

KEYSTONE VOCATIONAL SERVICES

FINANCIAL STATEMENTS
AND ACCOMPANYING SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

KEYSTONE VOCATIONAL SERVICES

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Keystone Vocational Services
Hermitage, Pennsylvania

REPORT OF THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Keystone Vocational Services (a non-profit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Keystone Vocational Services as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). 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 Keystone Vocational Services 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.

RESPONSIBILITY OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Keystone Vocational Services ability to continue as a going concern for one (1) year after the date that the financial statements are issued.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

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

SUPPLEMENTARY INFORMATION

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information identified as Exhibit "A" is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Sharon, Pennsylvania
July 25, 2022

KEYSTONE VOCATIONAL SERVICES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>A S S E T S</u>		
<u>CURRENT ASSETS:-</u>		
Cash and Cash Equivalents	\$ 570,785	\$ 1,095,445
Accounts Receivable	492,101	501,220
Inventory, at Cost	507,700	293,527
Prepaid Expense	58,264	51,670
	<hr/>	<hr/>
<u>TOTAL CURRENT ASSETS:-</u>	<u>\$ 1,628,850</u>	<u>\$ 1,941,862</u>
<u>FIXED ASSETS, AT COST:-</u>		
Production Equipment	\$ 263,634	\$ 252,434
Computer Equipment	48,897	48,897
Furniture and Fixtures	12,359	12,359
Vehicles	141,800	63,481
Office Equipment	17,555	17,555
Mailroom Equipment	206,618	200,368
Leasehold Improvements	50,931	50,931
	<hr/>	<hr/>
	\$ 741,794	\$ 646,025
<u>LESS: Accumulated Depreciation</u>	<u>(495,751)</u>	<u>(395,303)</u>
	<hr/>	<hr/>
<u>NET FIXED ASSETS:-</u>	<u>\$ 246,043</u>	<u>\$ 250,722</u>
<u>OTHER ASSETS:-</u>		
Investments, at Fair Value	\$ 1,787,141	\$ 716,537
	<hr/>	<hr/>
<u>TOTAL ASSETS:-</u>	<u>\$ 3,662,034</u>	<u>\$ 2,909,121</u>
<u>L I A B I L I T I E S</u>		
<u>CURRENT LIABILITIES:-</u>		
Accounts Payable	\$ 207,152	\$ 179,791
Accrued Payroll and Payroll Taxes	104,365	111,425
Capital Lease Obligation	8,342	9,100
Paycheck Protection Program Loan	-	443,984
Due to Affiliates	7,413	18,776
	<hr/>	<hr/>
<u>TOTAL CURRENT LIABILITIES:-</u>	<u>\$ 327,272</u>	<u>\$ 763,076</u>
<u>LONG-TERM LIABILITIES:-</u>		
Capital Lease Obligation	\$ -	\$ 8,342
	<hr/>	<hr/>
<u>TOTAL LIABILITIES:-</u>	<u>\$ 327,272</u>	<u>\$ 771,418</u>
<u>N E T A S S E T S</u>		
Net Assets Without Donor Restrictions	\$ 3,334,762	\$ 2,137,703
	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND NET ASSETS:-</u>	<u>\$ 3,662,034</u>	<u>\$ 2,909,121</u>

The Accompanying Notes are an Integral Part of These Statements

KEYSTONE VOCATIONAL SERVICES

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>REVENUES AND OTHER SUPPORT:-</u>		
Mailroom Services	\$ 3,210,400	\$ 4,642,631
Tool Sales	1,377,870	871,383
Helmet Sales	390,630	415,095
Mailroom Equipment Services	136,411	138,031
Grants	43,488	11,041
Miscellaneous	671,739	9,339
Interest	2,225	6,822
Investment Income, Net	120,603	16,537
Shipping	18,805	31,013
	<u>5,972,171</u>	<u>6,141,892</u>
<u>TOTAL REVENUES AND OTHER SUPPORT:-</u>	<u>\$ 5,972,171</u>	<u>\$ 6,141,892</u>
<u>EXPENSES:-</u>		
Program Services	\$ 4,275,776	\$ 5,096,579
Management and General	499,336	509,138
	<u>4,775,112</u>	<u>5,605,717</u>
<u>TOTAL EXPENSES:-</u>	<u>\$ 4,775,112</u>	<u>\$ 5,605,717</u>
<u>CHANGE IN NET ASSETS:-</u>	\$ 1,197,059	\$ 536,175
<u>NET ASSETS - BEGINNING OF YEAR:-</u>	<u>2,137,703</u>	<u>1,601,528</u>
<u>NET ASSETS - END OF YEAR:-</u>	<u>\$ 3,334,762</u>	<u>\$ 2,137,703</u>

The Accompanying Notes are an Integral Part of These Statements

KEYSTONE VOCATIONAL SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES

DECEMBER 31, 2021 AND 2020

	<u>2021</u>			<u>2020</u>		
	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
<u>EXPENSES:-</u>						
Wages	\$ 1,234,147	\$ 37,759	\$ 1,271,906	\$ 1,465,127	\$ 36,911	\$ 1,502,038
Employee Benefits	321,115	30,461	351,576	428,904	28,822	457,726
Payroll Taxes	108,174	3,310	111,484	125,133	3,060	128,193
Management Fees	26,503	141,810	168,313	25,965	175,980	201,945
Mailroom Contracted Services	995,133	-	995,133	1,817,111	-	1,817,111
Shipping, Supplies	105,874	-	105,874	113,352	(146)	113,206
Tool/Helmet Purchases, Production Costs	1,165,904	-	1,165,904	817,881	-	817,881
Automobile and Transportation	9,560	1,303	10,863	3,944	940	4,884
Insurance	12,251	8,601	20,852	10,836	7,334	18,170
Professional Fees	2,298	30,372	32,670	1,530	22,737	24,267
Management Services - Administration	-	174,000	174,000	-	174,000	174,000
Advertising	-	7,368	7,368	-	3,474	3,474
Interest	1,289	-	1,289	1,911	3,184	5,095
Awards	1,226	1,854	3,080	3,076	-	3,076
Software	19,103	6,108	25,211	10,733	9,165	19,898
Communications	10,554	4,285	14,839	10,642	4,696	15,338
Occupancy and Maintenance	84,003	32,597	116,600	94,713	29,347	124,060
Conferences, Dues, Meetings	5,222	7,925	13,147	3,791	3,591	7,382
Office	12,019	4,154	16,173	7,933	1,151	9,084
Miscellaneous	15,603	2,779	18,382	2,079	1,248	3,327
Contributions	50,000	-	50,000	50,000	-	50,000
Depreciation	95,798	4,650	100,448	101,918	3,644	105,562
<u>TOTAL EXPENSES:-</u>	<u>\$ 4,275,776</u>	<u>\$ 499,336</u>	<u>\$ 4,775,112</u>	<u>\$ 5,096,579</u>	<u>\$ 509,138</u>	<u>\$ 5,605,717</u>

The Accompanying Notes are an Integral Part of These Statements

KEYSTONE VOCATIONAL SERVICES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:-</u>		
Mailroom, Tool, and Helmet Income Received	\$ 5,124,430	\$ 6,145,610
Grants Received	43,488	11,041
Miscellaneous Income	246,560	40,352
	<hr/>	<hr/>
<u>CASH PROVIDED BY OPERATING ACTIVITIES:-</u>	<u>\$ 5,414,478</u>	<u>\$ 6,197,003</u>
Cash Paid for Personnel Costs	\$(1,916,026)	\$(2,250,971)
Cash Paid for Operating Activities	(2,969,179)	(3,354,508)
Cash Paid for Interest	(1,289)	(1,911)
	<hr/>	<hr/>
<u>CASH USED IN OPERATING ACTIVITIES:-</u>	<u>\$ (4,886,494)</u>	<u>\$ (5,607,390)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES:-</u>	<u>\$ 527,984</u>	<u>\$ 589,613</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:-</u>		
Interest Income Received	\$ 2,225	\$ 6,822
Purchase of Investments	(950,000)	(700,000)
Purchase of Fixed Assets	(95,769)	(58,332)
	<hr/>	<hr/>
<u>NET CASH USED IN INVESTING ACTIVITIES:-</u>	<u>\$ (1,043,544)</u>	<u>\$ (751,510)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:-</u>		
Repayments on Notes Payable	\$ -	\$ (11,741)
Proceeds from Paycheck Protection Loan	-	440,800
Repayments on Capital Lease Obligation	(9,100)	(9,100)
	<hr/>	<hr/>
<u>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:-</u>	<u>\$ (9,100)</u>	<u>\$ 419,959</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:-</u>	<u>\$ (524,660)</u>	<u>\$ 258,062</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR:-</u>	<u>1,095,445</u>	<u>837,383</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR:-</u>	<u>\$ 570,785</u>	<u>\$ 1,095,445</u>
<u>SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:-</u>		
Net Investment Income Reinvested	<u>\$ 39,209</u>	<u>\$ 3,362</u>
Unrealized Gain on Investments	<u>\$ 81,394</u>	<u>\$ 13,175</u>
Paycheck Protection Loan/Accrued Interest Forgiven	<u>\$ 443,984</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of These Statements

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

1. NATURE OF ORGANIZATION AND OPERATIONS

Keystone Vocational Services (Organization) was established to be able to provide employment opportunities for blind and visually impaired individuals through federal government set aside programs. The Organization currently assembles tools for retail sale and private distributors at their facility, as well as orders for state and federal agencies. In 2013, the Organization began helmet assembly production, and sales are made to federal agencies and major private distributors. In 2017, the Organization was awarded a federal contract to provide mailroom services for the federal government at the Boyers, Pennsylvania mine.

INCOME TAXES

The Organization, a non-profit entity operating under Section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal, state, and local income taxes and, accordingly, no provision for income taxes is included in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accrual basis of accounting is used by the Organization. Revenues are recognized in the accounting period in which they are earned. Expenses are recorded in the accounting period in which they are incurred.

FINANCIAL STATEMENT PRESENTATION

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 - Financial Statements of Not-for-Profit Organizations, the Organization is required to report information regarding its financial position and activities according to two (2) classes of net assets: with donor restrictions and without donor restrictions.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the cash flows statement, the Organization considers all highly liquid investments purchased with a maturity of three (3) months or less to be cash equivalents.

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Cash and Cash Equivalents consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Checking	\$ 316,514	\$ 292,326
Savings/Money Market	<u>254,271</u>	<u>803,119</u>
<u>TOTAL:-</u>	<u>\$ 570,785</u>	<u>\$ 1,095,445</u>

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash and debt.

The Federal Deposit Insurance Corporation (FDIC) insures all deposit accounts, including checking and savings accounts, money market deposit accounts, and certificates of deposit. The standard insurance amount is \$ 250,000 per depositor, per bank, per ownership category. In the normal course of business, the Organization may have deposits in excess of federal insured coverage. As of December 31, 2021, the Organization had approximately \$ 371,000 in excess of FDIC insured limits.

Accounts at brokerage firms contain cash and securities balances and are insured up to \$ 500,000, with a limit of \$ - 0 - for cash, by the Securities Investor Protection Corporation (SPIC). As of December 31, 2021, the Organization had approximately \$ 1,276,000 in excess of SPIC limits.

REVENUE RECOGNITION IN ACCORDANCE WITH FASB ASC-606

REVENUE RECOGNITION

All revenue and support is considered to be without donor restrictions (with the exception of grants), and consists primarily of product sales, services, and grants. Revenues are recognized at the time of sale, service, or awarding of grants.

TRANSACTION PRICE

The amount and timing of revenue recognition varies based on the nature of the services provided/product sold, and the terms and conditions of the agreement with the individual customer. There are no finance components with these services/products, and consideration received is fixed (i.e., there is no variable consideration).

CONTRACT BALANCES

Contract assets or receivables will be recognized if the services have been performed/product sold, but the customer has not yet paid. The Organization had contract assets of \$ 492,101 and \$ 501,220 recorded as of December 31, 2021 and 2020, respectively.

PERFORMANCE OBLIGATIONS

The Organization's performance obligation under various service contracts is to provide mailroom services for a government entity. The fees for these services are charged monthly, and revenue is recognized as the services are provided over time.

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

The Organization also assembles tools and helmets for sale to various commercial and government entities. Sales are recorded at a fixed price, and revenue is recognized when shipped.

DISAGGREGATION OR REVENUE

Revenues are disaggregated by service/type of product sold in the accompanying statements of activities.

GRANT REVENUE

The Organization receives annual grants from the National Industries for the Blind (NIB) to be utilized toward compensation and productivity improvement for blind and visually impaired employees. The grants have been recognized as revenue without donor restrictions, as the restrictions were met or accomplished during the year of receipt.

FUNCTIONAL EXPENSE ALLOCATION

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one (1) function are charged to program or support services based on management estimates. General and administrative expense includes those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

ACCOUNTS RECEIVABLE

Receivables include charges for services provided and goods sold to customers not collected as of the end of the year. The Organization considers all receivables to be fully collectable, and thus, no allowance for doubtful accounts is required.

For both years ended December 31, 2021 and 2020, there were no write-offs of uncollectable receivables to bad debt expense.

As of December 31, 2021, two (2) customers individually represented 51 and 34 percent, respectively, of total accounts receivable. As of December 31, 2020, two (2) customers individually represented 76 and 17 percent, respectively, of total accounts receivable.

INVENTORY

Inventory is stated at cost on a first-in first-out basis and consists of items assembled, and merchandise purchased for sale to the public.

INVESTMENTS

Investments in marketable equity securities with readily determinable fair values are stated at fair value in the accompanying statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

FIXED ASSETS

Acquisitions costing greater than \$ 500 with a useful life greater than one (1) year are capitalized, as well as any donated items which are valued at fair market value at the time of donation. Maintenance and repair charges are expensed as incurred. Depreciation and amortization of property and equipment are computed using the straight-line method over the estimated useful lives of the respective assets. Depreciation expense for 2021 and 2020 was \$ 104,448 and \$ 105,562, respectively.

The estimated useful lives of the assets are:

Vehicles	5 years
Equipment	3 - 10 years
Furniture and Fixtures	5 - 10 years
Leasehold Improvements	10 years

COMPENSATED ABSENCES

Accounting principles generally accepted in the United States of America (U.S. GAAP) require the accrual of compensated absences if the obligation is attributable to employees' services already rendered, the rights vest or accumulate, payment is probable, and the amount can be determined. The vacation pay to the Organization's employees meets these criteria and, as of December 31, 2021 and 2020, a liability of \$ 34,964 and \$ 44,612, respectively, has been recorded in the financial statements as "Accrued Payroll and Payroll Taxes."

ADVERTISING COSTS

Advertising costs are expensed as incurred. Total advertising costs expensed were \$ 7,368 and \$ 3,474 in 2021 and 2020, respectively.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and accounts receivable.

For purposes of analyzing resources available to meet general expenses over a 12-month period, the Organization considers all expenses related to its ongoing activities, as well as the conduct of services undertaken to support this activity to be general expenses.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenses.

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

The following table reflects the Organization's financial assets as of December 31, 2021 and 2020, reduced by amounts, if any, that are not available to meet general expenses within one (1) year of the statements of financial position date:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 570,785	\$ 1,095,445
Accounts Receivable	492,101	501,220
Investments	<u>1,787,141</u>	<u>716,537</u>
<u>TOTAL FINANCIAL ASSETS:-</u>	<u>\$ 2,850,027</u>	<u>\$ 2,313,202</u>
Financial Assets Available to Meet Cash Needs for General Expenses Within the Next Year	<u>\$ 2,850,027</u>	<u>\$ 2,313,202</u>

4. INVESTMENTS

The investments of the Organization as of December 31, 2021 and 2020 at fair value consisted of the following:

	<u>2021</u>	<u>2020</u>
<u>T.D. AMERITRADE:-</u>		
Cash and Money Market	\$ 10,745	\$ 4,271
U.S. Equity Mutual Funds	645,118	256,320
International Equity Mutual Funds	426,849	172,231
Fixed Income Mutual Funds	<u>704,429</u>	<u>283,715</u>
<u>TOTAL T.D. AMERITRADE:-</u>	<u>\$ 1,787,141</u>	<u>\$ 716,537</u>

Components of net investment income (loss) for all investments consisted of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and Dividend Income	\$ 28,139	\$ 1,450
Capital Gain Distributions	19,155	1,912
Unrealized Gains (Losses)	81,394	13,175
Investment Expenses	<u>(8,085)</u>	<u>-</u>
<u>TOTAL:-</u>	<u>\$ 120,603</u>	<u>\$ 16,537</u>

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

5. FAIR VALUE MEASUREMENTS

In accordance with the provisions of FASB ASC 820-10 Fair Value Measurements, the Organization is required to disclose the basis for valuing its assets and liabilities measured at fair value level. Level 1 uses quoted prices in active markets for identical assets; Level 2 uses significant other observable inputs; and Level 3 uses significant unobservable inputs. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Organization's investments discussed above are subject to the provisions of FASB ASC 820-10. The investments are Level 1 and are measured at fair value on a recurring basis for the years ending December 31, 2021 and 2020.

The following table presents the fair value measurement of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the FASB ASC 820-10 fair value hierarchy in which the fair value measurements fall as December 31, 2021 and 2020:

	<u>DECEMBER 31, 2021</u>		
	<u>(LEVEL 1)</u>	<u>(LEVEL 2)</u>	<u>(LEVEL 3)</u>
<u>ASSETS:-</u>			
<u>Long-Term Investments -</u>			
<u>Mutual Funds</u>	<u>\$ 1,787,141</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>DECEMBER 31, 2021</u>		
	<u>(LEVEL 1)</u>	<u>(LEVEL 2)</u>	<u>(LEVEL 3)</u>
<u>ASSETS:-</u>			
<u>Long-Term Investments -</u>			
<u>Mutual Funds</u>	<u>\$ 716,537</u>	<u>\$ -</u>	<u>\$ -</u>

Methods and assumptions used by the Organization in estimating fair values are as follows:

Mutual Funds - The fair values of these financial instruments are based on quoted market prices.

6. NOTES PAYABLE

LINE-OF-CREDIT

The Organization is a co-borrower with two (2) related entities on a line-of-credit. The line-of-credit has a limit of \$ 875,000, a variable interest rate (currently 3.25 percent), and is secured by the general assets of each entity. As of both December 31, 2021 and 2020, there was no balance outstanding.

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

PAYCHECK PROTECTION PROGRAM LOAN

On April 20, 2020, the Organization received a loan in the amount of \$ 440,800 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES), provides for loans to qualifying businesses up to 2.5 times of their average monthly payroll. The loan and accrued interest are forgivable after the 24-week covered period in which loan proceeds are used for eligible purposes (payroll, benefits, rent, and utilities). The amount of potential loan forgiveness will be reduced if the Organization terminates employees or reduces salaries during the covered period.

The unforgiven portion of the loan is payable over two (2) years at an interest rate of 1 percent, with a deferral of payments for the first ten (10) months after the end of the covered period. The Organization used the proceeds consistent with the PPP, and met the conditions for forgiveness of the entire loan and accrued interest of \$ 3,184 per bank notification of forgiveness was received in January 2021. A total of \$ 443,984 is included in "miscellaneous income" in the accompanying statement of activities for 2021.

7. CAPITAL LEASE OBLIGATION

In 2017, the Organization entered into a capital lease agreement for mailroom equipment. The lease has a purchase option of \$ 1 dollar at the end of the term. The lease calls for 60 monthly payments of \$ 866, including interest. The total cost of the equipment was \$ 45,001, with accumulated amortization of \$ 36,684 and \$ 27,588 as of December 31, 2021 and 2020, respectively.

The following is a schedule of future minimum lease payments as of December 31, 2021:

	\$ 9,526
<u>AMOUNTS REPRESENTING INTEREST:-</u>	(<u>1,184</u>)
<u>PRESENT VALUE OF MINIMUM LEASE PAYMENTS:-</u>	\$ 8,342
<u>LESS: CURRENT PORTION:-</u>	(<u>8,342</u>)
<u>LONG-TERM PORTION:-</u>	<u>\$ -</u>

8. LEASES

The Organization leases space from Keystone Blind Association under a one (1) year agreement (dated July 1, 2020). The lease calls for monthly rent payments of \$ 6,250 and will automatically renew annually unless terminated by either party with 90 days notice.

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The Organization also began leasing warehouse space in October 2021 under a one (1) year agreement (effective November 1, 2021). The lease calls for monthly rent payments of \$ 2,020, and is renewable annually.

Total rent expense was \$ 81,060 and \$ 82,500 for 2021 and 2020, respectively.

Future minimum lease payments due under all non-cancellable leases are as follows:

2022	<u>\$ 57,700</u>
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9. EMPLOYEE RETENTION CREDITS

The Employee Retention Credit (ERC) is a refundable payroll tax credit that was created under the CARES Act. Employers claim the ERC on their quarterly federal tax returns (Form 941), on qualified wages paid after March 12, 2020 through September 30, 2021. There are maximums per employee that can be claimed, and other qualifying conditions, including a specific threshold of decreased quarterly gross receipts, or full or partial suspension of operations due to Covid-19 government orders. The Organization qualified for the ERC during 2021. A total of \$ 211,862 was claimed on quarterly 941's, and is reflected as "miscellaneous income" in the accompanying statement of activities for 2021.

10. AFFILIATE TRANSACTIONS/MANAGEMENT CONTRACTS

Due to the nature of the Organization and the affiliate relationship with Keystone Blind Association, transactions frequently take place between the two (2) entities in the normal course of business. As of December 31, 2021 and 2020, the Organization owed \$ 548 and \$ 2,012, respectively, to Keystone Blind Association. The Organization also owed other affiliated entities, \$ 6,865 and \$ 16,764 as of December 31, 2021 and 2020, respectively.

During 2021 and 2020, the Organization paid \$ 342,313 and \$ 375,944, respectively, for administrative management services to Keystone Independence Management.

During 2021 and 2020, the Organization contracted with Montgomery County Association for the Blind, Inc. (MCAB) for mailroom courier services. The Organization paid MCAB \$ 26,541 and \$ 310,155 for these services in 2021 and 2020, respectively.

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11. COMMITMENTS/CONCENTRATION

Effective April 1, 2017, the Organization was awarded a contract through the federal government in conjunction with NIB, to provide mailroom services at the Boyers, Pennsylvania mine location. The contract calls for annual revenues ranging from \$ 3 to \$ 5 million, with the Organization serving as the prime contractor. The contract was initially for two (2) years, with three (3) optional one-year renewals, expiring March 31, 2022. A new contract was awarded in March 2021 for a 12-month base period, and four (4) 12-month period options. The total contract period will not exceed 66 months. The first 12-month option was exercised in March 2022. An additional piece was added to the contract in April 2022 for document destruction services.

This contract accounted for 54 and 76 percent of the Organization's total revenue in 2021 and 2020, respectively.

12. RETIREMENT PLAN

The Organization sponsors a 403(b) defined contribution retirement plan covering all eligible employees as defined by the Plan. Participants may contribute up to a percentage of their salary not-to-exceed certain Internal Revenue Code limits. Certain employees receive a health and welfare benefit which can be used to cover employee contributions for health insurance and other benefits, with the balance being contributed to the 403(b) Plan. The Organization provides up to a 3 percent discretionary matching contribution for any employees who contributes up to 3 percent of eligible wages. For the years ended December 31, 2021 and 2020, the Organization expensed \$ 26,274 and \$ 33,171, respectively, of plan contributions in the statements of activities.

13. SUBSEQUENT EVENTS

In accordance with ASC 855-10 Subsequent Events, the Organization has evaluated subsequent events through July 25, 2022, the date which the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosures in the financial statements or notes.

KEYSTONE VOCATIONAL SERVICES

EXHIBIT "A"

GENERAL AND ADMINISTRATIVE RATE CALCULATION

DECEMBER 31, 2021

<u>GENERAL AND ADMINISTRATIVE (G&A)</u>	<u>AMOUNT</u>
Pool	<u>\$ 466,309</u>
Base	<u>\$ 4,308,803</u>
G&A Percentage	<u>10.82%</u>

NOTE: Prepared in accordance with Subpart E of Title 2 of U.S. Code of Federal Regulations (CFR), Part 200.