Audited Financial Statements

Via Rehabilitation Services, Inc.

May 31, 2020

Quigley & Miron

Quigley & Miron

Certified Public Accountants

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Independent Auditor's Report

Board of Directors
Via Rehabilitation Services, Inc.
Los Angeles, California

We have audited the accompanying financial statements of Via Rehabilitation Services, Inc., a nonprofit organization, which comprise the statement of financial position as of May 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Via Rehabilitation Services, Inc. as of May 31, 2020, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 12 to the financial statements, the 2019 financial statements have been restated to recognize the land lease asset which was previously unrecognized and to separate commingled accumulated endowment earnings subject to appropriation from net assets without donor restriction to net assets with donor restriction.

Quigley & Miron

Los Angeles, California
April 6, 2021

Via Rehabilitation Services, Inc.
Statement of Financial Position
May 31, 2020

Assets

Current Assets	
Cash and cash equivalents	$ 709,680
Investments—Note 3	1,361,287
Accounts receivable	271,118
Prepaid expenses and other assets	67,662
Total Current Assets	**2,409,747**
Noncurrent Assets	
Long-term investments—Note 3	816,280
Camp Altitude, net—Note 4	88,276
Property and equipment, net—Note 6	3,046,097
Land lease—Note 7	3,281,167
Total Noncurrent Assets	**7,231,820**
Total Assets	**$ 9,641,567**

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued expenses	$ 182,536
Accrued liabilities	107,339
Deferred revenue	4,802
PPP advance—Note 8	596,805
Total Liabilities	**891,482**
Net Assets	
Without donor restrictions	4,048,799
With donor restrictions—Note 10	4,701,286
Total Net Assets	**8,750,085**
Total Liabilities and Net Assets	**$ 9,641,567**

See notes to financial statements.

Via Rehabilitation Services, Inc.
Statement of Activities
Year Ended May 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Support			
Contributions and grants	$ 119,004	$ 392,749	$ 511,753
Government grants	61,300		61,300
Contribution of land	217,766		217,766
In-kind contributions	25,117		25,117
Special events			
Gross revenue	385,820	183,650	569,470
Less cost of direct benefit to donors	(275,078)		(275,078)
Special Events, Net	**110,742**	**183,650**	**294,392**
Revenue			
Via West	1,395,971		1,395,971
First Step Early Intervention	1,358,087		1,358,087
Interest and dividends	20,520	59,721	80,241
Rental income	732,135		732,135
Other income	9,904		9,904
Total Support and Revenue Before Reclassifications	**4,050,546**	**636,120**	**4,686,666**
Reclassifications			
Net assets released from restrictions	437,036	(437,036)	
Total Support and Revenue After Reclassifications	**4,487,582**	**199,084**	**4,686,666**
Expenses			
Program services	4,760,306		4,760,306
Management and general	658,314		658,314
Fundraising and development	434,383		434,383
Total Expenses	**5,853,003**		**5,853,003**
Change in Net Assets from Operations	**(1,365,421)**	**199,084**	**(1,166,337)**
Nonoperating Activities			
Investment return, net	78,303	(28,551)	49,752
Loss on disposal of property	(5,500)		(5,500)
Total Nonoperating Activities	**72,803**	**(28,551)**	**44,252**
Change in Net Assets	**(1,292,618)**	**170,533**	**(1,122,085)**
Net Assets at Beginning of Year	**5,341,417**	**4,530,753**	**9,872,170**
Net Assets at End of Year	**$ 4,048,799**	**$ 4,701,286**	**$ 8,750,085**

See notes to financial statements.

Via Rehabilitation Services, Inc.
Statement of Functional Expenses
Year Ended May 31, 2020

	Program Services						
	Via West and Camp Altitude	First Step Early Intervention Program	Total Program Services	Management and General	Fundraising and Development	Special Events	Total
Expenses							
Salaries	$ 1,717,847	$ 770,387	$ 2,488,234	$ 219,867	$ 302,019	$	$ 3,010,120
Employee benefits	220,009	64,591	284,600	37,265	28,449		350,314
Payroll taxes	155,083	60,094	215,177	17,290	24,083		256,550
Total Personnel Expenses	**2,092,939**	**895,072**	**2,988,011**	**274,422**	**354,551**		**3,616,984**
Contracted services	120,792	181,373	302,165	77,887	18,187		398,239
Building occupancy	306,856	7,070	313,926	8,707	6,378		329,011
Depreciation and amortization	279,937		279,937	16,083			296,020
Land lease	236,079		236,079				236,079
Supplies, materials, and equipment	199,267	10,969	210,236	24,832	6,322		241,390
Cost of direct benefit to donors						275,078	275,078
Food	154,763	29	154,792		254		155,046
Insurance	94,647		94,647	17,168	17,451		129,266
Administrative expenses				112,310			112,310
Meetings and travel	54,581	5,619	60,200	8,202	6,704		75,106
Telephone	41,518	509	42,027	4,819	4,798		51,644
Professional fees	4,047		4,047	44,805			48,852
Miscellaneous expenses	17,086		17,086	29,110	250		46,446
Outside printing and artwork	23,286		23,286	742	10,902		34,930
Bad debt expense				26,274			26,274
Recruitment fees	20,799	744	21,543	1,768			23,311
Subscriptions and publications	3,441	253	3,694	7,562	7,645		18,901
Minor equipment	5,771		5,771				5,771
Postage and shipping	2,464	350	2,814	1,996	911		5,721
Licenses and taxes	45		45	804	30		879
Interest				823			823
Total Expenses by Function	**3,658,318**	**1,101,988**	**4,760,306**	**658,314**	**434,383**	**275,078**	**6,128,081**
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors						(275,078)	(275,078)
Total Expenses	**$ 3,658,318**	**$ 1,101,988**	**$ 4,760,306**	**$ 658,314**	**$ 434,383**	**$**	**$ 5,853,003**

See notes to financial statements.

Via Rehabilitation Services, Inc.
Statement of Cash Flows
Year Ended May 31, 2020

Cash Flows from Operations		
Change in net assets	$	(1,122,085)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization		296,020
Loss on disposal of property and equipment		5,500
Realized and unrealized gains on investments		(66,470)
Changes in operating assets and liabilities:		
Accounts receivable		149,537
Prepaid expenses and other assets		(30,711)
Land lease		18,313
Accounts payable and accrued expenses		(10,111)
Accrued liabilities		(62,029)
Deferred revenue		(182,909)
PPP advance payable		596,805
Net Cash Used in Operating Activities		**(408,140)**
Cash Flows from Investing Activities		
Purchases of property and equipment		(121,336)
Purchases of investments		(62,821)
Proceeds from sales of investments		1,150,000
Net Cash Provided by Investing Activities		**965,843**
Net Increase in Cash and Cash Equivalents		**557,703**
Cash and Cash Equivalents at Beginning of Year		**151,977**
Cash and Cash Equivalents at End of Year	**$**	**709,680**
Supplementary Disclosures		
Income taxes paid	$	
Interest paid	$	823

See notes to financial statements.

Note 1—Organization and Summary of Significant Accounting Policies

Organization—Via Rehabilitation Services, Inc. (Organization) is a California not-for-profit corporation, incorporated in 1947. The mission of the Organization is helping individuals with disabilities and special needs achieve greater self-sufficiency and lead richer lives.

History—In 1945, two women saw a little boy sitting in a window every day, isolated from the world because of cerebral palsy. With permission from the boy's single working mother, they carried the boy and his wheelchair down a steep flight of stairs so he could explore new places and spark his intellectual and emotional development. That act of generosity led to the creation of the Crippled Children's Society, now Via Rehabilitation Services, Inc., an organization that has continued to serve youth and adults with disabilities for over half a century.

The following is a summary of the Organization's program services:

> Camp Altitude—Provides year-round camping experiences for boys and girls with social cognitive challenges to build social skills, independence, and self-confidence. We prepare our participants for the transition to young adulthood, future relationships, and the rest of their lives.
>
> First Step Early Intervention—Provides development assessments of infants and children up to age 10 and also offers a wide array of speech-language and occupational play-based therapy to address developmental delays or disorders, and help each child realize their potential.
>
> Via West—Provides residential respite care with weekend and week-long programs throughout the year. The children, teens, and adults who stay with us enjoy innovative programs and activities that include both learning and outdoor experiences, plus independent living skills and skill-building activities that are specifically designed to improve self-sufficiency.

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Organization and changes therein are presented and reported as follows:

> Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
>
> Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of the Organization to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Measure of Operations—The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of the Organization's program services including Via West and Camp Altitude, and the First Step Early Intervention Program. Nonoperating activities are limited to other activities considered to be of a more unusual or nonrecurring nature; no such activities occurred during the year ended May 31, 2020.

Note 1—Organization and Summary of Significant Accounting Policies—*Continued*

Recently Adopted Accounting Principle—In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope of the accounting guidance for contributions received and contributions made. The clarifications and improved scope assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange (reciprocal) transactions, and 2) determining whether a contribution is conditional. The clarified guidance applies to all entities that receive or make contributions (grants). ASU No. 2018-08 has been adopted by the Organization for the year ended May 31, 2020, however, the retrospective approach requires that organizations reflect the effect of the new guidance in the earliest year presented in the financial statements. The Organization has determined that adopting ASU No. 2018-08 has had no material effect on the financial statements.

Income Taxes—The Internal Revenue Service (IRS) has classified the National Museum as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and the National Museum is exempt from California state income taxes from the Franchise Tax Board. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at May 31, 2020. Generally, the Organization's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—Cash and cash equivalents consist of cash on deposit with banks as well as money market funds or short-term investments held at financial institutions, with original maturities of three months or less from the date of purchase.

Concentration of Credit Risk—Cash and cash equivalents, investments in securities, and receivables are the primary form of concentration of credit risk to which the Organization is subject. The Organization places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. At times, in the normal course of business, such cash balances are in excess of the FDIC insurance limits, but management deems the risk of loss due to these concentrations to be minimal.

Property and Equipment—Purchased property and equipment are recorded at cost, and donated assets are recorded at the estimated fair value on the date of receipt. The Organization depreciates its property and equipment using the straight-line-method over their useful lives, ranging from three to five years. Repairs and maintenance costs are expensed as incurred. It is the Organization's policy to treat items under $3,500 as operating expenses.

Contributions and Grants—Contributions and grants are reported as support in the period received and as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expiration of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the accompanying statement of activities.

Revenue Recognition—The Organization's revenue recognition policies are as follows:

Program Service Fees—Revenues from program service fees, including Via West and Camp Altitude, and the First Step Early Intervention Program, are recognized when services are provided. The amounts recognized but not settled in cash are reported as accounts receivable.

Note 1—Organization and Summary of Significant Accounting Policies—*Continued*

Rental Income—Rental income consists of facilities rental fees earned from unrelated third parties. Rental income is recognized upon the occurrence of the events for which the facilities were rented.

Donated Materials and Services—The Organization records the value of donated material or services in accordance with generally accepted accounting principles, and when an objective basis is available. During the year ended May 31, 2020, donated materials totaling $25,117 were received by the Organization and recorded in the statement of activities. The in-kind donations described above have been included in the supplies, materials, and equipment caption in the statement of functional expenses.

Benefits Provided to Donors at Special Events—The Organization conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. The Organization values benefits, primarily the meals and entertainment, at the actual cost.

Functional Expenses—The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are charged directly according to their natural expenditures' classification. Certain costs have been allocated between the program services and supporting services benefitted. The method of expense allocation is as follows:

Allocated Expense	Method of Allocation
Salaries	Time and effort
Employee benefits	Time and effort
Payroll taxes	Time and effort
Contract services	Percent of direct costs
Building occupancy	Percent of direct costs
Depreciation and amortization	Percent of direct costs
Supplies, materials, and equipment	Percent of direct costs
Food	Percent of direct costs
Insurance	Percent of direct costs
Administrative services	Actual usage
In-kind expenses	Percent of direct costs
Meetings and travel	Actual usage
Professional fees	Percent of direct costs
Telephone	Percent of direct costs
Miscellaneous expenses	Percent of direct costs
Outside printing and artwork	Actual usage
Bad debts expense	Actual usage
Recruitment fees	Actual usage
Subscriptions and publications	Percent of direct costs
Minor equipment	Percent of direct costs
Postage and shipping	Percent of direct costs
Licenses and taxes	Percent of direct costs

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

Note 2—Availability and Liquidity

The Organization's goal is generally to maintain financial assets to meet two months of operating expenses (approximately $600,000). As part of its liquidity plan, the Organization places its cash in an interest-bearing checking account. The following represents the availability and liquidity of the Organization's financial assets for general expenditures within one year as of May 31, 2020:

Cash and cash equivalents	$ 68,300
Investments	1,361,287
Accounts receivable	271,118
Current Availability of Financial Assets	**$ 1,700,705**

Note 3—Investments

Investments consist of the following as of May 31, 2020:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Without donor restrictions	$ 1,914,066	$ 1,361,287	$ (552,779)
With donor restrictions	496,915	816,280	319,365
Totals	**$ 2,410,981**	**$ 2,177,567**	**$ (233,414)**

Return on investments for the year ended May 31, 2020 is as follows:

Realized gain (loss) on investments	$ 149,559
Unrealized loss on investments	(83,089)
Management fees	(16,718)
Investment Return, Net	**49,752**
Investment interest and dividends	79,540
Total Investment Return	**$ 129,292**

Note 4—Camp Altitude, Net

In December 2014, the Organization entered into an asset purchase agreement with Horizoncal, LLC to purchase its Camp Altitude division, which provides summer camp programs. The purchase price was $136,975. The cost is being amortized over 15 years.

The following table represents the cost of Camp Altitude and the related accumulated amortization at May 31, 2020:

Camp Altitude Program	$ 139,100
Less accumulated amortization	(50,824)
Net	**$ 88,276**

Total amortization expense recorded for the year ended May 31, 2020 was $9,292.

Note 5—Fair Value

In determining the fair value of assets, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Organization at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment. The Organization had no Level 3 assets or liabilities at May 31, 2020.

The Organization may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Organization to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. The Organization had no assets or liabilities classified at NAV as a practical expedient during the year ended May 31, 2020.

Fair values of assets measured on a recurring basis at May 31, 2020 are as follows:

	Fair Value	Level 1	Level 2
Investments			
Domestic equities	$ 860,901	$ 860,901	$
Fixed income	766,199	766,199	
International equities	505,243	505,243	
Investments - Harrison Diversified, LLC	45,224		45,224
Totals	**$ 2,177,567**	**$ 2,132,343**	**$ 45,224**

Note 6—Property and Equipment, Net

The major classes of property and equipment, net at May 31, 2020 are as follows:

Land	$ 52,926
Buildings	4,727,955
Improvements	1,435,861
Furniture, fixtures, and equipment	506,433
Automobiles	211,999
Less accumulated depreciation	(3,889,077)
Property and Equipment, Net	**$ 3,046,097**

Total depreciation expense recorded for the year ended May 31, 2020 was $286,728.

Note 7—Land Lease

In 1992, the Organization, entered into an 18-year lease at $1 per year with the County of Santa Clara Parks and Recreation Department for the use of land spreading across 11.5 acres, three of which are useable, within the Stevens Creek County Park. The lease contained an option to extend for an additional 50 years. The Organization developed buildings on the land to conduct its program activities for Via West. In 2009, the lease was extended to the year 2060. The present value of the land lease is $3,281,167 as of May 31, 2020, based on an annual estimated lease expense of $236,079 and a discount rate of 6.6%.

Note 8—PPP Advance

In May 2020, the Organization received $658,105 in Paycheck Protection Program (PPP) funding from the U.S. Small Business Administration (SBA). The funding is designed to provide a direct incentive for small businesses struggling from the impact of the COVID-19 pandemic (see Note 14) to keep their workers on the payroll. While these funds carry loan repayment terms, it is the opinion of management that all funds received will be forgiven under the present terms of the PPP. During the year ended May 31, 2020, the Organization recognized $61,300 of government grant income resulting from forgiveness for part of the loan, with the remaining balance of $596,805 reported as PPP advance payable on the statement of financial position. Subsequent to year-end, an additional $392,778 of PPP funding was received from the SBA.

Note 9—Commitments and Contingencies

The Organization has multiple operating lease agreements for office equipment and property. The future estimated minimum annual lease commitments are as follows:

Year Ending May 31,		
2021	$	48,641
2022		48,265
2023		48,265
2024		6,012
Total	**$**	**151,183**

Note 10—Net Assets with Donor Restrictions

Net assets with donor restrictions at May 31, 2020 consist of the following:

Subject to expenditure for specified purpose:		
Land lease	$	3,281,167
Via West and Camp Altitude		621,030
First Step Early Intervention program		20,350
Total Subject to Purpose Restrictions		**3,922,547**
Subject to endowment spending policy and appropriation:		
General operations		224,028
Via West		48,994
Clinic		8,802
Total Subject to Appropriation		**281,824**
Held in perpetuity:		
General operations		395,009
Via West		86,386
Clinic		15,520
Total Held in Perpetuity		**496,915**
Total Net Assets with Donor Restrictions	**$**	**4,701,286**

Net assets released from donor restrictions for the year ended May 31, 2020 consist of the following:

Satisfaction of passage of time:		
Land lease	$	18,313
Satisfaction of purpose restrictions:		
Via West and Camp Altitude		372,014
First Step Early Intervention program		9,167
Satisfaction of the Organization's endowment spending policy and appropriation:		
General operations		29,843
Via West		6,526
Clinic		1,173
Total Net Assets Released from Donor Restrictions	**$**	**437,036**

Note 11—Endowment Net Assets

The Organization's endowment consists of an investment fund established to support its operations and programs. The endowment comprises donor-restricted endowment funds only and, as of May 31, 2020, there were no funds designated by the Board to function as endowments. As required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 11—Endowment Net Assets—*Continued*

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of California 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. The Board is aware that there is an implicit understanding that the market value of the donor-restricted endowment may, from time to time, fall below the fair value of the original gift as of the gift date due to market conditions or continued prudent expenditures by the Board of certain amounts of the endowment. If such a temporary deficit condition occurred, the Board would take all prudent steps, given ongoing market conditions, to restore the fair value of the fund to an amount at or above the amount of the original gift.

The Organization classifies the following as net assets with donor restrictions that are perpetual in nature:

(a) The original value of gifts donated to the permanent endowment,
(b) The original value of subsequent gifts to the permanent endowment, and
(c) The accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of donor-restricted endowment funds that is not classified as net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that are purpose-restricted, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

<u>Return Objectives and Risk Parameters</u>—It is the purpose of the Organization's endowment fund to secure the future of the Organization and to support its programs and operations as designated by the Board.

The primary long-term financial objective is to preserve and enhance the real (i.e., inflation-adjusted) purchasing power of the endowment through a prudent long-term investment strategy. This objective should be achieved over rolling three-, five-, and ten-year periods on a total return basis. An additional objective is to provide a relatively predictable, stable, and (in real terms) constant stream of current income for the Organization's annual operating needs.

Investment assets are invested in a well-diversified asset mix, which includes equities, alternative investments, fixed income, and cash and equivalents. The objective is to provide a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5.5% based on the moving average fair value of the prior five years while growing the fund if possible. The Organization expects its investment assets, over time, to produce an average rate of return of approximately 7.5% annually. Actual returns in any given year may vary from this amount.

<u>Strategies Employed for Achieving Objectives</u>—The Organization manages its endowment on a total rate of return basis consisting of dividends, interest, and any net increase / decrease in market value of securities for the fiscal year, not favoring returns from one source over another.

Note 11—Endowment Net Assets—*Continued*

The Organization has determined that marketable debt and equity securities traded in the United States are appropriate investments consistent with its return objectives and risk parameters. Cash invested in money market accounts is also an acceptable investment within these guidelines. The investment portfolio is to be sufficiently balanced so that no single security or class of securities will have a disproportionate impact on the risk of the total portfolio.

Spending Policy and How the Investment Objectives Relate to Spending Policy—The Organization has a policy governing the amount of endowment earnings that can be released annually for spending, consistent with the restrictions, if any, placed on the endowment by donors. The spending policy authorizes an annual distribution equal to 5% of the average market value of the portfolios as of the preceding 20 calendar quarters, subject to the requirement that the portfolios increase by an inflation factor annually.

Summary of Endowment Fund Balances and Activity—Endowment net asset composition by donor-imposed stipulations for the year ended May 31, 2020 is as follows:

Via West	86,386
Clinic	15,520
Total	**$ 496,915**

Changes in endowment net assets for the year ended May 31, 2020 consist of:

	Subject to Appropriation	Held In Perpetuity	Total
Endowment Net Assets at May 31, 2019	**$ 288,196**	**$ 496,915**	**$ 785,111**
Interest and dividends	59,721		59,721
Net realized and unrealized loss on investments	(25,808)		(25,808)
Investment fees	(2,744)		(2,744)
Total Investment Return	**31,169**		**31,169**
Appropriation of expenditure	(37,542)		(37,542)
Endowment Net Assets at May 31, 2020	**$ 281,823**	**$ 496,915**	**$ 778,738**

Note 12—Prior Period Restatement

Prior to June 1, 2019, the Organization commingled accumulated endowment earnings subject to appropriation with net assets without donor restriction. To correct this error, beginning of year net assets with donor restrictions have increased by $286,355 and net assets without donor restrictions have decreased by the same amount. Additionally, the amounts subject to appropriation are now reflected on the table for net assets with donor restrictions.

Prior to June 1, 2019, the Organization did not recognize the land lease asset granted to it by the County of Santa Clara Parks and Recreation Department for the use of land spreading across 11.5 acres within the Stevens Creek County Park. To correct this error, beginning of year net assets with donor restrictions have increased by $12,713,862. Additionally, the book value of the land lease is reflected on the statement of financial position.

Note 13—Recent Accounting Pronouncements

Revenue Recognition—In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for fiscal years beginning after December 15, 2016. The guidance permits the use of either a retrospective or cumulative effect transition method. The Organization is evaluating whether this will have a material impact on its financial statements.

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for nonprofit organizations with annual periods beginning after December 15, 2021 for nonprofit organizations with fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

Note 14—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The Organization has continued to conduct its activities on a remote basis, and to monitor the ongoing impact of the pandemic response on its overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on the Organization, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Note 15—Subsequent Events

Management evaluated all activities of Via Rehabilitation Services, Inc. through April 6, 2021, which is the date the financial statements were available to be issued, and concluded that other than the additional PPP funding described in Note 8, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.