fair value on the date the promise is received. Unconditional contributions and grants are considered available for unrestricted use unless explicit donor stipulations specify how the funds must be used. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. All restricted contributions received whose restriction has been met in the same period are reflected as contributions without donor restrictions on the consolidated statement of activities.

RHD reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations about how long those long-lived assets must be maintained, RHD reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In-kind Contributions

Donated space, goods and certain services are required to be reported at their fair market value in the year that they are contributed. In-kind revenue and expense for the years ended June 30, 2020 and 2019 was \$931,504 and \$954,240, respectively.

In addition, during the fiscal year ended June 30, 2019, RHD received a donated building with a fair value of \$175,000. This donation has been recorded as in-kind revenue and property and equipment within the consolidated financial statements for the year ended June 30, 2019.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets, revenues, and other support are classified based on the existence or absence of donor-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 restrictions. From time to time the Board of Directors may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. The Organization has no board restricted net assets as of June 30, 2020 and 2019.

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 met by the passage of time or other events or purposes specified by the donor. Other donor-imposed restrictions are permanent in nature, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

The Organization considers cash on hand and deposits with financial institutions to be cash and cash equivalents.

Limited Use Cash and Cash Equivalents

Limited use cash and cash equivalents consists of RHD consumer funds and the Taunton Run repair and replacement escrow funds. RHD consumer funds are funds that have been established to account for assets received by the Organization on behalf of certain consumers of certain programs. These funds are expended at the discretion of the program directors, for the direct benefit of the individual consumers. As of June 30, 2020, and 2019 the consumer funds cash and cash equivalents totaled \$1,240,968 and \$974,139, respectively. This amount is also included as a current liability, due to consumers. Taunton Run is required to maintain an escrow account for taxes, insurance and repairs and replacement of the partnership's assets. This escrow is subject to restrictions as to operating policies, rental charges, operating expenditures and distributions to partners. As of June 30, 2020 and 2019, this escrow account was \$468,568 and \$729,593, respectively.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Limited Use Cash and Cash Equivalents (Continued)

In November 2016, the FASB issued Accounting Standards Update No. 2016-18 (“ASU 2016-18”), *Statement of Cash Flows* (Topic 230), for the presentation of restricted cash in the statement of cash flows. ASU 2016-18 applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of period total amounts shown on the statement of cash flows. A retrospective method of adoption is required under ASU 2016-18. The Organization has elected to adopt ASU 2016-18, effective July 1, 2019, with retrospective application to the 2019 statement of cash flows. Accordingly, the statements of cash flows present a reconciliation of the changes in cash and cash equivalents and restricted cash.

Investments

Investments are stated at fair value and consist of RHD funds held for investment. At June 30, 2020 and 2019, these funds were invested in various types of accounts that include cash, fixed income, common stock, mutual funds, money market accounts, and overlay investment portfolios. The investment of these funds is governed by an investment committee consisting of members of the board of directors and RHD management. Realized and unrealized gains or losses from the investments are included in the consolidated statements of activities and changes in net assets.

Limited Use Investments

The Organization has established the SNPT to hold assets on behalf of participating consumers of certain programs. The use of these funds is restricted for the direct benefit of the individuals participating in the trust. The Organization has established a board of trustees to provide fiduciary oversight of the investments in the trust. The trust assets are investments in securities available-for-sale, which are reported at fair market value. Realized and unrealized gains or losses and income from the trust assets are included in the consolidated statements of activities and changes in net assets.

Accounts Receivable

Accounts receivable consist of amounts primarily due from federal, state and local governments as well as third party managed care organizations and are stated at the amount management expects to collect from balances outstanding at year end. Management has recorded an allowance for doubtful accounts based on their historical experience with accounts receivable collections.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is recorded at the lower of cost, on a specific identification basis, or market (net realizable value) and consists largely of prescription and over-the-counter drugs used in the Organization's outpatient health centers. Inventory totaled \$113,116 and \$41,672 at June 30, 2020 and 2019, respectively, is reported as part of prepaid expenses and other current assets.

Property and Equipment, Net and Depreciation and Amortization

Property and equipment are recorded at cost. Provisions for depreciation and amortization are made over the estimated useful lives, ranging from 3 to 40 years, of the respective assets using the straight-line method. Maintenance and repairs are charged to expenses as incurred. A portion of capital assets have been purchased through grants and contracts. Such amounts received are included in support and revenue. Related expenditures are capitalized and depreciated over estimated lives when title to the related assets is held by the Organization.

Under certain program-funded agreements, ownership of property and equipment acquired with grantor funds is vested with and may revert back to the grantor under certain circumstances. However, due to the nature of the programs and the long-term relationships of the Organization with the grantors, management believes that the consolidated financial statements of the Organization are more accurate by capitalizing these assets.

Investments in Companies

Investments in partnerships, limited liability companies and unconsolidated corporations are included in the accompanying consolidated financial statements using the equity and cost methods of accounting. The Organization had equity investments in companies that totaled \$0 for both years ending June 30, 2020 and 2019. This balance is reported as part of other assets at June 30, 2020 and 2019.

Advances and Loans

Advances and loans consist of advances or loans receivables initiated by Murex and RHD to certain partnerships, companies and subsidiaries. These financing receivables are stated at the amount management expects to collect from balances outstanding at year end. Management has recorded an allowance for uncollectible advances and loans based on the specific identification of at-risk financing receivables. Management performs an at-risk assessment of each advance and loan on an annual basis. RHD advances and loans to Murex are maintained within the financial statements of each entity and eliminate in consolidation.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refundable Advances

Refundable advances consist primarily of government grants received but not earned as of the date of the consolidated statements of financial position. Refundable advances will be earned as the program conditions are met.

Vacation Accrual

All eligible employees (including program employees) of RHD are able to carry over unused earned vacation time. Employees are able to use their vacation time earned according to the PTO Plan Year. At June 30, 2020 and 2019, RHD has accrued this unused vacation expenses and related taxes and this liability is included in accrued payroll and related liabilities within the financial statements. A portion of the vacation accrual related to program employees will ultimately be charged to and reimbursed by cost reimbursed programs, resulting in an accrual of program revenue. This accrued revenue is recorded at June 30, 2020 and 2019 and is included in accounts receivable within the financial statements.

Tax Status

RHD and NPHO are exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state and local laws. SNPT is a grantor trust and as such is exempt from federal, state and local income taxes. Under Internal Revenue Code Sections 671-678, all trust income is taxable to the grantors, which in this case are the members of the trust. Therefore, no provision for income taxes has been made in the accompanying consolidated financial statements related to these entities. RHD and NPHO are not private foundations. Murex and two of its subsidiaries are for-profit corporations and are subject to federal, state and local taxation. Within Murex are various entities organized as limited partnerships or limited liability companies. These entities are not subject to federal or state income taxes. Income or losses from these entities are reflected in the members'/partners' tax returns.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

US GAAP require entities to disclose the estimated fair value of their financial instrument assets and liabilities. The Organization has identified the following as financial instruments, all of which have carrying values at fair value: cash and cash equivalents, investments, limited use investments, accounts receivable, investments in and advances and loans to companies and long-term debt.

Functional Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited.

Costs common to multiple functions have been allocated among the program services, management and general and fundraising categories based on time and effort measurements and other methods:

- Staff costs are allocated based on time and effort.
- Occupancy, depreciation and information technology costs are allocated based on square footage.

Management and general expenses include costs not identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Noncontrolling Interest

Noncontrolling interest reflects the equity of the SNPT which is not owned by RHD or its subsidiaries.

Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 presentation. These reclassifications have no effect on the previously reported change in net assets.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditure are as follows:

	June 30,	
	2020	2019
Cash	\$ 21,518,585	\$ 10,071,326
Investments	6,985,009	6,649,835
Accounts receivable	32,525,813	35,737,064
Total financial assets available within one year	61,029,407	52,458,225
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restrictions	(1,691,748)	(2,659,518)
Assets of RHD subsidiary, unavailable for use by RHD	(209,069)	(142,181)
Total financial assets available to management for general expenditure within one year	\$ 59,128,590	\$ 49,656,526

The Organization's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and planned increases in program expenditures in fiscal year 2021.

The Organization has certain donor-restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the above qualitative information for financial assets to meet general expenditures within one year. The Organization has time restricted contributions that will also be available for general expenditures in the next year which are included as liquid assets available in the next year.

Liquidity Management

The Organization has an investment policy authorized by the Board of Directors that provides guidance and oversight for the management of cash and cash equivalents, and investments. The policy provides that the Organization maintain an adequate level of cash to meet on-going operational requirements. In addition, the policy sets forth the structure for investment of excess cash based on the financial needs of the Organization, the time horizon of those needs and the Board of Directors' investment philosophy.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Liquidity Management (Continued)

To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$22,000,000, of which approximately \$13,000,000 could be drawn upon at June 30, 2020.

4 - PROMISES TO GIVE

Unconditional Promises to Give

The Organization records unconditional promises to give when received. Contributions were received with multiple year payment terms. These receivables were recorded at their present value using a discount rate of 5.50% at June 30, 2020 and 2019.

	Year Ended June 30,	
	2020	2019
Gross unconditional promises to give	\$ 57,626	\$ 133,111
Less unamortized discount	-	(521)
	\$ 57,626	\$ 132,590
<hr/>		
Amounts due		
Within one year	\$ 57,626	\$ 123,111
Within two to five years	-	10,000
	\$ 57,626	\$ 133,111

The current portion of this receivable is reported as part of accounts receivable at June 30, 2020 and 2019, with the remaining balance reported as other assets in the consolidated statements of financial position.

Conditional Promises to Give

Conditional promises to give are not recognized until the conditions on which they depend are substantially met and the promises become unconditional. As of June 30, 2020 and 2019, RHD had \$95,000 each year of unrecorded conditional promises to give from foundation grants which will be recognized when RHD can show evidence of satisfaction of specific conditions as set forth by the donor, which consist of specific programmatic objectives and/or a lease renewal.

At June 30, 2020, RHD had remaining available award balances on federal, state, and local government grants and contracts of approximately \$7,881,000. These award balances will be recognized as revenue and receivables when the related barriers are satisfied.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 - INVESTMENTS

Investments, stated at fair value, are as follows:

June 30, 2020		
	Cost	Fair Value
Cash and money market funds	\$ 18,079	\$ 18,079
Common stock	958,109	1,221,443
Mutual funds	3,822,202	4,053,584
Overlay portfolios	1,700,469	1,691,903
	\$ 6,498,859	\$ 6,985,009

June 30, 2019		
	Cost	Fair Value
Cash and money market funds	\$ 10,049	\$ 10,049
Common stock	894,769	1,120,945
Mutual funds	3,614,574	3,833,171
Overlay portfolios	1,594,342	1,685,670
	\$ 6,113,734	\$ 6,649,835

The following schedule summarizes the investment returns on the investments which are included in interest and miscellaneous in the consolidated statement of activities:

	Year ended June 30,	
	2020	2019
Investment income	\$ 219,469	\$ 293,600
Net unrealized/realized (losses) gains	(30,676)	141,622
	\$ 188,793	\$ 435,222

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 - LIMITED USE INVESTMENTS

Investments in SNPT, stated at fair value, are as follows:

	June 30, 2020	
	Cost	Fair Value
Government bonds	\$ 520,300	\$ 538,353
Mutual funds	111,166	117,995
Money market funds	914	914
	<u>\$ 632,380</u>	<u>\$ 657,262</u>

	June 30, 2019	
	Cost	Fair Value
Government bonds	\$ 558,475	\$ 556,546
Mutual funds	77,745	79,524
Money market funds	963	963
	<u>\$ 637,183</u>	<u>\$ 637,033</u>

The following schedule summarizes the investment returns on the limited use investments:

	Year ended June 30,	
	2020	2019
Investment income	\$ 17,988	\$ 14,677
Unrealized/realized gains	28,154	25,492
	<u>\$ 46,142</u>	<u>\$ 40,169</u>

7 - FAIR VALUE MEASUREMENTS

US GAAP defines fair value, provides guidance for measuring fair value and requires certain disclosures. US GAAP discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). US GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 - FAIR VALUE MEASUREMENTS (Continued)

The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect management's own assumptions.

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy, as applicable.

Cash and Money Market Funds - Valued at the quoted net asset values of the shares held by the Organization at year-end.

Common Stocks - Valued at the daily closing price as reported by the corporations which are registered with the Securities and Exchange Commission. The common stocks held by the Organization are deemed to be actively traded.

Mutual Funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Government agency bonds - Valued at the closing price reported for similar bonds traded on the secondary market.

Overlay portfolio Investments - Valued at NAV provided by the portfolio manager are based on the NAV per share as reported by the investee as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the portfolio less its liabilities. The objective of the portfolios is to diversify RHD's overall investment strategy, risk and returns. The portfolio investments invest in a diversified array of equity and fixed income securities and other financial instruments, including derivatives. The investments include issuers located both within and outside the United States.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 - FAIR VALUE MEASUREMENTS (Continued)

The Organization's investments and limited use investments are reported at fair value in the accompanying consolidated financial statements as follows:

	Fair Value at June 30, 2020			
	Total	Level 1	Level 2	Level 3
Cash and money market funds	\$ 18,079	\$ 18,079	\$ -	\$ -
Government bonds	538,353	-	538,353	-
Common stocks	1,221,443	1,221,443	-	-
Mutual funds	4,172,493	4,172,493	-	-
Total investment in the fair value hierarchy	5,950,368	5,412,015	538,353	-
Overlay portfolio investments reported at net asset value as a practical expedient (a)	1,691,903	-	-	-
Total investment assets at fair value	\$ 7,642,271	\$ 5,412,015	\$ 538,353	\$ -

	Fair Value at June 30, 2019			
	Total	Level 1	Level 2	Level 3
Cash and money market funds	\$ 11,011	\$ 11,011	\$ -	\$ -
Government bonds	556,546	-	556,546	-
Common stocks	1,120,945	1,120,945	-	-
Mutual funds	3,912,696	3,912,696	-	-
Total investment in the fair value hierarchy	5,601,198	5,044,652	556,546	-
Overlay portfolio investments reported at net asset value as a practical expedient (a)	1,685,670	-	-	-
Total investment assets at fair value	\$ 7,286,868	\$ 5,044,652	\$ 556,546	\$ -

(a) Certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The net asset value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position. These investments are presented at fair value, with no unfunded commitments, which can be redeemed daily with no required notice period at June 30, 2020 and 2019.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 - PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment (at cost) and accumulated depreciation and amortization:

	June 30,	
	2020	2019
Real estate and improvements	\$ 28,160,418	\$ 26,355,724
Leasehold improvements	18,778,840	18,011,532
Furniture and fixtures	2,041,429	2,069,552
Computer equipment and software	8,540,566	8,262,455
Automobiles	6,710,887	8,253,900
	64,232,140	62,953,163
Less accumulated depreciation and amortization	(47,157,069)	(44,826,111)
	\$ 17,075,071	\$ 18,127,052

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 is as follows:

	2020	2019
Program	\$ 2,034,774	\$ 2,106,374
Management and general	1,738,661	1,990,375
Other operating	225,551	227,980
	\$ 3,998,986	\$ 4,324,729

9 - ADVANCES AND LOANS

The Organization, through its for-profit subsidiary, Murex, has made loans and advances to certain partnerships and companies located in distressed areas of Philadelphia, Pennsylvania. These entities adhere to certain principles, including a minimum level of hiring local people from welfare, a minimum wage in excess of the applicable minimum wage, and the sharing of profits with the employees.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 - ADVANCES AND LOANS (Continued)

These advances and loans have interest rates that range from 0% to 8% and varying payment terms ranging from amounts due on demand to defined payments through April 2040. Some advances which are due on demand are classified as long-term as it is not the intention of the Organization to call these advances for payment during the fiscal year ending June 30, 2021.

The nature of the significant advances and loans are as follows:

	June 30, 2020		
	Balance	Allowance	Net
Advances to companies	\$ 17,343	\$ (17,343)	\$ -
Mortgage note receivables	119,448	-	119,448
	136,791	(17,343)	119,448
Less current portion	12,037	(8,390)	3,647
	<u>\$ 124,754</u>	<u>\$ (8,953)</u>	<u>\$ 115,801</u>

	June 30, 2019		
	Balance	Allowance	Net
Advances to companies	\$ 17,343	\$ (17,343)	\$ -
Mortgage note receivables	122,352	-	122,352
	139,695	(17,343)	122,352
Less current portion	12,037	(8,390)	3,647
	<u>\$ 127,658</u>	<u>\$ (8,953)</u>	<u>\$ 118,705</u>

Allowances are determined based on the Organization's assessment of the creditworthiness of the companies. Changes in the allowance for doubtful advances and loans are as follows:

	Year ended June 30,	
	2020	2019
Beginning balance	\$ 17,343	\$ 157,113
Written off	-	(137,073)
Recovered	-	(2,697)
Ending balance	<u>\$ 17,343</u>	<u>\$ 17,343</u>

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 - DEFERRED INCOME TAXES AND NET OPERATING LOSS CARRYFORWARDS

Murex has recorded a net deferred income tax asset resulting from net operating loss carryforwards and allowances created against advances and loans to investees. As of June 30, 2020 and 2019, management has created a valuation allowance to account for the uncertainty that a portion of the deferred tax asset would be utilized.

The tax effects of temporary differences and carryforwards that give rise to deferred income tax assets consist of the following:

	June 30,	
	2020	2019
Net operating loss carryforwards	\$ 462,453	\$ 465,017
Allowance on advances and loans to investees	9,934	9,934
Deferred income tax assets	472,387	474,951
Valuation allowance	(472,387)	(474,951)
	\$ -	\$ -

Murex has net operating loss carryforwards of approximately \$2,200,000 as of June 30, 2020 which are available to offset future federal taxable income. These carryforwards will begin to expire in 2030.

Provisions for income tax expenses are included in other operating expenditures on the consolidated statements of activities and consist of the following components:

	2020		2019	
	2020	2019	2020	2019
Deferred income tax expense	\$ 2,564	\$ 357,260	\$ 2,564	\$ 357,260
Change in valuation allowance	(2,564)	(357,260)	(2,564)	(357,260)
	\$ -	\$ -	\$ -	\$ -

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 - LINE OF CREDIT

At June 30, 2020 and 2019, RHD had available a line of credit with a bank in the amount of \$22,000,000. Related borrowings incur interest at the one-month LIBOR plus 2.5%. The effective rate at June 30, 2020 and 2019 was 3.00% and 4.90%, respectively. This line expires in June 2021 and collateralized by accounts receivable and other assets of RHD. As of June 30, 2020 and 2019, there was no outstanding balance on this line. This line requires RHD to maintain a defined ratio of debt service and expendable financial resources to debt ratio.

RHD was obligated under outstanding letters of credit of \$8,698,750 and \$6,925,000 as of June 30, 2020 and 2019, respectively.

12 - LONG-TERM DEBT

Long-term debt consists of the following:

	June 30,	
	2020	2019
RHD		
Mortgage notes, financial institutions and state authorities, payable in monthly installments ranging from \$0 to \$21,001, mostly including interest ranging from 1.0% to 6.63%, collateralized by various properties, maturing at various times through December 2040. There is no federal funding related to these loans.	\$ 4,368,027	\$ 4,718,081
Note payable, interest and principal due monthly, interest at a fixed rate of 3.75% through 2020, collateralized by accounts receivable and other assets. The note was repaid as of June 30, 2020.	-	1,244,602
Unsecured note payable, principal due monthly, with no interest through 2019. The note was repaid as of June 30, 2020.	-	40,887

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 - LONG-TERM DEBT (Continued)

	June 30,	
	2020	2019
Murex		
Mortgage notes (related to Taunton Run), payable in monthly installments ranging from \$0 to \$23,602, mostly including interest ranging from 1% to 7.1%, collateralized by rental property and equipment, maturing at various times from 2027 through 2028.	3,112,148	3,250,365
	7,480,175	9,253,935
Less current portion	(437,426)	(2,134,674)
Long-term portion	\$ 7,042,749	\$ 7,119,261

Maturities of long-term debt over the next five years and thereafter are as follows:

Year Ending June 30,	
2021	\$ 437,426
2022	461,262
2023	487,994
2024	495,757
2025	523,267
Thereafter	5,074,469
Total	\$ 7,480,175

Interest expense for the years ended June 30, 2020 and 2019 was \$426,946 and \$484,577, respectively.

13 - LEASE COMMITMENTS

Operating Leases

RHD leases various buildings and equipment under leasing arrangements expiring through 2039. These leases are accounted for as operating leases. Generally, leases with terms beyond one year contain defunding clauses which allow RHD to terminate a lease, within 90 days of the loss of government funding. Some of these leases have escalation clauses for future lease payments. These leases are being accounted for on the straight-line basis with a deferred rent obligation of \$872,770 and \$723,118 included in the consolidated financial statements at June 30, 2020 and 2019, respectively. The current portion of this liability is \$80,858 and \$111,305, respectively, and has been included in accounts payable and accrued expenses.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 - LEASE COMMITMENTS (Continued)

Operating Leases (Continued)

Future minimum annual rental payments required under lease arrangements are as follows:

Year Ending June 30,	
2021	\$ 10,460,600
2022	7,338,508
2023	6,525,860
2024	4,399,017
2025	2,679,269
Thereafter	4,206,615
Total	\$ 35,609,869

RHD also maintains numerous property leases with terms of up to one year which are not included in the above schedule. Rent expense for the years ended June 30, 2020 and 2019 totaled \$14,385,195 and \$13,921,189, respectively. Total equipment rental expense incurred for the years ended June 30, 2020 and 2019 was \$1,851,922 and \$1,779,143, respectively.

14 - SELF-INSURANCE

RHD self-insures for workers compensation claims under a large deductible insurance program. Excess and other insurance policies are maintained with respect to the various other exposures, and all claims are handled by third-party administrators. Included in accounts payable and accrued expenses at June 30, 2020 and 2019 is approximately \$6,152,000 and \$5,438,000, respectively, for claims incurred but not reported for all self-insured retentions, which represents an estimate by management. The ultimate cost, however, will depend on the magnitude and extent of claims incurred but not reported.

RHD is also self-insured for unemployment claims in certain states, and therefore is responsible for paying actual unemployment claims as they are incurred. As a result, approximately \$4,275,000 and \$4,006,000 is included in accrued payroll and related liabilities as of June 30, 2020 and 2019, respectively, as a reserve for potential future unemployment claims. This is an estimate by management and the ultimate cost will depend on the extent of future claims.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 - RETIREMENT PLANS

Deferred Compensation Plan

RHD has implemented a non-qualified deferred compensation plan in accordance with Internal Revenue Service Code Section 457. In order to receive a payment under this plan, an employee must have met three requirements: worked full-time for RHD for 25 years, have attained the age of 65, and have fully retired. The payments will commence upon the employee's retirement from RHD. The payments are based on the employee's annual salary that is in effect on the date all eligibility criteria are met. To the extent the corporate resources can support it, the payments will be paid over six years in six equal annual installments. At June 30, 2020 and 2019, the liability amount recorded related to this benefit is \$908,519 and \$727,564, respectively. The current portion of this liability is \$110,752 and \$61,554, respectively, and has been included in accrued payroll and related liabilities.

Medical Retirement Plan

RHD has implemented a non-qualified medical retirement plan. In order to receive a payment under this plan, an employee must have met three requirements: worked full-time for RHD for 10 years, attained the age of 65, and have fully retired. The benefit amount for eligible expenditures is \$2,100 per year based on the number of years of service, and is paid over the course of 2 to 10 years to the extent the corporate resources can support the payments. At June 30, 2020 and 2019, the liability amount recorded related to this benefit is \$74,725 and \$59,012, respectively, has been included in accrued payroll and related liabilities.

Pension Plan

RHD maintains a 403(b) plan for the benefit of its employees. Employee participation is voluntary and contributions by the employees are pursuant to salary reduction. RHD does not match employee contributions, but can elect to make employer contributions to benefit participating employees. During the years ended June 30, 2020 and 2019, RHD has accrued \$0 and \$386,884, respectively, in employer contributions for the employees of one of its programs.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	June 30,	
	2020	2019
Programmatic restrictions		
New Beginnings Programs	\$ 121,759	\$ 1,043,380
Behavioral Health	515,332	600,274
Healthcare	307,410	247,964
Intellectual Developmental Disability	428,454	600,672
Other	318,793	167,228
Time and purpose restrictions	57,626	132,590
	\$ 1,749,374	\$ 2,792,108

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by the expiration of a time restriction or by occurrence of other events specified by donors.

	June 30,	
	2020	2019
Purpose restrictions accomplished		
New Beginnings Programs	\$ 2,455,461	\$ 1,899,292
Behavioral Health	347,524	267,744
Healthcare	189,720	227,059
Intellectual Developmental Disability	182,318	29,346
Other	101,922	133,580
Total	\$ 3,276,945	\$ 2,557,021

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 - SUPPORT AND REVENUE

Net Patient Services Revenue

Net patient services revenue includes a variety of services mainly covering intellectual or developmental disabilities, behavioral health and healthcare services. The composition of net patient service revenue based on services are as follows:

	Year ended June 30,	
	2020	2019
Medicaid	\$ 110,391,465	\$ 110,942,286
Managed care	53,311,077	57,642,506
Patient/client fees	13,041,123	13,680,027
Pharmacy	10,926,183	6,656,817
Total net patient services	\$ 187,669,848	\$ 188,921,636

A breakdown of support and revenue both with and without donor restrictions by geographic region for RHD only is as follows:

	Year ended June 30,	
	2020	2019
Connecticut	\$ 9,686,325	\$ 9,372,829
Delaware	16,681,036	15,141,349
Florida	563,414	581,692
Iowa	3,716,599	2,822,617
Louisiana	7,926,009	7,480,607
Massachusetts	9,449,662	9,156,760
Missouri	6,120,165	8,147,357
Nebraska	2,368,781	2,655,678
New Jersey	5,007,920	4,826,449
North Carolina	2,577,956	2,785,588
Pennsylvania	200,338,494	195,384,074
Rhode Island	2,336,104	3,148,097
South Dakota	5,355,377	3,262,076
Tennessee	2,808,983	6,886,855
Total	\$ 274,936,825	\$ 271,652,028

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18 - CONCENTRATIONS OF CREDIT RISK AND CONTINGENCIES

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and receivables from governmental and other agencies. The receivables from governmental agencies are primarily obligations of the federal and various state governments, the City of Philadelphia and various counties. In addition, there are accounts receivable from third party managed care organizations that reimburse the Organization on behalf of governmental agencies.

A portion of the Organization's assets are invested in investment securities. Investment securities are exposed to various risks such as interest rate market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the consolidated financial statements.

Programs operated by the Organization are primarily funded by various governmental agencies. The ability of the Organization to maintain its overhead structure and meet future financial commitments is dependent on the continued funding of these programs.

The Organization maintains cash balances at financial institutions located in various states. Accounts at an institution may, at times, exceed the federally insured limits of \$250,000. As of June 30, 2020, approximately \$7,700,000 of cash balances exceeded insured limits.

Litigation

The Organization is currently defending itself in several ongoing lawsuits. All estimated costs relating to these actions have been included in accrued expenses (see Note 14) or are covered under existing insurance policies.

19 - CONSOLIDATION OF VARIABLE INTEREST ENTITIES

A variable interest entity ("VIE") is consolidated if the VIE has either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity's activities. SNPT is the only VIE within these consolidated financial statements and was established to hold and invest assets on behalf of participating consumers of certain programs.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19 - CONSOLIDATION OF VARIABLE INTEREST ENTITIES (Continued)

RHD is the primary beneficiary of SNPT based on results of a qualitative assessment that RHD has the power to direct the activities that most significantly impact SNPT's economic performance.

Assets, liabilities and capital related to this VIE included in the consolidated statements of financial position (before eliminations) are as follows:

	June 30,	
	2020	2019
Limited use investments	\$ 657,262	\$ 637,033
Equity	(657,262)	(637,033)
	\$ -	\$ -

20 - UNCERTAIN TAX POSITIONS

Management of the Organization considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including changes to the Organization's status as a not-for-profit entity. Management believes RHD and NPHO met the requirements to maintain its tax-exempt status and has not identified any uncertain tax positions subject to the unrelated business income tax that require recognition or disclosure in the accompanying consolidated financial statements. Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying consolidated financial statements related to Murex, as well as its related for-profit entities.

21 - RISKS AND UNCERTAINTIES

The spread of a novel strain of coronavirus ("COVID-19") around the world in 2020 has caused significant volatility in the U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, RHD is unable to determine if it ultimately will have a material impact to its operations. However, through the date of the report, RHD's services have been considered essential in nature and have not been materially interrupted.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22 - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through March 29, 2021, the date on which the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors and Officers
Resources for Human Development, Inc. and Subsidiaries

We have audited the consolidated financial statements of Resources for Human Development, Inc. and Subsidiaries (RHD) (a nonprofit organization) and Subsidiaries (the Organization) as of and for the year ended June 30, 2020, and our report thereon dated March 29, 2021, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1-2. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating financial statements and selected notes included on pages 41-45 are presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual companies and is not a required part of the consolidated statements. The accompanying information on page 46 is also presented for purposes of additional analysis and is not required part of the basic consolidated statements. The schedule on page 46 includes only information of Resources for Human Development, Inc. and not its subsidiaries. All supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures including comparing and reconciling such information directly to underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Friedman LLP

Philadelphia, Pennsylvania
March 29, 2021

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020

	Resources for Human Development, Inc.	Other Entities		Eliminations	Total
		Murex Corporation	NPHO & SNPT		
ASSETS					
Current assets					
Cash and cash equivalents	\$ 21,310,291	\$ 208,294	\$ -	\$ -	\$ 21,518,585
Limited use cash and cash equivalents	1,240,968	468,568	-	-	1,709,536
Investments	6,985,009	-	-	-	6,985,009
Limited use investments	-	-	657,262	-	657,262
Accounts receivable, net of allowance for doubtful accounts of \$6,298,325	32,525,038	1,005	-	(230)	32,525,813
Advances and loans, current portion and net of allowance for uncollectible advances and loans of \$8,390	-	3,647	-	-	3,647
Prepaid expenses and other current assets	3,187,830	17,525	-	-	3,205,355
Total current assets	65,249,136	699,039	657,262	(230)	66,605,207
Property and equipment, net	13,525,986	3,549,085	-	-	17,075,071
Advances and loans, net of current portion and allowance for uncollectible advances and loans of \$8,953	118,715	115,801	-	(118,715)	115,801
Other assets	270,737	227,757	-	-	498,494
Total assets	\$ 79,164,574	\$ 4,591,682	\$ 657,262	\$ (118,945)	\$ 84,294,573

(Continued)

See independent auditors' report on supplementary information and selected notes to supplementary information.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020

	Resources for Human Development, Inc.	Other Entities <u>Murex Corporation</u>	NPFO & SNPT	Eliminations	Total
LIABILITIES AND NET ASSETS					
Current liabilities					
Long-term debt, current portion	\$ 289,014	\$ 148,412	\$ -	\$ -	\$ 437,426
Accounts payable and accrued expenses	14,948,602	327,017	-	-	15,275,619
Accrued payroll and related liabilities, current portion	19,058,192	-	-	-	19,058,192
Refundable advances, current portion	13,466,099	-	-	-	13,466,099
Due to consumers	1,240,968	-	-	-	1,240,968
Total current liabilities	49,002,875	475,429	-	-	49,478,304
Long-term liabilities					
Long-term debt, net of current portion	4,079,013	2,963,736	-	-	7,042,749
Accrued payroll and related liabilities, net of current portion	1,350,822	-	-	-	1,350,822
Refundable advances, net of current portion	672,883	-	-	-	672,883
Deferred rent obligation, net of current portion	791,912	-	-	-	791,912
Retirement plans, net of current portion	797,767	-	-	-	797,767
Other	-	2,370,841	-	(2,370,841)	-
Total liabilities	56,695,272	5,810,006	-	(2,370,841)	60,134,437
Stockholders' equity					
Common stock	-	100	-	(100)	-
Additional paid in capital	-	608,330	-	(608,330)	-
Accumulated deficit	-	(1,826,754)	-	1,826,754	-
Net assets					
Without donor restrictions	20,719,928	-	-	1,033,572	21,753,500
With donor restrictions	1,749,374	-	-	-	1,749,374
Total net assets before noncontrolling interests	22,469,302	(1,218,324)	-	2,251,896	23,502,874
Noncontrolling interests	-	-	657,262	-	657,262
Total net assets	22,469,302	(1,218,324)	657,262	2,251,896	24,160,136
Total liabilities and net assets	\$ 79,164,574	\$ 4,591,682	\$ 657,262	\$ (118,945)	\$ 84,294,573

See independent auditors' report on supplementary information and selected notes to supplementary information.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Resources for Human Development, Inc.			Other Entities			Total
	Operating	Equipment	Total	Murex Corporation	NPHO & SNPT	Eliminations	
Changes in net assets without donor restrictions							
Support and revenue							
Government grants	\$ 80,381,340	\$ 2,049,330	\$ 82,430,670	\$ -	\$ -	\$ -	\$ 82,430,670
Net patient services	187,669,848	-	187,669,848	-	-	-	187,669,848
Grants and contributions (non-government)	96,490	-	96,490	-	-	-	96,490
Interest and miscellaneous	2,505,606	-	2,505,606	1,004,627	46,142	(36,720)	3,519,655
Total support and revenue without donor restrictions before net assets released from restrictions	270,653,284	2,049,330	272,702,614	1,004,627	46,142	(36,720)	273,716,663
Net assets released from restrictions	3,276,945	-	3,276,945	-	-	-	3,276,945
Total support, revenue and other without donor restrictions	273,930,229	2,049,330	275,979,559	1,004,627	46,142	(36,720)	276,993,608
Expenditures							
Program	240,704,497	949,040	241,653,537	-	-	(36,720)	241,616,817
Management and general	33,166,414	-	33,166,414	-	20,943	49,192	33,236,549
Fundraising	537,619	-	537,619	-	-	-	537,619
Other operating	-	-	-	913,031	-	-	913,031
Total expenditures	274,408,530	949,040	275,357,570	913,031	20,943	12,472	276,304,016
Change from operations in net assets without donor restrictions before noncontrolling interest	(478,301)	1,100,290	621,989	91,596	25,199	(49,192)	689,592
Noncontrolling interest in net income of investments	-	-	-	-	(25,199)	-	(25,199)
Changes in net assets without donor restrictions	(478,301)	1,100,290	621,989	91,596	-	(49,192)	664,393
Changes in net assets with donor restrictions							
Contributions	2,234,211	-	2,234,211	-	-	-	2,234,211
Net assets released from restrictions	(3,276,945)	-	(3,276,945)	-	-	-	(3,276,945)
Changes in net assets with donor restrictions	(1,042,734)	-	(1,042,734)	-	-	-	(1,042,734)
Changes in total net assets	\$ (1,521,035)	\$ 1,100,290	\$ (420,745)	\$ 91,596	\$ -	\$ (49,192)	\$ (378,341)

See independent auditors' report on supplementary information and selected notes to supplementary information.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020

	Resources for Human Development, Inc.			Other Entities				Total
	Operating	Equipment	Total	Murex Corporation	NPHO & SNPT	Eliminations		
Net assets without donor restrictions, beginning	\$ 15,284,155	\$ 4,813,784	\$ 20,097,939	\$ (1,309,920)	\$ 637,033	\$ 2,301,088	\$ 21,726,140	
Changes in net assets without donor restrictions	(478,301)	1,100,290	621,989	91,596	-	(49,192)	664,393	
Net investment income	-	-	-	-	25,199	-	25,199	
Contributions	-	-	-	-	25,500	-	25,500	
Distributions	-	-	-	-	(30,470)	-	(30,470)	
Total net assets without donor restrictions, ending	14,805,854	5,914,074	20,719,928	(1,218,324)	657,262	2,251,896	22,410,762	
Net assets with donor restrictions, beginning	2,792,108	-	2,792,108	-	-	-	2,792,108	
Changes in net assets with donor restrictions	(1,042,734)	-	(1,042,734)	-	-	-	(1,042,734)	
Total net assets with donor restrictions, ending	1,749,374	-	1,749,374	-	-	-	1,749,374	
Total net assets, end of year	\$ 16,555,228	\$ 5,914,074	\$ 22,469,302	\$ (1,218,324)	\$ 657,262	\$ 2,251,896	\$ 24,160,136	

See independent auditors' report on supplementary information and selected notes to supplementary information.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

SELECTED NOTES TO SUPPLEMENTARY INFORMATION

1 - CONSOLIDATING FINANCIAL STATEMENTS, BASIS OF PRESENTATION

Resources for Human Development, Inc.

Operating

The Operating column reflects the operating activities of RHD, excluding activities associated with the acquisition and depreciation of property and equipment funded directly by governmental contracts (equipment column).

Equipment

The related revenue and depreciation of the property and equipment utilized within some RHD programs is reflected in the Equipment column. The cost of the property and equipment is included in the program's budgets and is typically funded directly by governmental contracts. Expenditures reflected in the Equipment column represent the depreciation on this property and equipment.

Net assets reflected on the consolidating statements of changes in net assets will be utilized to offset depreciation in future years.

Other Entities

As discussed in Note 2 in the notes to consolidated financial statements, 100% of Murex Corporation is owned by RHD. In addition, RHD has control of one related not-for-profit organization, The Non-Profit Housing Corporation of Pennsylvania, which is dormant as of June 30, 2020, as well as one trust, The RHD Special Needs Pooled Trust. The activity for these entities is reflected in the consolidating financial statements. All activity between these entities has been eliminated and the eliminated activity is reflected in the Eliminations column on the consolidating financial statements.

The following entities have been consolidated with Murex Corporation and are reflected in the consolidating financial statements: Murex TRS, Inc. and TRS, LLP.

RESOURCES FOR HUMAN DEVELOPMENT, INC.
STATE OF LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER
YEAR ENDED JUNE 30, 2020

Chief Executive Officer Name: Marco Giordano

Purpose		
Salary	\$	176,346
Benefits-insurance		17,477
Benefits-retirement		-
Deferred compensation (contributions made by the agency)		-
Benefits- Payroll taxes		11,220
Car allowance		-
Vehicle provided by government		-
Cell phone		576
Dues		-
Vehicle rental		643
Per diem		-
Reimbursements		-
Travel		9,649
Registration fees		-
Conference travel		76
Housing		-
Unvouchered expenses		-
Special meals		671
Other (including payments made by other parties on behalf of the agency head)		528
Total	\$	217,186

Amounts on this schedule do not include the accrual for vacation as discussed in footnote 2 to the consolidated financial statements.

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*

Board of Directors and Officers
Resources for Human Development, Inc. and Subsidiaries

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 Resources for Human Development, Inc. (RHD) (a nonprofit organization) and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, changes in net assets, functional expenditures, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered RHD's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of RHD's internal control. Accordingly, we do not express an opinion on the effectiveness of the RHD'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.

(Continued)

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RHD's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statement. 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*.

Resources for Human Development's Response to Finding

RHD's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. RHD's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Philadelphia, Pennsylvania
March 29, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors and Officers
Resources for Human Development, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

We have audited Resources for Human Development, Inc. ("RHD") and Subsidiaries' (the 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 RHD's major federal programs for the year ended June 30, 2020. RHD's major federal programs are identified in the summary of auditor's 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 RHD'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 RHD'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 RHD's compliance.

(Continued)

Opinion on Each Major Federal Program

In our opinion, RHD complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of RHD 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 RHD'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 RHD'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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompany schedule of findings and questioned costs as items 2020-002 and 2020-003, that we considered to be significant deficiencies.

RHD's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. RHD's response was not subjected to the auditing procedures applied in the audit of the compliance, accordingly, we express no opinion on the response.

(Continued)

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. Under Louisiana Revised Schedule 24:513, this report is distributed by the Legislative Auditor as a public document.

Friedman LLP

Philadelphia, Pennsylvania

March 29, 2021

RESOURCES FOR HUMAN DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS
YEAR ENDED JUNE 30, 2020

Federal grantor/pass-through grantor/program title	Federal CFDA Number	Passthrough Grantor's Number	Grant Period	2020 Expenditures
Federal Financial Assistance				
<u>U.S. Department of Health and Human Services</u>				
Health Center Cluster	93.224	H80 CS 00718	09/01/02 - 03/31/21	\$ 1,094,186
Health Center Cluster	93.527	H80 CS 00718	09/01/02 - 03/31/21	2,825,063
Family Practice and Counseling Network	93.359	UD7 HP 29870	07/01/16 - 06/30/20	426,772
Health Center - Expanded Capacity for Testing (ECT)	93.224	H8ECS38901	05/01/20 - 04/30/21	66,755
Pass-through Bucks County Drug and Alcohol Commission				
Bucks County Halfway House	93.959	N/A	07/01/16 - 06/30/21	83,423
Womanspace Ardmore	93.959	N/A	07/01/19 - 06/30/20	6,188
Pass-through State of Delaware				
Assertive Community Treatment	93.958	21774	07/01/16 - 06/30/20	5,510
Intensive Case Management	93.958	21879	07/01/16 - 06/30/20	77,412
Pass-through State of Nebraska				
RHD Nebraska	93.778	N/A	07/01/19 - 06/30/20	1,239,467
Pass-through Rhode Island				
RHD Rhode Island	93.778	RH54940	07/01/19 - 06/30/20	1,136,917
Pass-through Pennsylvania Department of Human Services				
Montgomery County - MH and D&A (Various)	93.959	N/A	07/01/19 - 06/30/20	385,941
Montgomery County - MH and D&A (Various)	93.788	N/A	07/01/19 - 06/30/20	181,404
Montgomery County - IDD	93.667	1701PASOSR	07/01/19 - 06/30/20	22,382
Pass-through Montgomery County Department of Human Services				
Montgomery County Dept of BH/DD	93.958	SM010044	07/01/19 - 06/30/20	284,329
Montgomery County Dept of BH/DD	93.667	1901PASOSR	07/01/19 - 09/30/19	109,713
Montgomery County Dept of BH/DD	93.667	2001PASOSR	10/01/19 - 06/30/20	329,140

(Continued)

See independent auditors' report and notes to schedule of expenditures of Federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS
YEAR ENDED JUNE 30, 2020

Federal grantor/pass-through grantor/program title	Federal CFDA Number	Passthrough Grantor's Number	Grant Period	2020 Expenditures
Pass-through Philadelphia Office of Behavioral Health /Intellectual Disability Services MH Base Unitary	93.150	17-20075-03	07/01/19 - 06/30/20	264,076
Pass-through Philadelphia Office of Homeless Services Rapid Rehousing	93.667	1820309-02	07/01/19 - 06/30/20	86,998
Pass-through Center for Disease Control and Prevention City of Philadelphia Department of Public Health AIDS Activities Coordinating Office				
Family Practice and Counseling Network	93.914	1720690-02	03/01/19 - 02/29/20	29,962
Family Practice and Counseling Network	93.914	1720690-02	08/01/19 - 02/29/20	29,216
Family Practice and Counseling Network	93.914	1720690-03	03/01/20 - 02/28/21	17,084
Family Practice and Counseling Network	93.914	1720690-03	03/01/20 - 02/28/21	23,112
Morris Home	93.940	1820470-02	01/01/19 - 12/31/19	24,289
Morris Home	93.940	1820470-02	01/01/20 - 12/31/20	19,344
Pass-through Sixth Judicial District Department of Correctional Services RHD Iowa	93.243	N/A	07/01/19 - 06/30/20	124,508
Pass-through Philadelphia Youth Network Workready	93.558	10621	07/01/19 - 06/30/20	13,206
Pass-through Access Matters				
Family Practice and Counseling Network	93.667	193901	07/01/18 - 06/30/19	12,665
Family Practice and Counseling Network	93.977	193901	07/01/18 - 06/30/19	70
Family Practice and Counseling Network	93.217	203901	04/01/19 - 06/30/20	42,510
Family Practice and Counseling Network	93.217	203901	04/01/19 - 06/30/20	295,843
Family Practice and Counseling Network	93.667	203901	04/01/19 - 06/30/20	19,678
Family Practice and Counseling Network	93.994	203901	04/01/19 - 06/30/20	590
Family Practice and Counseling Network	93.994	193010	07/01/18 - 06/30/19	3,081
Family Practice and Counseling Network	93.217	193010	07/01/18 - 06/30/19	19
Family Practice and Counseling Network	93.994	203010	07/01/19 - 06/30/20	36,455
Family Practice and Counseling Network	93.217	203010	07/01/19 - 06/30/20	17,244

(Continued)

See independent auditors' report and notes to schedule of expenditures of Federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS
YEAR ENDED JUNE 30, 2020

Federal grantor/pass-through grantor/program title	Federal CFDA Number	Passthrough Grantor's Number	Grant Period	2020 Expenditures
Pass-through Philadelphia Works RHD Shared Services	93.558	PW18-080	07/01/19 - 06/30/20	235,431
Pass-through Monroe County Crossroads	93.569	N/A	09/26/19 - 03/26/21	27,658
Pass-through Lehigh County Human Services Lehigh County MH	93.667	19-MHID-261	07/01/19 - 06/30/20	56,506
Lehigh County MH	93.958	19-MHID-261	07/01/19 - 06/30/20	382,410
Pass-through Beaver County BH Core Beaver County	93.788	N/A	07/01/19 - 06/30/20	3,570
Core Beaver County	93.959	N/A	07/01/19 - 06/30/20	8,000
Total U.S. Department of Health and Human Services				10,048,127

U.S. Department of Housing and Urban Development

Crossroads	14.267	PA0205L3T091710	10/01/18 - 09/30/19	64,046
Crossroads	14.267	PA0206L3T091710	01/01/19 - 12/31/19	168,409
Crossroads	14.267	PA0708L3T091703	01/01/19 - 12/31/19	37,836
Crossroads	14.267	PA0068L3T001811	07/01/19 - 06/30/20	184,415
Crossroads	14.267	PA0449L3T091807	03/01/19 - 02/29/20	85,390
Crossroads	14.267	PA0211L3T091811	07/01/19 - 06/30/20	193,686
Crossroads	14.267	PA0205L3T091811	10/01/19 - 09/30/20	201,134
Crossroads	14.267	PA0206L3T091811	01/01/20 - 12/31/20	162,655
Crossroads	14.267	PA0708L3T091804	01/01/20 - 12/31/20	36,644
Crossroads	14.267	PA0736L3T091803	12/01/19 - 11/30/20	10,882
Crossroads	14.267	PA0449L3T091908	03/01/20 - 02/28/21	40,957
Pass-through 1260 Housing Development Corporation RHD Mainstream	14.267	PA0071L3T001609	07/01/19 - 06/30/20	205,487

(Continued)

See independent auditors' report and notes to schedule of expenditures of Federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS
YEAR ENDED JUNE 30, 2020

Federal grantor/pass-through grantor/program title	Federal CFDA Number	Passthrough Grantor's Number	Grant Period	2020 Expenditures
Pass-through Unity of Greater New Orleans CoC program	14.267	LA0086LH031811	07/01/19 - 06/30/20	38,524
Pass-through Township of Lower Merion Lower Merion	14.218	N/A	07/01/19 - 06/30/20	18,721
Pass-through Monroe County Commissioners RHD Street2Feet	14.231	N/A	01/01/20 - 12/31/20	11,727
Pass-through Montgomery County Department of Housing and Community Development				
Coordinated Homeless Outreach Center - Shelter Ops	14.218	B-18-03-207	10/01/18 - 09/30/19	21,835
Coordinated Homeless Outreach Center - Shelter Ops	14.218	B-19-03-206	10/01/19 - 09/30/20	52,010
Pass-through Montgomery County Department of Behavioral Health and Developmental Disabilities				
Coordinated Homeless Outreach Center - Shelter Ops	14.267	PA0127L3T041811	07/01/19 - 06/30/20	173,295
Pass-through Philadelphia Office of Housing and Community Development				
HOME - Families in Transition	14.239	2020197	07/01/19 - 06/30/20	229,825
Pass-through Philadelphia Office of Homeless Services Fernwood Winter Initiative	14.231	2020389-02	07/01/19 - 06/30/20	262,860
Pass-through Monroe County Crossroads	14.231	N/A	11/30/18 - 05/30/20	66,713
Crossroads	14.231	N/A	01/01/19 - 12/31/19	9,470
Pass-through Housing Alliance of PA Crossroads	 14.267	PA0815L3T0916000, PA0815L3T091701, PA0736L3T091702	 11/01/18 - 11/30/19	 9,401
Total U.S. Department of Housing and Urban Development				2,285,922

(Continued)

See independent auditors' report and notes to schedule of expenditures of Federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS
YEAR ENDED JUNE 30, 2020

Federal grantor/pass-through grantor/program title	Federal CFDA Number	Passthrough Grantor's Number	Grant Period	2020 Expenditures
<u>U.S. Department of Education</u>				
Pass-through State of Rhode Island Office of Rehabilitation Services RHD Rhode Island	84.126	N/A	07/01/19 - 06/30/20	5,186
Total U.S. Department of Education				5,186
<u>U.S. Department of Homeland Security</u>				
Pass-through United Way Emergency Food and Shelter Program Shelter & Safe Haven Peer Services	97.024	731000-082	10/31/18 - 03/31/20	42,000
Pass-through Montgomery County Department of Emergency Food and Shelter Program Coordinated Homeless Outreach Center - Shelter Ops	97.024	729400-030	01/01/20 - 05/31/21	4,485
Total U.S. Department of Homeland Security				46,485
<u>U.S. Department of Justice</u>				
Pass-through Pennsylvania Commission on Crime and Delinquency Healing Ajax	16.738	2016-JG-LS-28430	10/01/18 - 9/30/19	12,138
Total U.S. Department of Justice				12,138
<u>U.S. Department of Treasury</u>				
Pass-through Pennsylvania Department of Health Family Practice Counseling Network	21.019	N/A	03/01/20 - 11/30/20	212,341
Connecticut Department of Developmental Services CT - Day and Residential Programs	21.019	17DDS0254RD	07/01/17 - 06/30/20	453,542
Total U.S. Department of Treasury				665,883
Total Federal Financial Assistance				\$ 13,063,741

(Continued)

See independent auditors' report and notes to schedule of expenditures of Federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS
YEAR ENDED JUNE 30, 2020

	2020
Summary of Federal Financial Assistance by CFDA	Expenditures
14.218- Community Development Block Grants/Entitlement Grants	\$ 92,566
14.231- Emergency Solutions Grants Program	350,770
14.239- HOME Investment Partnerships Program	229,825
14.267- Continuum of Care Program	1,612,761
16.738- Edward Byrne Memorial Justice Assistance Grant Program	12,138
21.019- Coronavirus Relief Fund	665,883
84.126- Rehabilitation Services - Vocational Rehabilitation Grants to States	5,186
93.150- Projects for Assistance in Transition from Homelessness (PATH)	264,076
93.217- Family Planning Services	355,616
Health Center Program Cluster	
93.224- Health Center Program	1,160,941
93.527- Grants for New and Expanded Services under the Health Center Program	2,825,063
93.243- Substance Abuse and Mental Health Services Projects of Regional and National Significance	124,508
93.359- Nurse Education, Practice Quality and Retention Grants	426,772
93.558- Temporary Assistance for Needy Families (TANF)	248,637
93.569- Community Services Block Grant	27,658
93.667- Social Services Block Grant	637,082
93.778- Medical Assistance Program	2,376,384
93.788- Opioid STR	184,974
93.914- HIV Emergency Relief Project Grants	99,374
93.940- HIV Prevention Activities Health Department Based	43,633
93.958- Block Grants for Community Mental Health Services	749,661
93.959- Block Grants for Prevention and Treatment of Substance Abuse	483,552
93.977- Preventative Health Services Sexually Transmitted Diseases Control Grants	70
93.994- Maternal and Child Health Services Block Grant to the States	40,126
97.024- Emergency Food and Shelter National Board Program	46,485
	\$ 13,063,741

(Continued)

See independent auditors' report and notes to schedule of expenditures of Federal, state and city awards

RESOURCES FOR HUMAN DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS
YEAR ENDED JUNE 30, 2020

Federal grantor/pass-through grantor/program title	Federal CFDA Number	Passthrough Grantor's Number	Grant Period	2020 Expenditures
State Financial Assistance				
<u>Connecticut</u>				
Department of Developmental Services				
CT - Day and Residential programs	N/A	17DDS0254RD	07/01/17 - 06/30/20	\$ 8,613,398
Total Connecticut				8,613,398
<u>Delaware</u>				
Department of Health and Social Services				
Assertive Community Treatment - Kent County	N/A	21778	07/01/16 - 06/30/20	356,316
Assertive Community Treatment - New Castle County	N/A	21774	07/01/16- 06/30/20	545,446
Intensive Case Management Services - Sussex County	N/A	21879	07/01/16 - 06/30/20	438,669
Choices, Mainstay	N/A	21833-00-00	10/01/19 - 09/30/20	181,370
Group Home Services (Grubb, Montrose, Brandywine Hills, and Jefferson)	N/A	FY20-SF-RHD-GH	07/01/19 - 06/30/20	1,955,133
CMHBG PEER	N/A	FY20-CMHBG-PEER	09/01/19 - 06/30/20	15,123
Total Delaware				3,492,057
<u>Iowa</u>				
Mental Health /Disability Services of the East Central Region	N/A	N/A	07/01/18 - 06/30/21	216,233
Total Iowa				216,233
<u>Louisiana</u>				
Pass-through Jefferson Parish Human Service Authority				
Court Liaison	N/A	N/A	07/01/19 - 06/30/20	69,878
Hospital Transition Program	N/A	N/A	07/01/19 - 06/30/20	169,327
Total Louisiana				239,205
<u>Massachusetts</u>				
Department of Developmental Services				
Individual Support	N/A	16661060S361DDS3798H	07/01/19 - 06/30/20	74,637
Individual Support	N/A	16661060S361DDS3798H	07/01/19 - 06/30/20	438,011
Individual Support	N/A	16661060S361DDS3798H	07/01/19 - 06/30/20	15,366
Individual Support	N/A	176610667084DDS3780C	07/01/19 - 06/30/20	1,977
Individual Support	N/A	176610667084DDS3780C	07/01/19 - 06/30/20	1,685

(Continued)

See independent auditors' report and notes to schedule of expenditures of Federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS
YEAR ENDED JUNE 30, 2020

Federal grantor/pass-through grantor/program title	Federal CFDA Number	Passthrough Grantor's Number	Grant Period	2020 Expenditures
Individual Support	N/A	176610667084DDS3780C	07/01/19 - 06/30/20	85,988
Individual Support	N/A	176610667084DDS3780C	07/01/19 - 06/30/20	10,210
Individual Support	N/A	176610667084DDS3780C	07/01/19 - 06/30/20	406
Outside the Lines	N/A	INTF2038B008DDS3163H	07/01/19 - 06/30/20	37,633
Outside the Lines	N/A	INTF2038C008DDS3163H	07/01/19 - 06/30/20	40,397
Outside the Lines	N/A	INTF2038D008DDS3163H	07/01/19 - 06/30/20	23,169
Outside the Lines	N/A	INTF2059D712DDS3163H	07/01/19 - 06/30/20	8,447
Outside the Lines	N/A	INTF2061B175DDS3163H	07/01/19 - 06/30/20	75,480
Outside the Lines	N/A	INTF2061B175DDS3163H	07/01/19 - 06/30/20	19,382
Outside the Lines	N/A	INTF2061C230DDS3163H	07/01/19 - 06/30/20	143,223
Outside the Lines	N/A	INTF2061D303DDS3163H	07/01/19 - 06/30/20	67,033
Outside the Lines	N/A	INTF2061TA26DDS3196T	07/01/19 - 06/30/20	54,605
Outside the Lines	N/A	INTF20DDSWRKFRCPYMNT	07/01/19 - 06/30/20	14,772
Residential Services - Occupancy	N/A	14661061L206DDS3753M	07/01/19 - 06/30/20	218,922
Residential Services - Occupancy	N/A	14662062L232DDS3753M	07/01/19 - 06/30/20	338,443
Residential Services - Operations	N/A	14661061R206DDS3153D	07/01/19 - 06/30/20	2,092,489
Residential Services - Operations	N/A	14662062R232DDS3153D	07/01/19 - 06/30/20	4,587,401
Residential Services - Operations	N/A	14662062R232DDS3153D	07/01/19 - 06/30/20	76,109
Residential Services - Operations	N/A	200125COVID19PROVIDR	07/01/19 - 06/30/20	54,923
Residential Services - Operations	N/A	200125COVID19PROVIDR	07/01/19 - 06/30/20	54,923
Residential Services - Operations	N/A	200125COVID19PROVIDR	07/01/19 - 06/30/20	262,713
Urban Youth	N/A	INTF19612222DDS3228C	07/01/19 - 06/30/20	54,585
Outside the Lines	N/A	7000CTMCBCDS002A014	07/01/19 - 06/30/20	3,769
Total Massachusetts				8,856,698
Nebraska				
Division of Developmental Disabilities	N/A	N/A	07/01/19 - 06/30/20	1,117,830
Total Nebraska				1,117,830
New Jersey				
Department of Human Services				
Division of Mental Health Services - SALT & RIST	N/A	30415	07/01/19 - 12/31/20	2,949,006
Division of Addiction Services - Supportive Housing	N/A	20-623-ADA-0	07/01/19 - 12/31/20	556,833
Total New Jersey				3,505,839

(Continued)

See independent auditors' report and notes to schedule of expenditures of Federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS
YEAR ENDED JUNE 30, 2020

Federal grantor/pass-through grantor/program title	Federal CFDA Number	Passthrough Grantor's Number	Grant Period	2020 Expenditures
<u>Pennsylvania</u>				
Pennsylvania Office Of Vocational Rehabilitation				
Allies	N/A	N/A	07/01/19 - 06/30/20	39,723
Total Pennsylvania Office Of Vocational Rehabilitation				39,723
Pennsylvania Department of Human Services				
Pass-through Philadelphia Office of Behavioral Health / Intellectual Disability Services				
Mental Health Base Unitary	N/A	17-20075-03	07/01/19 - 06/30/20	18,103,151
Early Intervention	N/A	17-20073-03	07/01/19 - 06/30/20	333,099
				18,436,250
Pass-through Philadelphia Office of Supportive Housing				
Fernwood	N/A	1920160-02	07/01/19 - 06/30/20	122,852
Woodstock Family Center	N/A	2020113-01	07/01/19 - 06/30/20	177,468
				300,320
Pass-through Access Matters				
Family Practice Counseling Network	N/A	193901	09/01/18 - 03/31/19	999
Family Practice Counseling Network	N/A	203901	04/01/19 - 06/30/20	1,410
				2,409
Pass-through various counties				
Allegheny County	N/A	236529	07/01/19 - 06/30/20	1,159,481
Beaver County - Health Choices	N/A	N/A	06/06/17 - 06/30/20	1,409,397
Beaver County - Behavioral Health	N/A	N/A	07/01/19 - 06/30/20	56,372
Carbon Monroe Pike - Dept of MH	N/A	N/A	07/01/19 - 06/30/20	941,693
Carbon Monroe Pike Health Choices	N/A	N/A	07/01/18 - 06/30/21	451,233
Carbon Monroe Pike Health Choices	N/A	N/A	09/01/16 - 12/31/20	79,573
Chester County - MH Residential	N/A	20-19038	07/01/19 - 06/30/20	2,857,038
Chester County - MH	N/A	20-18972	07/01/19 - 06/30/20	890,702
Lehigh County - MH	N/A	19-MHID-261	07/01/19 - 06/30/20	734,394
Monroe County - MH	N/A	N/A	07/01/19 - 06/30/20	4,000

(Continued)

See independent auditors' report and notes to schedule of expenditures of Federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS
YEAR ENDED JUNE 30, 2020

Federal grantor/pass-through grantor/program title	Federal CFDA Number	Passthrough Grantor's Number	Grant Period	2020 Expenditures
Montgomery County - MH/MR (RSS/CCW)	N/A	N/A	07/01/19 - 06/30/20	208,507
Montgomery County Dept of BH/DD	N/A	RFO 14-63	07/01/19 - 06/30/20	213,303
Montgomery County Dept of BH/DD	N/A	N/A	07/01/19 - 06/30/20	5,800,072
Montgomery County Dept of BH/DD	N/A	N/A	07/01/19 - 06/30/20	229,519
Montgomery County - Reinvestment	N/A	N/A	07/01/15 - 12/31/19	26,441
Northampton County	N/A	19-1020	07/01/19 - 06/30/20	14,726
Northampton County - MH/EI/DP	N/A	19-619	07/01/19 - 06/30/20	2,364,271
Westmoreland - Health Choices	N/A	N/A	07/10/18 - 12/31/19	37,338
CCBH	N/A	N/A	01/01/19 - 12/31/19	23,803
CCBH	N/A	N/A	04/01/19 - 03/31/20	14,028
Lawrence County SCA	N/A	N/A	01/01/20 - 06/30/20	18,704
				17,534,595
Total Pennsylvania Department of Human Services				36,273,574
Pennsylvania counties				
Montgomery County Adult Probation & Parole Department	N/A	N/A	09/01/18 - 12/31/20	553,625
Montgomery County - MH/MR (RSS/CCW)	N/A	N/A	07/01/19 - 06/30/20	4,712
Montgomery County Dept of BH/DD	N/A	N/A	07/01/19 - 06/30/20	140,430
Montgomery County Dept of BH/DD	N/A	N/A	07/01/19 - 06/30/20	55,302
Service Access & Management Inc.	N/A	N/A	07/01/19 - 06/30/20	15,102
Westmoreland - Health Choices	N/A	N/A	07/10/18 - 12/31/19	1,856
Total Pennsylvania Counties				771,027
Total Pennsylvania				37,084,324
Rhode Island				
Division of Developmental Disabilities	N/A	N/A	07/01/19 - 06/30/20	1,025,755
Total Rhode Island				1,025,755
Total State Financial Assistance				\$ 64,151,339

(Continued)

RESOURCES FOR HUMAN DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS
YEAR ENDED JUNE 30, 2020

Federal grantor/pass-through grantor/program title	Federal CFDA Number	Passthrough Grantor's Number	Grant Period	2020 Expenditures
City Financial Assistance				
Philadelphia Office of Homeless Services				
Rapid Rehousing	N/A	1820309-02	07/01/19 - 06/30/20	\$ 94,248
Woodstock Family Center	N/A	2020113-01	07/01/19 - 06/30/20	1,301,430
Fernwood	N/A	1920160-02	07/01/19 - 06/30/20	993,984
Philadelphia Department of Public Health				
Pass-through Health Federation				
Family Practice Counseling Network	N/A	N/A	07/01/19 - 06/30/20	114,029
Office of Behavioral Health/Intellectual Disability Services				
MH Base Unitary	N/A	17-20075-03	07/01/19 - 06/30/20	84,450
Early Intervention Unitary	N/A	17-20073-03	07/01/19 - 06/30/20	37,011
AIDS Activities Coordinating Office				
Pass-through Access Matters				
Family Practice Counseling Network	N/A	193010	07/01/18 - 06/30/19	4,726
Family Practice Counseling Network	N/A	203010	07/01/19 - 06/30/20	11,442
Total City Financial Assistance				\$ 2,641,320
Total Federal, State And City Financial Assistance				\$ 79,856,400

See independent auditors' report and notes to schedule of expenditures of Federal, state and city awards.

RESOURCES FOR HUMAN DEVELOPMENT, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

1 - GENERAL INFORMATION

The accompanying schedule of expenditures of federal, state and city awards presents activities in all federal, state and city award programs of Resources for Human Development, Inc. All financial assistance received directly from federal agencies, as well as financial assistance passed through other governmental agencies or not-for-profit organizations, is included on the schedule.

2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal, state and city awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to funding agencies because those reports may be submitted on either a cash or modified cash basis of accounting.

3 - RELATIONSHIP TO BASIC CONSOLIDATED FINANCIAL STATEMENTS

Federal, state and city award expenditures are reported on the statement of functional expenditures as program costs. However, expenditures in the schedule of expenditures of federal, state and city awards for certain programs which have incurred deficits have been limited to the related contracted amount. In addition, for certain programs, the expenditures reported in the basic consolidated financial statements may differ from the expenditures reported in the schedule of expenditures of federal, state and city awards due to program expenditures exceeding grant or contract budget limitations which are not included as federal, state and city financial assistance.

As further discussed in footnote 2 to the basic consolidated financial statements, the Organization has a policy which allows the carryover of unused vacation time for program employees. This schedule does not reflect the accrual for these expenditures.

4 - INDIRECT COST RATE

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

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR § 200.516(a)? yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.778	Medical Assistance Program
14.267	Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

(Continued)

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY 2020-001

Criteria: Credit cards are utilized as a payment mechanism for spending by both RHD management and its employees working within the various programs. Each credit card user is assigned an approver. RHD's policy is such that all credit card transactions are to be approved by the applicable approver within 10 days of the end of the month.

Condition: Credit card transactions selected for testing were not approved in a timely manner. This is a repeat finding.

Cause: The approval of the credit card charges is not required in order for either the credit card vendor to be paid or the expense to be recorded to the general ledger. As such, various credit card transactions throughout the year were incurred, paid for, posted to the general ledger but never approved, as required by the RHD policy.

Effect: Credit card users could be spending program funds on expenses that are not allowed under RHD guidelines or applicable state/federal guidelines, resulting in potential unallowable expenses to be incurred.

Recommendation: We recommend that RHD management continue to provide training to all authorized approvers on the importance of timely approving all transactions. In addition, we recommend that RHD management improve the process to monitor that all credit card approvers are following the RHD policy and that transactions are approved timely and prior to payment.

Views of responsible officials: RHD's credit card policy requires approvers to review all transactions for business purpose and correct general ledger coding. Through the review of programmatic ledgers and budgets, divisional fiscal personnel also monitor the appropriateness of expenses charged to each cost center.

In July 2020, RHD fully implemented an expense management software which allows us to streamline the approval process and provide additional automated reminders for approvals that are approaching deadlines. This software also gives management better reporting capabilities and transparency into the approval process.

As part of this system roll-out, management held refresher training on the credit card policy to all users.

(Continued)

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section III – Federal Awards Findings and Questioned Costs

U.S. Department of Health and Human Services

Medical Assistance Program – CFDA 93.778

Passed through the State of Nebraska

Grant period 7/1/19 – 6/30/20

Passed through the State of Rhode Island, Department of Developmental Disabilities

Grant #RH 54940, 7/1/19 – 6/30/20

Finding 2020-002

Significant Deficiency: As discussed in finding 2020-001 above, credit cards are utilized as a payment mechanism for spending by both RHD management and its employees working within the various programs. Each credit card user is assigned an approver. RHD's policy is such that all credit card transactions are to be approved by the applicable approver within 10 days of the end of the month. Credit card transactions were not consistently approved on a timely basis. Because the approval of the credit card charges is not required in order for either the credit card vendor to be paid or the expense to be recorded to the general ledger. As such, various credit card transactions throughout the year were incurred, paid for, posted to the general ledger but never approved, as required by the RHD policy. Credit card users could be spending program funds on expenses that are not allowed under RHD guidelines or applicable state/federal guidelines, resulting in potential unallowable expenses to be incurred. We recommend that RHD management create a process to monitor that all credit card approvers are following the RHD policy and that transactions are approved timely and prior to payment.

Views of responsible officials: RHD's credit card policy requires approvers to review all transactions for business purpose and correct general ledger coding. Through the review of programmatic ledgers and budgets, divisional fiscal personnel also monitor the appropriateness of expenses charged to each cost center.

In July 2020, RHD fully implemented an expense management software which allows us to streamline the approval process and provide additional automated reminders for approvals that are approaching deadlines. This software also gives management better reporting capabilities and transparency into the approval process.

As part of this system roll-out, management held refresher training on the credit card policy to all users.

(Continued)

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

U.S. Department of Housing and Urban Development

Continuum of Care Program – CFDA 14.267

Passed through 1260 Housing Development Corporation

Grant # PA0071L3T001609, 7/1/19 – 6/30/20

Passed through Unity of Great New Orleans

Grant # LA0086LH031811, 7/1/19 – 6/30/20

Passed through Montgomery County, Department of Behavioral Health and Developmental Disabilities

Grant # PA0127L3T041811, 7/1/19 – 6/30/20

Finding 2020-003

Significant Deficiency: As discussed in finding 2020-001 above, credit cards are utilized as a payment mechanism for spending by both RHD management and its employees working within the various programs. Each credit card user is assigned an approver. RHD's policy is such that all credit card transactions are to be approved by the applicable approver within 10 days of the end of the month. Credit card transactions were not consistently approved on a timely basis. Because the approval of the credit card charges is not required in order for either the credit card vendor to be paid or the expense to be recorded to the general ledger. As such, various credit card transactions throughout the year were incurred, paid for, posted to the general ledger but never approved, as required by the RHD policy. Credit card users could be spending program funds on expenses that are not allowed under RHD guidelines or applicable state/federal guidelines, resulting in potential unallowable expenses to be incurred. We recommend that RHD management create a process to monitor that all credit card approvers are following the RHD policy and that transactions are approved timely and prior to payment.

Views of responsible officials: RHD's credit card policy requires approvers to review all transactions for business purpose and correct general ledger coding. Through the review of programmatic ledgers and budgets, divisional fiscal personnel also monitor the appropriateness of expenses charged to each cost center.

In July 2020, RHD fully implemented an expense management software which allows us to streamline the approval process and provide additional automated reminders for approvals that are approaching deadlines. This software also gives management better reporting capabilities and transparency into the approval process.

As part of this system roll-out, management held refresher training on the credit card policy to all users.

(Continued)

RESOURCES FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section IV – Prior Year Findings

Finding 2019-001

Summary: Credit cards are utilized as a payment mechanism for spending by both RHD management and its employees working within the various programs. Each credit card user is assigned an approver. RHD's policy is such that all credit card transactions are to be approved by the applicable approver within 10 days of the end of the month. Credit card transactions were not consistently approved on a timely basis. Because the approval of the credit card charges is not required in order for either the credit card vendor to be paid or the expense to be recorded to the general ledger. As such, various credit card transactions throughout the year were incurred, paid for, posted to the general ledger but never approved, as required by the RHD policy. Credit card users could be spending program funds on expenses that are not allowed under RHD guidelines or applicable state/federal guidelines, resulting in potential unallowable expenses to be incurred.

Status: See finding 2020-001 above.

Finding 2019-002

Summary: Credit cards are utilized as a payment mechanism for spending by both RHD management and its employees working within the various programs. Each credit card user is assigned an approver. RHD's policy is such that all credit card transactions are to be approved by the applicable approver within 10 days of the end of the month. Credit card transactions were not consistently approved on a timely basis. Because the approval of the credit card charges is not required in order for either the credit card vendor to be paid or the expense to be recorded to the general ledger. As such, various credit card transactions throughout the year were incurred, paid for, posted to the general ledger but never approved, as required by the RHD policy. Credit card users could be spending program funds on expenses that are not allowed under RHD guidelines or applicable state/federal guidelines, resulting in potential unallowable expenses to be incurred.

Status: See finding 2020-002 above.