

KEYSTONE VOCATIONAL SERVICES

FINANCIAL STATEMENTS AND
ACCOMPANYING SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022, 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.

RESPONSIBILITIES 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 RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

Black Bashor & Porsch, LLP
Sharon, Pennsylvania
July 17, 2024

KEYSTONE VOCATIONAL SERVICES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>A S S E T S</u>		
<u>CURRENT ASSETS:-</u>		
Cash and Cash Equivalents	\$ 825,515	\$ 756,308
Certificates of Deposit	514,667	-
Accounts Receivable	785,753	557,207
Inventory, at Cost	772,336	717,282
Prepaid Expense	77,238	69,615
	<u>2,975,509</u>	<u>2,100,412</u>
<u>FIXED ASSETS, AT COST:-</u>		
Production Equipment	\$ 400,110	\$ 348,336
Computer Equipment	49,949	49,949
Furniture and Fixtures	11,724	11,724
Vehicles	190,393	217,087
Office Equipment	23,535	23,535
Mailroom Equipment	184,040	179,830
Leasehold Improvements	63,089	63,089
	<u>922,840</u>	<u>893,550</u>
<u>LESS: Accumulated Depreciation</u>	(581,545)	(530,638)
	<u>341,295</u>	<u>362,912</u>
<u>OTHER ASSETS:-</u>		
Investments, at Fair Value	\$ 1,579,683	\$ 1,384,936
	<u>4,896,487</u>	<u>3,848,260</u>
<u>L I A B I L I T I E S</u>		
<u>CURRENT LIABILITIES:-</u>		
Accounts Payable	\$ 202,690	\$ 113,731
Accrued Payroll and Payroll Taxes	118,606	106,227
Note Payable	6,701	6,313
Due to Affiliates	6,613	3,976
	<u>334,610</u>	<u>230,247</u>
<u>LONG-TERM LIABILITIES:-</u>		
Note Payable	\$ 15,971	\$ 32,350
	<u>350,581</u>	<u>262,597</u>
<u>N E T A S S E T S</u>		
Net Assets Without Donor Restrictions	\$ 4,545,906	\$ 3,585,663
	<u>4,896,487</u>	<u>3,848,260</u>

The Accompanying Notes are an Integral Part of These Statements

KEYSTONE VOCATIONAL SERVICES

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>REVENUES AND OTHER SUPPORT:-</u>		
Mailroom Services	\$ 3,105,716	\$ 2,963,662
Tool Sales	1,975,203	1,999,153
Helmet Sales	501,400	479,301
Mailroom Equipment/Shredding Services	247,483	211,350
Shipping	10,799	18,925
Grants	23,426	60,162
Gain on Sale of Assets	18,000	20,542
Miscellaneous	9,800	27,958
Interest	18,817	1,213
Investment Income (Loss), Net	194,747	(252,205)
	<u>\$ 6,105,391</u>	<u>\$ 5,530,061</u>
<u>TOTAL REVENUES AND OTHER SUPPORT:-</u>		
	<u>\$ 6,105,391</u>	<u>\$ 5,530,061</u>
<u>EXPENSES:-</u>		
Program Services	\$ 4,618,959	\$ 4,775,652
Management and General	526,189	503,508
	<u>\$ 5,145,148</u>	<u>\$ 5,279,160</u>
<u>TOTAL EXPENSES:-</u>		
	<u>\$ 5,145,148</u>	<u>\$ 5,279,160</u>
<u>CHANGE IN NET ASSETS:-</u>	\$ 960,243	\$ 250,901
<u>NET ASSETS - BEGINNING OF YEAR:-</u>	<u>3,585,663</u>	<u>3,334,762</u>
<u>NET ASSETS - END OF YEAR:-</u>	<u>\$ 4,545,906</u>	<u>\$ 3,585,663</u>

The Accompanying Notes are an Integral Part of These Statements

KEYSTONE VOCATIONAL SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES

DECEMBER 31, 2023 AND 2022

	2023			2022		
	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>TOTAL</u>	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>TOTAL</u>
	<u>SERVICES</u>	<u>AND</u>		<u>SERVICES</u>	<u>AND</u>	
<u>FOR VISUALLY</u>	<u>GENERAL</u>		<u>FOR VISUALLY</u>	<u>GENERAL</u>		
	<u>IMPAIRED</u>			<u>IMPAIRED</u>		
<u>EXPENSES:-</u>						
Wages	\$ 1,231,485	\$ 73,174	\$ 1,304,659	\$ 1,213,370	\$ 63,469	\$ 1,276,839
Employee Benefits	292,148	47,431	339,579	278,925	36,435	315,360
Payroll Taxes	110,874	6,785	117,659	106,602	5,630	112,232
Management Fees	28,688	102,073	130,761	27,504	97,633	125,137
Cost of Tools and Helmets Sold	1,556,085	6	1,556,091	1,856,774	448	1,857,222
Mailroom Contracted Services	949,277	-	949,277	893,286	88	893,374
Supplies and Other Production Costs	24,014	-	24,014	39,872	-	39,872
Transportation	42,382	6,035	48,417	38,327	9,042	47,369
Insurance	21,884	18,372	40,256	14,954	9,525	24,479
Professional Fees	-	14,219	14,219	175	12,697	12,872
Management Services - Administration	-	174,000	174,000	-	174,000	174,000
Advertising	-	620	620	-	6,102	6,102
Interest	-	2,505	2,505	1,182	1,703	2,885
Awards	2,871	654	3,525	3,980	160	4,140
Software	7,286	6,313	13,599	4,973	7,835	12,808
Communications	7,766	2,906	10,672	9,795	3,689	13,484
Occupancy and Maintenance	101,387	50,666	152,053	102,197	48,741	150,938
Dues and Training	8,161	5,174	13,335	2,750	4,850	7,600
Office	12,982	4,683	17,665	18,570	7,660	26,230
Meals and Entertainment	14,048	2,772	16,820	7,837	3,643	11,480
Miscellaneous	16,570	3,237	19,807	18,469	5,488	23,957
Contributions	105,000	-	105,000	35,200	-	35,200
Depreciation	86,051	4,564	90,615	100,910	4,670	105,580
<u>TOTAL EXPENSES:-</u>	<u>\$ 4,618,959</u>	<u>\$ 526,189</u>	<u>\$ 5,145,148</u>	<u>\$ 4,775,652</u>	<u>\$ 503,508</u>	<u>\$ 5,279,160</u>

The Accompanying Notes are an Integral Part of These Statements

KEYSTONE VOCATIONAL SERVICES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:-</u>		
Mailroom, Tool, and Helmet Income Received	\$ 5,601,256	\$ 5,588,107
Grants Received	23,426	60,162
Other Income Received	74,235	48,096
	<u>\$ 5,698,917</u>	<u>\$ 5,696,365</u>
<u>CASH PROVIDED BY OPERATING ACTIVITIES:-</u>		
Cash Paid for Personnel Costs	\$ (1,923,518)	\$ (1,876,569)
Cash Paid for Operating Activities	(3,085,226)	(3,609,802)
Cash Paid for Interest	(2,505)	(2,885)
	<u>\$ (5,011,249)</u>	<u>\$ (5,489,256)</u>
<u>CASH USED IN OPERATING ACTIVITIES:-</u>		
	<u>\$ 687,668</u>	<u>\$ 207,109</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES:-</u>		
<u>CASH FLOWS FROM INVESTING ACTIVITIES:-</u>		
Certificates of Deposit Purchased	\$ (617,708)	\$ -
Certificate of Deposit Redemption	103,041	-
Purchase of Investments	(43,009)	(50,000)
Proceeds from Sale of Investments	8,190	200,000
Proceeds From Sale of Fixed Assets	18,000	32,965
Purchase of Fixed Assets	(70,984)	(192,249)
	<u>\$ (602,470)</u>	<u>\$ (9,284)</u>
<u>NET CASH USED IN INVESTING ACTIVITIES:-</u>		
<u>CASH FLOWS FROM FINANCING ACTIVITIES:-</u>		
Repayments on Notes Payable	\$ (15,991)	\$ (3,960)
Repayments on Capital Lease Obligation	-	(8,342)
	<u>\$ (15,991)</u>	<u>\$ (12,302)</u>
<u>NET CASH (USED IN) FINANCING ACTIVITIES:-</u>		
	<u>\$ 69,207</u>	<u>\$ 185,523</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS:-</u>		
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR:-</u>	<u>756,308</u>	<u>570,785</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR:-</u>	<u>\$ 825,515</u>	<u>\$ 756,308</u>
 <u>SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:-</u>		
Unrealized Gain (Loss) on Investments	<u>\$ 159,928</u>	<u>\$ (290,668)</u>
Vehicle Purchased with Direct Financing	<u>\$ -</u>	<u>\$ 42,623</u>
Cost of Fixed Assets Disposed	<u>\$ 41,694</u>	<u>\$ 83,116</u>

The Accompanying Notes are an Integral Part of These Statements

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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.

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 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, 2023 AND 2022

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

	<u>2023</u>	<u>2022</u>
Checking	\$ 725,172	\$ 557,075
Savings/Money Market	<u>100,343</u>	<u>199,233</u>
TOTAL:-	<u>\$ 825,515</u>	<u>\$ 756,308</u>

CONCENTRATION OF CREDIT RISK

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

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, 2023, the Organization had approximately \$ 1,252,000 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 \$ 250,000 for cash, by the Securities Investor Protection Corporation (SIPC). As of December 31, 2023, the Organization had approximately \$ 1,330,000 in excess of SIPC limits.

ACCOUNTS RECEIVABLE

Receivables include charges for services provided and goods sold to customers not collected as of the end of the year. These amounts due are primarily from government contracts and other commercial entities.

As of December 31, 2023, two (2) customers individually represented 61 and 19 percent, respectively, of total accounts receivable. As of December 31, 2022, two (2) customers individually represented 49 and 34 percent, respectively, of total accounts receivable.

ALLOWANCE FOR CREDIT LOSSES

The Organization considers accounts receivable to be fully collectible and, accordingly, the allowance for credit losses was \$ - 0 - at both December 31, 2023 and 2022. Amounts are charged to operations at the time management determines the receivables are uncollectable. For the years ended December 31, 2023 and 2022, credit losses charged to bad debt expense were \$ - 0 - and \$ 253, respectively. The allowance is based upon a variety of factors including, but not limited to, an assessment of customer credit worthiness, historical payment experience, the age of outstanding receivables, and current economic conditions.

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.

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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.

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 2023 and 2022 was \$ 90,615 and \$ 105,580, 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, 2023 and 2022, a liability of \$ 39,847 and \$ 29,028, respectively, has been recorded in the financial statements as "Accrued Payroll and Payroll Taxes."

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.

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 occasional restricted 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).

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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 \$ 785,753 and \$ 557,207 recorded as of December 31, 2023 and 2022, 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.

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 the product is shipped.

DISAGGREGATION OR REVENUE

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

ADVERTISING COSTS

Advertising costs are expensed as incurred. Total advertising costs expensed were \$ 620 and \$ 6,102 in 2023 and 2022, respectively.

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.

LEASES

Financial Accounting Standard Board's Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842) became effective January 1, 2022. The ASU requires that lessee's classify leases as financing or operating, and recognize a right-of-use asset and a lease liability as of the lease commencement date. Management has elected the practical expedient to not apply this new lease standard to all short-term leases (12 months or less), and has not recorded an asset or liability for its short-term leases. Leases are accounted for under standards in place prior to ASU 2016-02, whereby lease payments are expensed on a straight line basis over the lease term.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with current year presentation. The reclassifications had no impact on previously reported assets or changes in net assets.

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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.

The following table reflects the Organization's financial assets as of December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 825,515	\$ 756,308
Certificates of Deposit	514,667	-
Accounts Receivable	785,753	557,207
Investments	<u>1,579,683</u>	<u>1,384,936</u>
<u>TOTAL FINANCIAL ASSETS:-</u>	<u>\$ 3,705,618</u>	<u>\$ 2,698,451</u>
Financial Assets Available to Meet Cash Needs for General Expenses Within the Next Year	<u>\$ 3,705,618</u>	<u>\$ 2,698,451</u>

4. INVESTMENTS

The investments of the Organization as of December 31, 2023 and 2022 at fair value consisted of the following:

	<u>2023</u>	<u>2022</u>
<u>T.D. AMERITRADE:-</u>		
Cash and Money Market	\$ 6,969	\$ 6,861
U.S. Equity Mutual Funds	588,654	486,095
International Equity Mutual Funds	587,803	339,175
Fixed Income Mutual Funds	<u>396,257</u>	<u>552,805</u>
<u>TOTAL T.D. AMERITRADE:-</u>	<u>\$ 1,579,683</u>	<u>\$ 1,384,936</u>

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

The following is a summary of unrealized gains and losses recognized during the years ended December 31, 2023 and 2022 that relate to investments held at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Net Gains and (Losses) Recognized on Investments During the Year Ended December 31,	\$ 160,003	(\$ 277,936)
Less: Net Gains Recognized During the Year on Investments Sold During the Year	<u>1,007</u>	<u>12,732</u>
Unrealized Gains and (Losses) Recognized in the Year ended December 31 on Investments Held at Year End	<u>\$ 159,006</u>	<u>(\$ 290,668)</u>

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, 2023 and 2022.

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, 2023 and 2022:

	<u>DECEMBER 31, 2023</u>		
	<u>(LEVEL 1)</u>	<u>(LEVEL 2)</u>	<u>(LEVEL 3)</u>
<u>ASSETS:-</u>			
<u>Long-Term Investments - Mutual Funds</u>	<u>\$ 1,579,683</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>DECEMBER 31, 2022</u>		
	<u>(LEVEL 1)</u>	<u>(LEVEL 2)</u>	<u>(LEVEL 3)</u>
<u>ASSETS:-</u>			
<u>Long-Term Investments - Mutual Funds</u>	<u>\$ 1,384,936</u>	<u>\$ -</u>	<u>\$ -</u>

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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 8.50 percent), and is secured by an investment account of one of the co-borrowers. As of both December 31, 2023 and 2022, there was no balance outstanding.

VEHICLE LOAN

The Organization has a note payable to a finance company for the purchase of a vehicle. The loan is for six (6) years at 5.99 percent interest, and calls for monthly principal and interest payments of \$ 707. The loan matures in May 2028, and had an outstanding balance of \$ 22,672 and \$ 38,663 as of December 31, 2023 and 2022, respectively.

At December 31, 2023, the expected maturities of long-term debt are as follows:

	<u>PRINCIPAL</u>
2024	\$ 6,701
2025	7,114
2026	7,552
2027	<u>1,305</u>
<u>TOTAL NOTES PAYABLE:-</u>	<u>\$ 22,672</u>

7. OPERATING LEASES

The Organization leases space and equipment from Keystone Blind Association (affiliated by common management) under a one (1) year agreement (dated June 1, 2022). The lease calls for monthly rent payments of \$ 8,522 and will automatically renew annually unless terminated by either party with 90 days notice.

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 lease expense was \$ 126,504 and \$ 107,990 for 2023 and 2022, respectively.

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

2024	<u>\$ 62,810</u>
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8. 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, 2023 and 2022, the Organization owed \$ 6,613 and \$ 2,458, respectively, to Keystone Blind Association. The Organization also owed other affiliated entities, \$ - 0 - and \$ 1,518 as of December 31, 2023 and 2022, respectively.

The Organization made contributions to Keystone Blind Association of \$ 105,000 and \$ 35,000, during 2023 and 2022, respectively.

During 2023 and 2022, the Organization paid \$ 304,761 and \$ 299,137, respectively, for administrative management services to Keystone Independence Management, a non-profit corporation with common management as the Organization.

9. 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. Annual renewal options were exercised in both March 2022 and March 2023. An additional piece was added to the contract in April 2022 for document destruction services.

This contract accounted for 55 and 57 percent of the Organization's total revenue in 2023 and 2022, respectively.

10. RETIREMENT PLAN

The Organization sponsors a 403(b) defined contribution retirement plan covering all eligible employees as defined by the Plan. Participants may contribute a percentage of their wages not-to-exceed 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, 2023 and 2022, the Organization expensed \$ 36,296 and \$ 29,729, respectively, of plan contributions in the statements of activities.

KEYSTONE VOCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

11. SUBSEQUENT EVENTS

In accordance with ASC 855-10 Subsequent Events, the Organization has evaluated subsequent events through July 17, 2024, 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, 2023

GENERAL AND ADMINISTRATIVE (G&A)

	<u>AMOUNT</u>
Pool	<u>\$ 491,838</u>
Base	<u>\$ 4,653,310</u>
G&A Percentage	<u>10.57%</u>

NOTE: Prepared using cost principles described under Subpart E of Title 2 of U.S. Code of Federal Regulations (CFR), Part 200.