VISTA MARIA AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

VISTA MARIA AND SUBSIDIARIES

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vista Maria and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Vista Maria (the "Organization", a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vista Maria and subsidiaries as of December 31, 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the 2021 and 2020 financial statements of InSight Youth and Family Connections, Inc. ("InSight"), a wholly owned subsidiary, which statements reflect total assets of $19,107,222 and $13,924,652 as of September 30, 2021 and 2020, respectively, and total revenues of $8,277,601 and $6,222,544 for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for InSight as of September 30, 2021 and 2020, and for the years then ended, is based solely on the report of the other auditors.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Organization's Annual Report

Management is responsible for the other information included in the Organization's Annual Report. The other information comprises the *2021 Financials* included in the Annual Report, but it does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

UHY LLP

Farmington Hills, Michigan
April 29, 2022

VISTA MARIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2021	December 31, 2020
ASSETS		
Cash and Cash Equivalents:		
Undesignated Funds	**$ 11,153,000**	$ 7,296,917
Investments	**10,949,949**	9,127,762
Receivables:		
Programming Fees	**3,310,918**	2,939,158
Promise to Give - Net	**15,417**	356,709
Other	**2,233,679**	187,347
Prepaid Expenses	**370,299**	294,346
Building, Improvements, and Equipment - Net	**15,714,832**	16,877,217
Total Assets	**$ 43,748,094**	$ 37,079,456
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	**$ 276,463**	$ 300,550
Accrued Liabilities	**1,707,103**	1,555,164
Other Liabilities	**36,000**	24,000
Notes Payable	**3,447,334**	1,797,334
PPP Loan	**-**	2,812,300
Pension Liability	**-**	842,055
Total Liabilities	**5,466,900**	7,331,403
NET ASSETS		
Without Donor Restrictions:		
Undesignated	**20,196,084**	11,882,872
Investment in Capital Assets - Net	**14,067,498**	15,079,884
Board-Designated	**3,121,847**	2,780,297
With Donor Restrictions	**895,765**	5,000
Total Net Assets	**38,281,194**	29,748,053
Total Liabilities and Net Assets	**$ 43,748,094**	$ 37,079,456

See notes to consolidated financial statements.

VISTA MARIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year ended December 31, 2021			Year ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Direct Care / Programming Fees	**$ 15,805,328**	**$ -**	**$ 15,805,328**	$ 18,870,029	$ -	$ 18,870,029
Care Management Organization Service Revenue	**9,704,494**	**-**	**9,704,494**	9,262,436	-	9,262,436
Contributions and Program Grants	**2,372,913**	**936,282**	**3,309,195**	1,949,573	461,629	2,411,202
Rental Income	**246,877**	**-**	**246,877**	275,988	-	275,988
Other Supportive Services	**20,200**	**-**	**20,200**	10,711	-	10,711
Total Revenues and Other Support	**28,149,812**	**936,282**	**29,086,094**	30,368,737	461,629	30,830,366
EXPENSES						
Direct Care / Programming Expense	**22,030,246**	**-**	**22,030,246**	26,118,667	-	26,118,667
Supporting Services:						
Management and General	**3,318,758**	**-**	**3,318,758**	3,086,331	-	3,086,331
Fundraising	**731,455**	**-**	**731,455**	608,529	-	608,529
Total Expenses	**26,080,459**	**-**	**26,080,459**	29,813,527	-	29,813,527
CHANGE IN NET ASSETS FROM OPERATIONS	**2,069,353**	**936,282**	**3,005,635**	555,210	461,629	1,016,839
OTHER CHANGES IN NET ASSETS						
Capital Campaign - Net	**-**	**488,844**	**488,844**	-	575,052	575,052
Investment Gain - Net of Fees	**426,612**	**-**	**426,612**	1,413,346	-	1,413,346
Endowment - Net	**-**	**-**	**-**	26	-	26
Capital Grants and Other Activity	**-**	**-**	**-**	25,229	-	25,229
Net Assets Released from Restrictions	**534,361**	**(534,361)**	**-**	3,689,776	(3,689,776)	-
Note Interest Expense	**-**	**-**	**-**	(10,781)	-	(10,781)
Gain (Loss) on Disposal of Fixed Assets	**2,500**	**-**	**2,500**	(12,823)	-	(12,823)
Paycheck Protection Program Revenue	**2,812,300**	**-**	**2,812,300**	-	-	-
Pandemic Payment Revenue	**2,000,000**	**-**	**2,000,000**	-	-	-
Net Periodic Pension Benefit Costs	**(7,245,739)**	**-**	**(7,245,739)**	(988,248)	-	(988,248)
Pension Plan Expense	**40,944**	**-**	**40,944**	(68,021)	-	(68,021)
Pension Termination Fees	**(199,047)**	**-**	**(199,047)**	-	-	-
Pension-Related Changes	**7,201,092**	**-**	**7,201,092**	326,480	-	326,480
CHANGE IN NET ASSETS	**7,642,376**	**890,765**	**8,533,141**	4,930,194	(2,653,095)	2,277,099
NET ASSETS - Beginning of Year	**29,743,053**	**5,000**	**29,748,053**	24,812,859	2,658,095	27,470,954
NET ASSETS - End of Year	**$ 37,385,429**	**$ 895,765**	**$ 38,281,194**	$ 29,743,053	$ 5,000	$ 29,748,053

VISTA MARIA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2021				Year Ended December 31, 2020			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Residential and Community Programs	Management and General	Fundraising	Total	Residential and Community Programs	Management and General	Fundraising	Total
PAYROLL								
Salary & Wages	$ 11,136,148	$ 1,843,453	$ 414,846	$ 13,394,447	$ 12,360,500	$ 1,629,281	$ 393,188	$ 14,382,969
Payroll Taxes	735,499	228,364	26,261	990,124	830,864	206,887	25,231	1,062,982
Employee Benefit Expense	1,502,562	23,293	24,816	1,550,671	1,600,955	96,512	23,833	1,721,300
Total Salaries and Related Expenses	13,374,209	2,095,110	465,923	15,935,242	14,792,319	1,932,680	442,252	17,167,251
DIRECT CARE								
Direct Care / Specific Assistance	3,234,792	-	-	3,234,792	5,283,025	-	-	5,283,025
Food Services	564,771	5,807	33	570,611	626,291	4,604	141	631,036
Psychiatry, Physicians, Medical	238,178	-	-	238,178	633,484	-	-	633,484
Gift in Kind Expense	157,021	-	-	157,021	352,286	-	-	352,286
VMA Donation	24,090	-	-	24,090	38,774	-	-	38,774
FUNDRAISING								
Fundraising Event Expense	3,779	16,664	157,574	178,017	-	8,841	68,791	77,632
Restricted Grant Expense	(29,682)	-	-	(29,682)	359,991	-	22,040	382,031
OTHER AGENCY								
Facilities / Occupancy	1,318,203	274,434	16,371	1,609,008	1,337,756	229,564	15,911	1,583,231
Professional Fees and Services	616,736	438,620	27,785	1,083,141	560,533	520,449	9,432	1,090,414
Service & Maintenance Contracts	234,014	79,795	21,921	335,730	246,348	60,854	22,205	329,407
Office Supplies & Equipment	162,018	62,681	18,138	242,837	157,246	50,301	6,924	214,471
Transportation & Training	129,231	11,936	334	141,501	156,348	27,642	1,043	185,033
Miscellaneous Expense	187,106	147,275	20,240	354,621	222,190	73,800	16,612	312,602
Telecom Expense	105,743	679	-	106,422	112,605	1,780	-	114,385
Membership Dues/Subscriptions	18,276	98,800	799	117,875	15,373	87,806	824	104,003
Interest Expense	-	7,890	-	7,890	-	8,350	-	8,350
Depreciation and Amortization	1,691,761	79,067	2,337	1,773,165	1,224,098	79,660	2,354	1,306,112
TOTAL EXPENSES	$ 22,030,246	$ 3,318,758	$ 731,455	$ 26,080,459	$ 26,118,667	$ 3,086,331	$ 608,529	$ 29,813,527

See notes to consolidated financial statements.

VISTA MARIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2021	Year Ended December 31, 2020
OPERATING ACTIVITIES		
Change in Net Assets from Operations	**$ 3,005,635**	$ 1,016,839
Adjustments to Reconcile Change in Net Assets from Operations to Net Cash Provided by (Used In) Operating Activities:		
Depreciation and Amortization	**1,773,165**	1,306,112
Debt Amortized to Grant Revenue	**(150,000)**	(141,667)
Changes in Operating Assets and Liabilities:		
Accounts Receivable - Programming Fees	**(371,759)**	1,241,664
Accounts Receivable - Grants and Other	**(46,332)**	6,108
Accounts Receivable - Promise to Give and Contribution	**341,292**	(153,581)
Prepaid Expenses and Other	**(75,953)**	85,198
Accounts Payable	**(24,087)**	(466,158)
Accrued Liabilities	**152,240**	170,208
Other Liabilities	**12,000**	(19,000)
Pension Plan fees	**40,944**	(68,021)
Pension termination fees	**(199,047)**	-
Net Periodic Pension Benefit Costs	**(7,245,739)**	(988,248)
Pension Liability, Excluding Pension-Related Changes of $7,201,092 (income) and $326,480 (income), respectively	**6,359,037**	(3,731,938)
Net Cash Provided by (Used in) Operating Activities	**3,571,396**	(1,742,484)
INVESTING ACTIVITIES		
Proceeds from Sales of Fixed Assets	**2,500**	1,100
Purchase of Property and Equipment	**(610,780)**	(2,355,822)
Purchases of Investments	**(8,427,644)**	(3,108,031)
Proceeds from Sales and Maturities of Investments	**6,613,266**	3,114,364
Capital Income - Net	**488,844**	600,281
Realized and Unrealized Gain on Investments, Net of Fees	**426,612**	1,413,346
Endowment Income	**-**	26
Net Cash Used in Investing Activities	**(1,507,202)**	(334,736)
FINANCING ACTIVITIES		
Proceeds FHLBI Loan	**-**	500,000
Payments on loan interest	**(8,111)**	(10,781)
Proceeds from InSight	**1,800,000**	-
Proceeds from PPP Loan	**-**	2,812,300
Net Cash Provided by Financing Activities	**1,791,889**	3,301,519
NET CHANGE IN CASH AND CASH EQUIVALENTS	**3,856,083**	1,224,299
CASH AND CASH EQUIVALENTS, Beginning of Year	**7,296,917**	6,072,618
CASH AND CASH EQUIVALENTS, End of Year	**$ 11,153,000**	$ 7,296,917
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid for Interest	**$ 8,111**	$ 10,781
NON-CASH ACTIVITY		
In-Kind Contributions	**$ 157,021**	$ 352,286

NOTE 1 – ORGANIZATION

Founded in 1883 by the Sisters of the Good Shepherd, Vista Maria is a Michigan not-for-profit corporation organized on a membership basis. It is Vista Maria's mission to deliver innovative care, treatment, and education focused on restorative relationships so that vulnerable youth believe in their worth, heal and build the skills for success. Vista Maria envisions a world where all children, families and communities achieve success through learning and restorative relationships that promote personal, professional and family wellbeing. The Agency provides a comprehensive continuum of programs promoting trauma-informed care and healing relationships. The Organization's 37-acre campus and facilities are located in Dearborn Heights, Michigan.

Vista Affordable Housing, Inc. ("VAH") is a Michigan not-for-profit corporation organized on a membership basis. Vista Maria is the only member of VAH. VAH was established to acquire affordable housing and make that housing available to tenants in conjunction with the charitable, educational and specific purposes of Vista Maria.

InSight Youth and Family Connections, Inc. (formerly known as StarrVista, Inc.) (InSight) is a Michigan not-for-profit corporation organized on a membership basis. During April 2018, Starr Commonwealth withdrew as a member of InSight while Vista Maria remained as the sole member. InSight is part of the juvenile justice care management system for the Wayne County Department of Children and Family Services, and is committed to creating solutions through youth and family partnerships. InSight is responsible for providing services to youth and their families residing in northwest Detroit and Dearborn Heights.

See Note 2 and Note 16 for additional information on consolidation and related party transactions.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

The following is a summary of certain accounting policies followed in the preparation of these consolidated financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these consolidated financial statements.

Principles of Consolidation

The accompanying consolidated financial statements reflect the consolidated assets and liabilities, changes in net assets, and cash flows of Vista Maria, Vista Affordable Housing, Inc., and InSight Youth and Family Connections, Inc. (collectively, the "Organization"). All significant interrelated transactions have been eliminated in consolidation. This consolidation includes the activity and balances for InSight as of and for the years ended September 30, 2021 and 2020.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Organization follows to ensure they consistently report their financial condition, results of operations and cash flows. References to GAAP issued by the FASB in the following footnotes are the *FASB Accounting Standards Codification* (ASC).

Concentrations

At times, the Organization has balances on deposit with certain institutions that may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk for cash.

The majority of Vista Maria's revenue is earned under contracts or approved rates with the Michigan Department of Health and Human Services (DHHS). During the years ended December 31, 2021 and 2020, operating revenues received from DHHS represented approximately 97% and 92%, respectively, of programming fees. Accounts receivable from DHHS were $1,528,000 and $1,194,409 as of December 31, 2021 and 2020, respectively.

InSight only provides services to Wayne County, Michigan (the "County"). The current contract is set to expire on September 30, 2023.

Use of Estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates. In particular, the COVID-19 pandemic and the resulting adverse impact to global economic conditions, as well as the Organizations operations, may affect future estimates, including, but not limited to, the allowance for doubtful accounts.

Cash Equivalents

For the purpose of the consolidated statement of cash flows, the Organization considers demand deposits to be cash and money market funds to be cash equivalents.

Accounts Receivable and Allowance for Uncollectible Amounts

Accounts receivable - programming fees primarily consist of amounts due from the State of Michigan, Wayne County, various other Michigan counties and courts, and five Wayne County Care Management Organizations (CMOs) for childcare services provided.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Accounts Receivable and Allowance for Uncollectible Amounts (Continued)

Vista Maria established the allowance for doubtful accounts based on a specific assessment of all invoices that remain unpaid following the normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that the determination is made.

An accumulated allowance of $100,487 and $104,579 has been recorded for receivables included in programming fees receivable for the years ended December 31, 2021 and 2020, respectively.

Unconditional Promises to Give and Allowance for Doubtful Promises

The Organization's pledges receivable are comprised of amounts committed from individuals for use in its capital projects. The receivables are recorded at the present value of estimated future cash flows. Management reviews all pledges receivable as of December 31st and establishes an allowance for doubtful pledges. The allowance for doubtful pledges was $53,837 at December 31, 2021 and 2020.

Investments

The Organization values the investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets as they occur. Investment return is presented net of investment fees.

Other investments primarily consist of investments held by the Community Foundation for Southeastern Michigan (CFSEM).

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 change could materially affect the amounts reported in the statement of financial position.

Building, Improvements, and Equipment

All fixed assets are recorded at cost or, if donated, at fair value at the date of the gift. The Organization provides for depreciation and amortization of these assets using the straight-line method based upon acquisition cost or fair value at the date of the gift and estimated useful lives of the assets, ranging from 3 to 40 years. The Organization capitalizes all items with a cost of $5,000 or more.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Classification of Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment account and a board-designated capital project improvement account.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as donor restricted revenue when received, and the related net assets are released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Support

Contracts, Grant Funds, and Deferred Revenue

Funds received from reimbursable contracts and grants are recorded as revenue when the Organization either provides services, or monies are received or pledged. A receivable is recognized for any service provided or pledge received if monies have not yet been received by the Organization. Funds received by the Organization in advance of incurring eligible costs are recorded as deferred revenue.

The funds received are subject to review or audit by the funding sources and the Organization must comply with the specific rules and regulations defined in the contracts.

Contributions

All contributions are considered to be for unrestricted use unless specifically restricted by the donor. Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Donated Goods and Services

A substantial number of volunteers have donated significant amounts of their time in the Organization's program services and its fund-raising campaigns. Donated services were not recognized in the financial statements since they did not meet the criteria for recognition under ASC topic - *Contributions*. For the years ended December 31, 2021 and 2020, the Organization recorded in-kind donations of $157,021 and $352,286 respectively in the Statements of Activities as contributions. In-kind donations are for physical goods received that are recorded at the fair market value of the goods received.

Revenue Recognition for Contracts with Customers

The Organization's revenue stream under contracts with customers is comprised of the exchange component of special events revenue transactions in which the donor and the Organization receive something of commensurate value from the special event. The Organization performs an analysis to determine the performance obligations associated with the exchange transaction, and revenue is recognized when the given performance obligation is satisfied.

The revenue is recognized at a given point in time when the control of the goods or service is transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods. The transaction price is calculated as the amount of consideration to which the Organization expects to be entitled (such as the estimated value of the items received by the donor as part of the special event).

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At December 31, 2021 and 2020, there were no uncertain tax positions that required accrual.

Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. The income derived from the cell tower rental is considered unrelated business income. Any income tax attributable to this activity is included in miscellaneous expense of the consolidated statements of functional expenses.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Current Operations

Current operations include all revenue and expenses that are a part of the ongoing day-to-day activities of the Organization. Revenue and expenses related to the pension activities, capital campaign, endowment, capital grants, as well as investment income designated for these activities, if any, are not considered to be operational activities and have been separately displayed on the consolidated statement of activities.

The Organization's operations revenue was impacted in 2021 and 2020 due to two major contract sources, Wayne County Juvenile Justice Care Management Organizations (WCJJ CMO) and the Michigan Department of Health and Human Services (MDHHS), insufficient maintenance of per diem rates for residential mental health behavior stabilization treatment services. WCJJ CMO per diem rates had not been addressed for multiple years to reflect the cost of a day of care. When improved rates were not provided in fiscal year beginning, October 1, 2020, Vista Maria leaders exited as a provider in October 2020 thus significantly impacting 2021 and 2020 revenue. In addition, the MDHHS contracted per diem rate structure did not fully address all the new requirements of Qualified Residential Treatment Programs (QRTP) or COVID-19 related expenses. Hence, the Organization was not able to incur the additional expenses for as many youth thus causing a revenue shortfall. In 2021, labor shortage and corresponding cost of labor only exacerbated the revenue shortfall while the need for the Organization's services has increased.

Functional Expenses

The Organization allocates its expenses on a functional basis between program and support services. Expenses that are specifically attributable to one of the three segments (Programs, Management/General, or Fundraising) are reported under that segment in their natural expenditure classification. Other expenses shared across segments are allocated using various methods. Significant categories include, but are not limited to Salaries/Benefits, Facilities, and Information Technology Services.

Salaries/Benefits and IT Services are allocated based on estimates of time and effort. Facility costs are allocated based on square footage. The methods used are considered reasonable, but other methods could be used that would produce different results.

COVID-19

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus disease ("COVID-19") a pandemic. As a result, many countries have implemented measures to mitigate the spread of outbreaks that affected global communities.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

COVID-19 (Continued)

Within the State of Michigan, the Organization operated under the Governor's Executive Orders and other Communication Issuances for MDHHS contracted providers to mitigate the spread of COVID-19. Limitations on the number of youth in residential care settings as well as rapid reunifications occurred throughout 2020. In addition, several virus mitigation protocols such as additional disinfecting, testing, personal protection equipment, remote work and school technology were put in place to keep staff and youth as safe as possible. The increased non-reimbursed expenses for a day of care corresponding with the reduction of the number of youth caused negative margin conditions in the years ended December 31, 2021 and 2020. Fortunately, the Organization applied and received a $2.8 million PPP loan, which was forgiven in July of 2021. In addition, the Organization received American Rescue Plan grant funds to cover a portion of the 2020 – 2021 MDHHS non-reimbursed COVID and increased labor expenses.

The extent and duration of the adverse impact of COVID-19 is not yet known. The Organization's operation and financial performance will depend on the future mitigation protocols and other variables.

NOTE 3 – LIQUIDITY AND AVAILABILITY

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

	December 31, 2021			
	Vista Maria	**Vista Affordable Housing**	**InSight**	**Consolidated Total**
Cash and Cash Equivalents	$ 4,059,003	$ 91,820	$ 6,107,059	$ 10,257,882
Operating Investments	1,978,697	110,757	7,670,200	9,759,654
Accounts Receivable-Programming Fees	4,259,576	-	1,051,342	5,310,918
Other Accounts Receivable	232,148	-	4,231	236,379
Promise to Give	15,417	-	-	15,417
	$10,544,841	$ 202,577	$ 14,832,832	$ 25,580,250

NOTE 3 – LIQUIDITY AND AVAILABILITY (Continued)

December 31, 2020	Vista Maria	Vista Affordable Housing	InSight	Consolidated Total
Cash and Cash Equivalents	$ 1,937,083	$ 165,346	$ 2,382,835	$ 4,485,264
Operating Investments	1,768,333	-	6,309,422	8,077,755
Accounts Receivable-Programming Fees	2,016,806	-	922,352	2,939,158
Other Accounts Receivable	197,308	-	1,908	199,216
Promise to Give	356,709	-	-	356,709
	$ 6,276,239	$ 165,346	$ 9,616,517	$ 16,058,102

All entities operate as separate and distinct legal entities. As such all cash, cash equivalents and investments reflected above are for the exclusive purpose of supporting the operation of the entity.

For the year ending December 31, 2020 Vista Maria's reported liquidity was low due to sustained losses in its residential programs. During 2021, Pandemic Relief funds of $2,000,000 from the State of Michigan, cash receipts from the Restore capital campaign and proceeds from a PPP loan, improved liquidity.

Operating Investments for Vista Maria consist of a Board Designated Endowment Account. Although this account is not intended for general expenditures, the Board could approve an amount for general use. Operating Investments for Vista Affordable Housing and InSight, while not intended for general expenditures, could be approved by their Board for general use.

Accounts Receivable-Programming Fees are predominately amounts due from the State, Counties, and Courts for childcare services provided under contracts or approved rates.

Other Accounts Receivable consists of other amounts due for ancillary services related to childcare services programming including amounts from the National School Lunch Program.

Promise to Give represent minor amounts that are related to completed projects and are no longer restricted.

NOTE 4 – PROMISES TO GIVE

Vista Maria's Promises to Give consist of the following:

	December 31, 2021	December 31, 2020
Amounts Due in:		
Less Than One Year	$ 69,666	$ 405,891
One to Five Years	-	5,500
Less Unamortized Discount, Using a Discount Rate of 2.60% and 2.25% for 2021 and 2020, respectively	(412)	(845)
Less Allowance for Uncollectibles	(53,837)	(53,837)
Net Promises to Give	$ 15,417	$ 356,709

NOTE 5 – INVESTMENTS

The Organization's investments are sub-divided into four major classifications:

1) Board Designated Endowment,
2) Capital Project Improvement Endowment,
3) Capital Campaign Funds and,
4) Other Investments

Depending on the investment strategy and goals, each portfolio may be comprised of:

1) Money market fund and short term investments,
2) Equity Funds or Mutual Fund - Equity,
3) Fixed income or Mutual Fund - Fixed Income,
4) Mutual Fund – Balanced,
5) Commodity Funds

NOTE 5 – INVESTMENTS (Continued)

The category 'Other Investments' include funds held by:

1) The Community Foundation for Southeastern Michigan (CFSEM),
2) Investments held by InSight and VAH at September 30, 2021 and 2020

	Year Ended December 31,	
	2021	2020
Board Designated Endowment:		
Money Market Fund and Short Term Investment	$ 96,924	$ 86,821
Mutual Funds - Equity	1,881,773	1,681,512
Total Board Designated Endowment	1,978,697	1,768,333
Board Designated Capital Project Improvement:		
Money Market Fund and Short Term Investment	47,580	60,186
Common Stock	745,307	680,617
Fixed Income Securities	350,263	271,161
Total Board Designated Capital Project Improvement	1,143,150	1,011,964
Capital Campaign:		
Money Market Fund and Short Term Investment	646	646
Other Investments:		
Investments held by InSight:		
Money Market Fund and Short Term Investment	42,879	4,777
Mutual Funds - Equity	3,776,355	1,542,169
Mutual Funds - Fixed Income	3,850,967	-
Mutual Funds - Balanced	-	3,222,784
Commodity Funds	-	1,539,692
Total Investments held by InSight	7,670,201	6,309,422
Investments held by VAH		
Money Market Fund	3	-
Mutual Funds - Equity	110,754	-
Total investments held by VAH	110,757	-
Investments held at The CFSEM	46,498	37,397
Total Other Investments	7,827,456	6,346,819
Total Investments	$ 10,949,949	$ 9,127,762

NOTE 5 – INVESTMENTS (Continued)

Net investment income consists of the following:

	Year ended December 31, 2021	Year ended December 31, 2020
Investment Income	$ 130,334	$ 99,452
Realized Gains	196,820	83,336
Unrealized Gains	168,814	1,298,533
Investment Fees	(69,356)	(67,975)
	$ 426,612	$ 1,413,346

NOTE 6 – BOARD-DESIGNATED ENDOWMENTS

Vista Maria's endowments include funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. There are no such donor-restricted endowment funds. As a result of this interpretation, the Organization would retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

NOTE 6 – BOARD-DESIGNATED ENDOWMENTS (Continued)

Changes in Endowment Net Assets

Changes in endowments for the year ended:

December 31, 2021	Board Designated Endowment Account	Board Designated Capital Project Improvement Account
Board Designated Net Assets - Beginning	$ 1,768,333	$ 1,011,964
Net Investment Return Gain	210,364	131,185
Board Designated Net Assets - Ending	$ 1,978,697	$ 1,143,149

December 31, 2020	Board Designated Endowment Account	Board Designated Capital Project Improvement Account
Board Designated Net Assets - Beginning	$ 1,536,259	$ 906,172
Net Investment Return Gain	232,074	105,792
Board Designated Net Assets - Ending	$ 1,768,333	$ 1,011,964

NOTE 6 – BOARD-DESIGNATED ENDOWMENTS (Continued)

Return Objective and Risk Parameters

The Organization has adopted an investment and spending policy for all investment dollars that incorporates a diversified asset portfolio and a pre-defined rate of return on investment that results in a potential source of income for current operations. Endowment assets include those assets classified as board-designated funds. Under this policy, as approved by the board of directors, the endowment net assets are to be managed with a view toward maximization of total return considering inflation risk, interest rate risk, and business or economic risk, while at all times being prudently diversified. Vista Maria expects its endowment funds over time to provide an average annual rate of return of approximately 6 percent. Actual returns in any given year will vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy establishing a predisposition toward reinvesting income of the endowment fund, subject to the needs of the Organization for additional general operational funds from time to time.

NOTE 7 – FAIR VALUE MEASUREMENTS

ASC topic - *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC topic *Fair Value Measurements* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

NOTE 7 – FAIR VALUE MEASUREMENTS (Continued)

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets.
- quoted prices for identical or similar assets or liabilities in inactive markets.
- inputs other than quoted prices that are observable for the asset or liability.
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

The Organization currently holds shares in common stocks; fixed income securities; fixed income, balanced, and equity mutual funds; and money market funds. The funds are valued at the quoted prices that are readily available for the shares held by the Organization at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value or certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 7 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value.

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Common Stock	$ 745,307	$ -	$ -	$ 745,307
Fixed Income Securities	350,263	-	-	350,263
Mutual Funds	9,619,849	-	-	9,619,849
Money Market Fund and Short Term Investments	188,032	-	-	188,032
Other Holdings - CFSEM	-	-	46,498	46,498
Total	$ 10,903,451	$ -	$ 46,498	$ 10,949,949

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Common Stock	$ 680,617	$ -	$ -	$ 680,617
Fixed Income Securities	271,161	-	-	271,161
Mutual Funds	6,446,465	-	-	6,446,465
Commodity Funds	1,539,692	-	-	1,539,692
Money Market Fund and Short Term Investments	152,430	-	-	152,430
Other Holdings - CFSEM	-	-	37,397	37,397
Total	$ 9,090,365	$ -	$ 37,397	$ 9,127,762

Changes in Level 3 assets measured at fair value on a recurring basis are as follows:

	Year Ended December 31,	
	2021	2020
Other Holdings - CFSEM		
Beginning Balance	$ 37,397	$ 36,136
Total Unrealized Gain Included in Change in Net Assets	9,101	1,261
Ending Balance	$ 46,498	$ 37,397

NOTE 7 – FAIR VALUE MEASUREMENTS (Continued)

The Organization has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. The Organization estimates the fair value of this investment based upon reports generated by the CFSEM.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

NOTE 8 – BUILDINGS, IMPROVEMENTS, AND EQUIPMENT

The Organization's buildings, improvements, and equipment consist of the following:

	December 31,	
	2021	2020
Leasehold Improvements	$ 14,037	$ 14,037
Land Improvements	3,710,936	3,698,696
Buildings	19,669,069	19,669,069
Building Improvements	12,369,679	12,231,685
Machinery and Equipment	3,765,295	3,759,545
Vehicles	465,193	450,243
Furniture and Fixtures	1,823,142	1,784,887
Work in Progress	372,144	14,395
Total Cost	42,189,495	41,622,557
Accumulated Depreciation and Amortization	(26,474,663)	(24,745,340)
Net Carrying Amount	$ 15,714,832	$ 16,877,217

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 was $1,773,165 and $1,306,112, respectively.

NOTE 9 – LINE OF CREDIT

Although not utilized for many years, the Organization has operated with a revolving note agreement from a financial institution. Terms include:

- A limit of $2,000,000
- An unused line fee of 40 basis points (.40%)
- Interest rate = LIBOR plus 3.0%
- Maturity date of May 2022

There were no borrowings against the notes at December 31, 2021 and 2020.

As a result of sustained losses in its residential programs, the organization did not meet the required financial covenant during 2021. The covenant, a Debt Coverage Ratio, requires positive EBITDA. As a result, Vista Maria is no longer able to borrow against the revolving note. The Organization has been in ongoing discussions with the financial institution and anticipates reinstatement of the line with new covenant requirements.

NOTE 10 – LONG-TERM DEBT

Notes Payable

The following is summary of Vista Maria's long-term debt:

	December 31,	
	2021	2020
Note Payable FHLBI - DeRoy Hall	$ 266,666	$ 300,000
Note Payable FHLBI - Myriam Hall	313,889	347,222
Note Payable FHLBI - Shepherd Hall	300,000	350,000
Note Payable Wayne County	325,112	325,112
Note Payable FHLBI - Freedom Center	441,667	475,000
Note payable - Insight	1,800,000	-
Long - Term Portion	$ 3,447,334	$ 1,797,334

Maturities of the four notes payable to FHLBI, and the note payable to Wayne County are not included in a schedule of future maturities as these notes are expected to be forgiven.

NOTE 10 – LONG-TERM DEBT (Continued)

VISTA MARIA – FHLBI – DEROY HALL - $500,000

In 2014, Vista Maria received the Certificate of Occupancy for a new residential treatment facility (Deroy Hall). This 16-unit residential housing is where Vista Maria provides mental health treatment and community reintegration services for adolescent survivors of human trafficking. The construction cost was funded through corporate, foundation and individual donations as well as a $500,000 grant awarded by the Federal Home Loan Bank of Indianapolis (FHLBI). The terms of the grant/note require the facility to be maintained as affordable housing for 15 years from the date of occupancy. The note is interest free and, if all obligations/terms are met at the end of the 15-year term, the note will be forgiven during 2029. If at any time the FHLBI determines that Vista Maria is not meeting the terms of the agreement, they can request repayment based on the prorated balance plus interest at a fixed rate. Upon occupancy in 2015, the grant was recognized as grant revenue in operating revenue on a pro-rata basis. Total grant revenue of $33,333 was recognized for each of the years ended December 31, 2021 and 2020.

VISTA MARIA – FHLBI – MYRIAM HALL - $500,000

In 2016, Vista Maria received the Certificate of Occupancy for a new residential housing building (Myriam Hall). This 8-unit residential housing provides supervised independent living for youth ages 16-18. The construction cost was funded through corporate, foundation and individual donations as well as a $500,000 grant awarded by the Federal Home Loan Bank of Indianapolis (FHLBI). The terms of the grant/note require the facility to be maintained as affordable housing for 15 years from the date of occupancy. The note is interest free and, if all obligations/terms are met at the end of the 15-year term, the note will be forgiven during 2031. If at any time the FHLBI determines that Vista Maria is not meeting the terms of the agreement, they can request repayment based on the prorated balance plus interest at a fixed rate. Upon occupancy in June 2016, the grant was recognized as grant revenue in operating revenue on a pro-rata basis. Total grant revenue of $33,333 was recognized for each of the years ended December 31, 2021 and 2020, respectively.

VISTA AFFORDABLE HOUSING – FHLBI – SHEPHERD HALL - $750,000

At the end of 2012, the Organization received the Certificate of Occupancy after renovating an existing building (Shepherd Hall). This 22-unit dorm-style apartment housing provides transitional/independent living programming for females between the ages of 16-24. The cost of renovation was funded through corporate, foundation and individual donations, a county grant, as well as a $750,000 grant awarded by the Federal Home Loan Bank of Indianapolis (FHLBI). The terms of the grant/note require the facility to be maintained as affordable housing for 15 years from the date of occupancy. The note is interest free and, if all obligations/terms are met at the end of the 15-year term, the note will be forgiven during 2027. If at any time the FHLBI determines that the Organization is not meeting the terms of the agreement, they can request repayment based on the prorated balance plus interest at a fixed rate. Upon occupancy in 2013, the grant was recognized as grant revenue in operating revenue on a pro-rata basis. Total grant revenue of $50,000 was recognized for each of the years ended December 31, 2021 and 2020.

NOTE 10 – LONG-TERM DEBT (Continued)

VISTA AFFORDABLE HOUSING – WAYNE COUNTY HOME GRANT – SHEPHERD HALL - $325,112

The note payable to Wayne County is through the HOME program of the U.S. Department of Housing and Urban Development for an amount up to $330,000. This loan is also for Shepherd Hall construction and requires that seven of the 22 units be low or below-low-income occupancy for the same 15-year duration as identified above. Based on the terms of the agreement, the loan is interest free and will be forgiven by the County during 2027 if all obligations/terms are met at the end of the 15-year term. If the apartment is not maintained as an affordable housing complex at any point during the 15-year term, the entire portion of the loan is to be repaid.

VISTA MARIA – FHLBI – FREEDOM CENTER- $500,000

During 2017, the Organization was awarded a $500,000 grant, subject to certain administrative requirements, through the Federal Home Loan Bank of Indianapolis to be used for the construction of a new building used to support the Human Trafficking Treatment program. The funds were received in January 2020. In 2020, Vista Maria received the Certificate of Occupancy for a new residential treatment facility. The construction cost was funded through corporate, foundation and individual donations as well as a $500,000 grant awarded by the Federal Home Loan Bank of Indianapolis (FHLBI). The terms of the grant/note require the facility to be maintained as affordable housing for 15 years from the date of occupancy. The note is interest free and, if all obligations/terms are met at the end of the 15-year term, the note will be forgiven during 2035. If at any time the FHLBI determines that Vista Maria is not meeting the terms of the agreement, they can request repayment based on the prorated balance plus interest at a fixed rate. Upon occupancy in April 2020, the grant was recognized as grant revenue in operating revenue on a pro-rata basis. Total grant revenue of $33,333 and $25,000 was recognized for the years ended December 31, 2021 and 2020, respectively.

VISTA MARIA – INSIGHT LOAN - $6,000,000

In December 2021, Vista Maria borrowed an additional $1,800,000 from InSight as part of an existing agreement. Since InSight has a September 30th year end, this amount is not eliminated during consolidation due to the timing difference and is reflected in notes payable at December 31, 2021. This additional amount is considered long-term based on the date the amount was advanced from InSight, as such, there is no current portion applicable to this balance.

NOTE 10 – LONG-TERM DEBT (Continued)

VISTA MARIA – PAYCHECK PROTECTION PROGRAM LOAN - $2,812,300

On April 28, 2020, the Organization applied for and in May 2020 was the recipient of a Paycheck Protection Program (“PPP”) loan in the amount of $2,812,300. At the time, the loan was recorded as debt in the year funds were received. On December 11, 2020, the Organization applied to the Small Business Administration for loan forgiveness. In July 2021, the loan was forgiven, and related debt extinguished. As mentioned in Note 3, these funds were crucial to bridge losses in the Organization’s residential programs.

NOTE 11 – RETIREMENT PLANS

Defined Contribution Plans

Vista Maria has a 403(b)-retirement plan. Under the Plan, eligible employees can elect to defer a portion of their compensation. The Organization can make discretionary contributions to the plan. There were no contributions made for the years ended December 31, 2021 and 2020.

InSight has a 401(k)-retirement plan. Under the Plan, eligible employees can elect to defer a portion of their compensation. InSight made matching contributions of $23,729 and $23,049 to the Plan for the years ended September 30, 2021 and 2020. The matching contributions are set annually.

Defined Benefit Plan

The Organization had a defined benefit plan, which was a continuation of the pension plan it had as part of the multi-employer plan of United Way for Southeastern Michigan. This Plan was frozen effective February 28, 2009. Prior to freezing the Plan, the Plan covered substantially all of its employees. The benefits were based on years of service and an employee's highest three consecutive years of compensation during the last 10 years of employment. The funding policy was, at a minimum, to contribute annually as required by IRS minimum funding requirements.

Effective October 28, 2019, the Executive Committee of the Organization made the determination to terminate the defined benefit plan and has performed certain operational steps as part of the plan termination since that time. In June 2021, the Organization received notice from the PBGC acknowledging the plan termination. Further, in September 2021, the Organization received a favorable determination related to the plan termination from the Internal Revenue Service. During 2021, plan participants elected lump sum payment or an annuity policy. The Organization selected an annuity provider via a formal RFP process. In December 2021, plan assets were distributed to participants who elected lump sums or the annuity provider for ongoing plan benefit payments.

NOTE 11 – RETIREMENT PLANS (Continued)

Defined Benefit Plan (Continued)

As part of the termination the Plan is subject to potential audit by the PBGC and the IRS. The Organization has not been notified of a potential audit by either the PBGC or the IRS as of April 29, 2022. Management is unaware of any potential material contingency related to the plan termination.

Change in projected benefit obligation:

	December 31, 2021	December 31, 2020
Benefit Obligation - January 1	$12,590,545	$12,182,435
Service Cost Due to Expense Provision	-	203,570
Interest Cost	323,946	382,601
Actuarial Loss (Gain)	(537,214)	862,547
Administrative Expenses	(93,777)	(37,292)
Benefits Paid	(303,973)	(264,668)
Settlements	(11,979,527)	(738,648)
Projected Benefit Obligation - December 31	$ -	$12,590,545

Change in plan assets:

	December 31, 2021	December 31, 2020
Fair Value of Plan Assets - January 1	$11,748,490	$ 7,281,962
Investment Return	(257,915)	786,950
Vista Maria's Contributions to Plan	886,702	4,720,186
Administrative Expenses	(93,777)	(37,292)
Benefits Paid	(303,973)	(264,668)
Settlements	(11,979,527)	(738,648)
Fair Value of Plan Assets - December 31	$ -	$11,748,490
Excess of Projected Benefit Obligation Over Fair Value of Plan Assets	$ -	$ 842,055

NOTE 11 – RETIREMENT PLANS (Continued)

Defined Benefit Plan (Continued)

Change in pension liability:

	December 31,	
	2021	2020
Pension Liability - January 1	$ 842,055	$ 4,900,473
Net Pension Cost	7,245,739	988,248
Contributions to the Plan	(886,702)	(4,720,186)
Pension-Related Changes	(7,201,092)	(326,480)
Pension Liability - December 31	$ -	$ 842,055

The net periodic pension cost of the defined benefit pension plan, which is included in the Other Changes in Net Assets of Vista Maria, includes the following components:

	Year ended December 31,	
	2021	2020
Service Cost Due to Expense Provision	$ -	$ 203,570
Interest Cost on Projected Benefit Obligations	323,946	382,601
Expected Return on Plan Assets	(348,526)	(215,845)
Amortization of Net Loss	184,078	195,456
Settlement Costs	7,086,241	422,466
Net Pension Cost	$ 7,245,739	$ 988,248

Assumptions

Weighted average assumptions used to determine benefit obligations are as follows:

	December 31,	
	2021	2020
Discount Rate	N/A	2.60%

NOTE 11 – RETIREMENT PLANS (Continued)

Defined Benefit Plan (Continued)

Weighted average assumptions used to determine net periodic benefit cost are as follows:

	December 31,	
	2021	2020
Discount Rate	2.60%	3.20%
Expected Long-Term Return on Plan Assets	3.00%	3.00%

The overall expected rate of return on plan assets represents a weighted average composite rate based on the historical rates of return of the respective asset classes adjusted for anticipated market movements.

The following items are included in non-operating activities as pension-related changes other than net periodic pension costs and are not yet recognized as components of pension cost:

	Year Ended December 31,	
	2021	2020
Net Loss Due to Change in Assumptions	$ 69,227	$ 291,442
Amortization of Net Loss	(184,078)	(195,456)
Settlement Recognition	(7,086,241)	(422,466)
Total Recognized in Non-Operating Activities	$ (7,201,092)	$ (326,480)

Plan Assets

The Organization's pension plan weighted asset allocations, by asset category, are as follows:

	December 31,	
	2021	2020
Fixed-Income Securities and Cash Equivalents	0%	100%
Equity Securities	0%	0%
Total	0%	100%

The goals of the pension plan investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding, maintain the plan in compliance with all applicable laws and

NOTE 11 – RETIREMENT PLANS (Continued)

Defined Benefit Plan (Continued)

regulations and assure timely payment of retirement benefits. Plan assets are invested at the discretion of the trustee with input from the plan sponsor, the investment manager, and other outside advisors.

Fixed-income securities include corporate bonds of companies from diversified industries, high yield, inflation-protected securities, mortgage-backed securities, U.S. Treasuries, and other types of fixed-income securities. As part of the Plan termination, the target allocation of the plan assets was changed to 100 percent fixed-income securities for the year ended December 31, 2020.

The fair values of the Organization's pension plan assets at December 31, 2020 were determined by using quoted prices that are readily available for the shares held by the Plan at year end. The following table sets forth by level, within the fair value hierarchy, the Plan’s assets at fair value:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Fixed Income Securities and Cash Equivalents	$ 11,748,490	$ -	$ -	$ 11,748,490

There were no assets held by the Plan for the year ended December 31, 2021.

NOTE 12 – SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Vista Maria has a supplemental executive retirement plan (SERP) providing supplemental retirement benefits for designated executives. Under the program, the Board of Directors approves an annual amount to be credited to the designated executives’ accounts. That amounts vests over 5 years from the date of the Board approval. Amounts that are 100% vested must be disbursed pursuant to the appropriate disbursement date requirements.

Compensation expense for the SERP for the years ended December 31, 2021 and 2020 was $92,859 and $72,630, respectively. Vista Maria has accrued the vested balance of the SERP in the amount of $219,208 and $193,922 for the years ended December 31, 2021 and 2020, respectively.

NOTE 13 – DONOR RESTRICTED NET ASSETS

Vista Maria's donor restricted net assets are available for the following purposes:

	December 31, 2021	December 31, 2020
Transitional Living Programs	$ 289,380	$ -
Expressive and Alternatives Therapies	226,250	-
Residential Mental Health Programs	157,549	-
Residential Human Trafficking Treatment Programs	120,000	-
Vista Maria Reads (Literacy and Lending Liberty)Program	41,770	
Michigan Abolitionist Project (Asset Transfer Agreement)	41,460	-
Vista Maria Scholarship Programs	14,356	-
Other	5,000	5,000
Total	$ 895,765	$ 5,000

During the years ended December 31, 2021 and 2020, net assets released from restrictions totaled $534,361 and $3,689,776, respectively.

Donor restricted net assets released are subject to purpose restrictions and will be released when the amounts are spent for the designated purpose.

NOTE 14 – SPECIAL EVENTS

The special events held by Vista Maria are detailed below. The gross revenue has been included in contributions.

	Gross Revenue	Expenses	Net Revenue
2021			
Celebrating Women	$ 216,370	$ (56,845)	$ 159,525
Golf Outing-High Hopes	145,620	(38,934)	106,686
Golf Outing-Ford	121,000	(16,178)	104,822
Women Fore Women	54,240	(20,417)	33,823
Women's Empowerment Breakfast	33,966	(8,760)	25,206
Dolly Drive	29,917	(13,196)	16,721
Total	$ 601,113	$ (154,330)	$ 446,783
2020			
Celebrating Women	$ 208,615	$ (4,834)	$ 203,781
Golf Outing-High Hopes	90,921	(20,620)	70,301
Golf Outing-Ford	117,545	(22,663)	94,882
Women Fore Women	34,407	(11,088)	23,319
Women's Empowerment Breakfast	26,860	(800)	26,060
Dolly Drive	7,650	(5,000)	2,650
Total	$ 485,998	$ (65,005)	$ 420,993

NOTE 15 – OPERATING LEASES

The Organization leases various office equipment through a combination of month-to-month and long-term lease agreements. The long-term leases expire through 2026. Total lease expense under all lease agreements for the years ended December 31, 2021 and 2020 was $21,943 and $23,498, respectively.

NOTE 15 – OPERATING LEASES (Continued)

Future minimum lease payments under the operating lease commitments are as follows:

Years Ended December 31,	Future Lease Obligations
2022	13,854
2023	9,354
2024	9,354
2025	9,354
2026	6,776
	$ 48,692

NOTE 16 – RELATED PARTY TRANSACTIONS

Vista Affordable Housing, Inc. (VAH)

Formed in 2008, Vista Affordable Housing, Inc. (VAH) objective is to operate and acquire affordable housing for the benefit of or to carry out the specific purposes of the Organization. VAH is a 509(a)(3) entity (supporting organization) with the Organization named as the sole member. The Organization makes contributions and provides management and facilities services to support VAH's day-to-day operations.

The Organization provided contributions to VAH of $190,000 and $205,000 for the years ended December 31, 2021 and 2020, respectively. The Organization provided management and facilities services to VAH totaling $183,883 and $206,624 for the years ended December 31, 2021 and 2020, respectively.

InSight Youth and Family Connections, Inc.

The Organization is the sole owning member of InSight Youth and Family Connections, Inc., a nonprofit care management organization that coordinates services for Wayne County youth under a juvenile justice service agreement with Wayne County. Highlights of this entity include:

- InSight receives revenue via a capitated agreement with Wayne County which provides monthly installment payments.

During the years ended December 31, 2021 and 2020, the Organization recognized $72,000 per year in revenue for management services provided to InSight.

During the years ended December 31, 2021 and 2020, the Organization recognized $-0- and $257,762, respectively, in revenue for services provided to youth placed in service by InSight.

NOTE 16 – RELATED PARTY TRANSACTIONS (Continued)

InSight Youth and Family Connections, Inc. Youth Diversion Grant

During the years ended December 31, 2021 and 2020, InSight provided the Organization with $385,740 and $429,842 grants, respectively, to fund the Journey to Success (JTS) program – a youth and young adult diversion program targeted at Wayne County students in 6th through 12th grade. The objective is to divert students from unsafe, unhealthy activities and environments to focus on positive activities that develop life skills, increase emotional and social intelligence, promote academic and career success and build supportive adult relationships. The accounts receivable related to these services at December 31, 2021 and 2020 were $37,663 and $-0-, respectively.

InSight Youth and Family Connections, Inc. Donations

During the years ended December 31, 2021 and 2020, InSight provided the Organization with general donation and event sponsorships of $13,500 and $-0-, respectively.

NOTE 17 – CONTINGENCIES

Grants

Grants often require the fulfillment of certain conditions as set forth in the grant instrument. As grant revenue continues to grow for the Organization, the sophistication and expectations of grantors has also grown. The grant application processes for the Organization include a leadership review to ensure that grant promises can be filled; and once a grant is awarded, the Organization's grants compliance team monitors progress and reporting with program leaders to ensure that grant obligations are fulfilled. In addition, regular communications with grantors occurs during the grant period to ensure that any difficulties are identified early, to address any concerns and adjust as necessary to mitigate the need to return funds to a grantor. Therefore, it is highly unlikely that the Organization would need to return funds to a grantor.

Unemployment Claims

The Organization is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Organization has purchased commercial insurance for coverage of all claims except employee unemployment benefits. The Organization pays unemployment claims on a reimbursement basis.

NOTE 17 – CONTINGENCIES (Continued)

Litigation

In the normal course of business, there are various unresolved legal actions. As of Report Date, the outcome of these legal actions was not determinable. Management believes the resolution of these lawsuits will not have a material effect on the financial statements; therefore, a provision for a loss was not included in the financial statements.

Long-Term Debt

As noted in Note 10, the Organization is subject to certain requirements as part of the FHLBI, Wayne County Home Grant, and Paycheck Protection Program agreements.

NOTE 18 – ACCOUNTING PRONOUNCEMENTS

Upcoming Accounting Pronouncement

In July 2016, the FASB issued ASU 2016-2, *Leases (Topic 842).* The ASU requires that assets and liabilities be recognized from all leases, except for leases with a term of 12 months or less. The ASU is effective for fiscal years beginning after December 15, 2021.

Management is currently assessing the potential impact of the upcoming pronouncement to the Organization’s accounting and financial reporting.

NOTE 19 – SUBSEQUENT EVENTS

The consolidated financial statements and related disclosures include evaluation of events up through and including April 29, 2022, which is the date the consolidated financial statements were issued.