

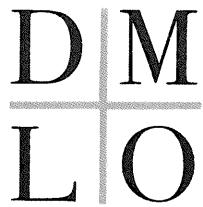
FAMILY & CHILDREN'S PLACE, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

Table of Contents

	Page
Independent Auditors' Report	1 and 2
Financial Statements	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7 - 27



deming malone
livesay + ostroff

Independent Auditors' Report

To the Board of Directors
Family & Children's Place, Inc.
Louisville, Kentucky

We have audited the accompanying financial statements of Family & Children's Place, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 Family & Children's Place, Inc. as of June 30, 2020 and 2019, 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.

Deming, Malone, Linsay & Ostroff

Louisville, Kentucky
February 15, 2021

FAMILY & CHILDREN'S PLACE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

Assets	2020	2019
Current Assets		
Cash and cash equivalents	\$ 188,550	\$ 27,730
Cash - unemployment reserve	68,004	69,188
Cash - capital campaign	1,094,507	25,670
Investments	1,827,870	1,929,648
Metro United Way receivable	536,591	719,365
Accounts receivable, less allowance for doubtful accounts of \$2,957 in 2020 and \$6,408 in 2019	393,621	665,123
Contributions receivable, less allowance for uncollectible promises to give of \$65,400 in 2020 and 2019	169,729	999,121
Prepaid expenses and other current assets	<u>1,123,228</u>	<u>50,256</u>
Total current assets	<u>5,402,100</u>	<u>4,486,101</u>
Property and Equipment		
Land	798,646	798,646
Buildings and improvements	6,086,149	6,086,149
Leasehold improvements	13,992	7,403
Furniture and equipment	<u>1,384,440</u>	<u>1,310,719</u>
	8,283,227	8,202,917
Less accumulated depreciation	<u>2,315,046</u>	<u>2,062,571</u>
	5,968,181	6,140,346
Other Assets		
Contributions receivable, net	45,620	86,598
Beneficial interest in assets held by The Community Foundation of Louisville	21,858	22,786
Investment in partnership	7,732	76,000
Cash value of life insurance	<u>48,858</u>	<u>48,858</u>
	124,068	234,242
Total assets	<u>\$ 11,494,349</u>	<u>\$ 10,860,689</u>

See Notes to Financial Statements.

Liabilities and Net Assets	2020	2019
Current Liabilities		
Checks issued in excess of cash on deposit	\$ 23,444	
Line of credit	\$ 200,692	127,880
Current maturities of note payable	219,614	209,297
Accounts payable	29,170	42,495
Accrued expenses and other current liabilities	264,651	190,198
Deferred revenue	1,180,628	91,790
Small Business Administration loan	<u>568,200</u>	<u></u>
Total current liabilities	<u>2,462,955</u>	<u>685,104</u>
Long-Term Liabilities		
Note payable, less current maturities	2,235,852	2,417,081
Accrued pension cost	<u>3,077,100</u>	<u>2,360,591</u>
	<u>5,312,952</u>	<u>4,777,672</u>
Total liabilities	<u>7,775,907</u>	<u>5,462,776</u>
Net Assets		
Without donor restrictions	1,686,276	3,149,701
With donor restrictions	<u>2,032,166</u>	<u>2,248,212</u>
	<u>3,718,442</u>	<u>5,397,913</u>
Total liabilities and net assets	<u>\$ 11,494,349</u>	<u>\$ 10,860,689</u>

FAMILY & CHILDREN'S PLACE, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Service revenues and other contracts	\$ 1,318,938		\$ 1,318,938
Federal financial assistance	4,546,822		4,546,822
Metro United Way		\$ 536,591	536,591
Contributions and grants	1,043,686	39,313	1,082,999
Rental and other income	159,131		159,131
Net investment return	(66,363)	(8,137)	(74,500)
Change in beneficial interest		(928)	(928)
	7,002,214	566,839	7,569,053
Net assets released from restrictions:			
Time restrictions	754,965	(754,965)	
Purpose restrictions	27,920	(27,920)	
	782,885	(782,885)	
Total revenues and other support	7,785,099	(216,046)	7,569,053
Expenses			
Program services:			
Child and family services	1,297,394		1,297,394
Kosair Charities Child Advocacy Center	896,618		896,618
HANDS	1,381,747		1,381,747
Family and school service	469,674		469,674
PAL program	78,456		78,456
Head Start	3,349,402		3,349,402
Total program services	7,473,291		7,473,291
Supporting services:			
Management and general	489,794		489,794
Fund-raising	438,930		438,930
Total expenses	8,402,015		8,402,015
Increase (decrease) in total net assets before certain pension related changes	(616,916)	(216,046)	(832,962)
Other components of net periodic benefit cost	(18,993)		(18,993)
Pension related changes other than net periodic benefit cost	(827,516)		(827,516)
Decrease in total net assets	(1,463,425)	(216,046)	(1,679,471)
Net assets, beginning of year	<u>3,149,701</u>	<u>2,248,212</u>	<u>5,397,913</u>
Net assets, end of year	<u>\$ 1,686,276</u>	<u>\$ 2,032,166</u>	<u>\$ 3,718,442</u>

See Notes to Financial Statements.

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,886,240		\$ 1,886,240
1,144,269		1,144,269
	\$ 719,365	719,365
960,795	207,008	1,167,803
164,069		164,069
37,389	65,904	103,293
	86	86
4,192,762	992,363	5,185,125
1,270,641	(1,270,641)	
99,960	(99,960)	
1,370,601	(1,370,601)	
5,563,363	(378,238)	5,185,125
1,366,884		1,366,884
926,202		926,202
1,406,012		1,406,012
436,000		436,000
159,111		159,111
4,294,209		4,294,209
575,447		575,447
450,171		450,171
5,319,827		5,319,827
243,536	(378,238)	(134,702)
38,653		38,653
(633,603)		(633,603)
(351,414)	(378,238)	(729,652)
3,501,115	2,626,450	6,127,565
\$ 3,149,701	\$ 2,248,212	\$ 5,397,913

FAMILY & CHILDREN'S PLACE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2020 and 2019

	2020						Supporting Services		
	Program Services			Kosair					
	Child and Family Services	Child Advocacy Center	HANDS	Family and School Service	PAL Program	Head Start	Total Program Services	Management and General	Fund-raising Expenses
Salaries and Employee Benefits									
Salaries	\$ 790,947	\$ 532,079	\$ 895,332	\$ 266,826	\$ 30,304	\$ 113,260	\$ 2,628,748	\$ 252,080	\$ 290,675
Health insurance	61,827	40,349	72,451	17,825	2,306	6,985	201,743	16,149	20,869
Retirement	23,880	17,478	24,645	8,337	1,158	115	75,613	8,139	4,306
Other benefits	17,570	8,733	13,861	4,662	402	1,788	47,016	1,534	4,729
Payroll taxes	58,170	38,631	62,302	19,684	2,451	6,904	188,142	18,008	21,299
Total salaries and employee benefits	952,394	637,270	1,068,591	317,334	36,621	129,052	3,141,262	295,910	341,878
Professional fees	98,637	68,936	70,442	45,059	8,030	3,196,850	3,487,954	65,345	12,473
Office supplies and expense	10,660	21,824	13,078	3,972	1,032	5,363	55,929	3,465	3,037
Telecommunications	18,474	9,467	26,254	6,781	632	1,941	63,549	3,682	5,770
Postage	516	828	797	174	40		2,355	1,002	2,247
Occupancy	72,014	49,710	39,527	13,557	2,073	2,339	179,220	8,302	8,221
Outside printing	1,660	2,202	2,341	834	111	1,113	8,261	1,546	7,955
Local travel	6,980	2,718	26,022	4,255	3,355	178	43,508	784	193
Conferences and staff development	4,291	5,954	7,409	4,064	814	10,223	32,755	593	31,181
Memberships and dues	2,325	3,862	3,171	846	317	1,840	12,361	4,717	1,549
Public relations	14,149	8,361	19,294	5,145	1,929		48,878		24,074
Other expenses	25,148	11,690	30,186	48,584	16,663	503	132,774	32,227	7,128
Interest	14,958	8,839	20,397	5,439	2,040		51,673	51,673	2,109
Depreciation and amortization	75,188	64,957	54,238	13,630	4,799		212,812	20,548	19,115
Total expenses	\$ 1,297,394	\$ 896,618	\$ 1,381,747	\$ 469,674	\$ 78,456	\$ 3,349,402	\$ 7,473,291	\$ 489,794	\$ 438,930
									\$ 8,402,015

	2019						Supporting Services		
	Program Services			Kosair					
	Child and Family Services	Child Advocacy Center	HANDS	Family and School Service	PAL Program	Total Program Services	Management and General	Fund-raising	Total Expenses
Salaries and Employee Benefits									
Salaries	\$ 858,876	\$ 491,843	\$ 945,191	\$ 254,077	\$ 93,500	\$ 2,643,487	\$ 249,302	\$ 318,797	\$ 3,211,586
Health insurance	64,990	38,261	76,117	18,192	5,743	203,303	14,347	12,921	230,571
Retirement	34,133	15,666	26,387	5,779	987	82,952	10,622	4,653	98,227
Other benefits	21,283	7,370	13,476	4,118	1,350	47,597	4,158	4,218	55,973
Payroll taxes	64,089	36,372	70,195	19,123	7,081	196,860	18,424	23,288	238,572
Total salaries and employee benefits	1,043,371	589,512	1,131,366	301,289	108,661	3,174,199	296,853	363,877	3,834,929
Professional fees	112,467	30,051	55,397	31,879	14,447	244,241	65,281	17,824	327,346
Office supplies and expense	7,780	24,473	10,477	2,819	1,184	46,733	7,295	1,891	55,919
Telecommunications	19,672	9,824	26,836	5,195	1,987	63,514	4,901	6,072	74,487
Postage	147	588	210	148	23	1,116	453	712	2,281
Occupancy	50,334	131,949	25,370	6,609	3,662	217,924	36,695	7,163	261,782
Outside printing	1,443	1,895	3,784	197	80	7,399	1,839	3,777	13,015
Local travel	8,034	5,252	38,121	10,268	529	62,204	688	764	63,656
Conferences and staff development	15,122	17,833	11,090	6,134	1,463	51,642	8,135	4,020	63,797
Memberships and dues	2,471	3,433	2,675	696	236	9,511	3,768	1,213	14,492
Public relations	5,427	3,142	7,426	1,999	1,142	19,136	9,425	2,569	31,130
Other expenses	19,500	15,744	25,845	52,003	17,506	130,598	48,258	26,795	205,651
Interest	15,658	10,197	22,369	5,592	2,237	56,053	53,725	2,237	112,015
Depreciation and amortization	65,458	82,309	45,046	11,172	5,954	209,939	38,131	11,257	259,327
Total expenses	\$ 1,366,884	\$ 926,202	\$ 1,406,012	\$ 436,000	\$ 159,111	\$ 4,294,209	\$ 575,447	\$ 450,171	\$ 5,319,827

See Notes to Financial Statements.

FAMILY & CHILDREN'S PLACE, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash received for services	\$ 1,464,968	\$ 1,995,126
Federal financial assistance received	5,761,132	844,011
Contributions and grants received	2,621,274	2,295,993
Rental and other income received	159,131	164,069
Investment income received	48,175	73,482
Cash paid to suppliers and employees	(9,155,475)	(5,056,143)
Interest paid	<u>(95,712)</u>	<u>(103,341)</u>
Net cash provided by operating activities	<u>803,493</u>	<u>213,197</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	1,970,206	1,318,581
Purchases of investments	(1,922,835)	(1,317,566)
Purchases of property and equipment	<u>(80,310)</u>	<u>(59,681)</u>
Net cash used in investing activities	<u>(32,939)</u>	<u>(58,666)</u>
Cash Flows from Financing Activities		
Contributions received for long-term purposes		2,100
Proceeds from Small Business Administration loan	568,200	
Proceeds from note payable	2,481,006	
Principal payments on notes payable	(2,638,559)	(201,722)
Payments for debt issuance costs	(25,540)	
Net borrowings (payments) on line of credit	<u>72,812</u>	<u>(77,483)</u>
Net cash provided by (used in) financing activities	<u>457,919</u>	<u>(277,105)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,228,473</u>	<u>(122,574)</u>
Cash and cash equivalents, beginning of year	<u>122,588</u>	<u>245,162</u>
Cash and cash equivalents, end of year	<u>\$ 1,351,061</u>	<u>\$ 122,588</u>

See Notes to Financial Statements.

	<u>2020</u>	<u>2019</u>
Reconciliation of Net Decrease in Total Net Assets to Net Cash Provided By Operating Activities		
Net decrease in total net assets	<u>\$ (1,679,471)</u>	<u>\$ (729,652)</u>
Adjustments to reconcile net decrease in total net assets to net cash provided by operating activities:		
Depreciation and amortization	252,475	259,327
Debt issuance cost amortization	12,181	9,136
Change in allowance accounts	(3,451)	9,815
Change in discount on promises to give		(57,836)
Net realized and unrealized losses (gains) on investments	54,407	(29,811)
Change in beneficial interest	928	(86)
Change in cash value of life insurance		(897)
Contributions received for long-term purposes		(2,100)
Equity in earnings from investment	68,268	
Pension adjustment	911,509	669,950
Changes in assets and liabilities:		
(Increase) decrease in:		
Metro United Way receivable	182,774	334,652
Accounts receivable	274,953	(190,988)
Contributions receivable	870,370	144,731
Prepaid expenses and other current assets	(1,072,972)	(8,963)
Increase (decrease) in:		
Checks issued in excess of cash on deposit	(23,444)	23,444
Accounts payable	(13,325)	5,468
Accrued expenses and other current liabilities	74,453	(45,794)
Deferred revenue	1,088,838	(2,199)
Accrued pension cost	(195,000)	(175,000)
Total adjustments	<u>2,482,964</u>	<u>942,849</u>
Net cash provided by operating activities	<u>\$ 803,493</u>	<u>\$ 213,197</u>

FAMILY & CHILDREN'S PLACE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of Organization and Summary of Significant Accounting Policies

Description of organization:

Family & Children's Place, Inc. (Organization), a nonprofit organization, provides counseling, education, child welfare services and other support services that strengthen and support family life. Programs consist of Child and Family Services, Kosair Charities Child Advocacy Center, HANDS (Health Access Nurturing Development Services), Family and School Service, PAL Program (Parkhill, Algonquin and Old Louisville), and Head Start. The Organization commenced the Head Start program during the year ended June 30, 2020. Services are provided principally throughout Metro Louisville area and surrounding counties of Kentucky and Southern Indiana. The Organization is supported primarily through the Metro United Way, fees for services, donor contributions and grants, and government grants and contracts.

Summary of significant accounting policies:

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Net assets:

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

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

NOTES TO FINANCIAL STATEMENTS

Contributions:

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

Donated goods are recorded at fair value in the period received. Donated services that require specific expertise and would normally have been purchased, and donated services that create or enhance nonfinancial assets are recorded at fair value. Those donated services that do not meet these specific criteria are not reflected in the financial statements. For the years ended June 30, 2020 and 2019, the Organization received donated counseling services of \$7,250 and \$9,550, respectively, within the Child and Family Services program.

Revenue recognition – FASB ASC 606:

Contract revenue, as defined under ASC 606, is derived primarily from providing medical evaluations, counseling and other services under fee for service and fixed fee agreements. Revenue is recognized at a point in time when the services are rendered. Revenues are reported at the estimated net realizable amounts for services rendered. Transaction prices vary according to the type and volume of service rendered. The transaction prices for services rendered to individuals covered under Medicaid are based on established billing rates set by that agency. The transaction prices for other services are based on various established contracted rates. Amounts are generally billed on a weekly or monthly basis as services are rendered.

Contract revenue is included in service revenues and other contracts on the statements of activities. Approximately 4% of these revenues are derived under contracts, as defined under ASC 606. The Organization has determined the nature, amount, timing and uncertainty of contract revenues and cash flows are affected by the economy, stability of the government and general public support.

NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less, excluding amounts held as part of an investment portfolio, to be cash equivalents.

The following provides a reconciliation of cash and cash equivalents reported on the statements of financial position to the amount reported on the statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 188,550	\$ 27,730
Cash – unemployment reserve	68,004	69,188
Cash – capital campaign	<u>1,094,507</u>	<u>25,670</u>
	<u><u>\$1,351,061</u></u>	<u><u>\$122,588</u></u>

Accounts and contributions receivable:

The valuation of accounts and contributions receivable is based upon a detailed analysis of past due accounts and the history of uncollectible accounts. The Organization periodically reviews doubtful accounts and contributions receivable to determine if write-offs are necessary. At June 30, 2020, approximately 75% of accounts receivable are due from four agencies. At June 30, 2019, approximately 80% of accounts receivable were due from three agencies.

Investments:

Investments are recorded at fair value. Donated investments are recorded at their fair value as of the date received. Net investment return is reported on the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, equity in earnings from investment in partnership, less external direct investment expenses of \$9,375 and \$9,334 for the years ended June 30, 2020 and 2019, respectively. See Note 7 for discussion of fair value measurements.

Property and equipment:

Property and equipment are recorded at cost, if purchased, or at fair value as of the date of donation, if donated. The Organization's policy is to capitalize asset purchases exceeding \$500. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the lesser of the related lease period or estimated useful life.

NOTES TO FINANCIAL STATEMENTS

Compensated absences:

Employees of the Organization are entitled to paid leave, including vacation, sick and short-term disability. It is impracticable to estimate the amount of compensation for future sick and short-term disability absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of these compensated absences when actually paid to employees.

Income taxes:

The Organization is exempt from federal, state and local income taxes as a not-for-profit corporation as described under Internal Revenue Code Section 501(c)(3). The Organization files an informational tax return in the U.S. federal jurisdiction. However, income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Accordingly, the Organization also files an exempt organization business income tax return.

As of June 30, 2020 and 2019, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

Functional allocation of expenses:

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain expenses are allocated on a square footage basis or on the basis of estimates of time and effort.

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.

NOTES TO FINANCIAL STATEMENTS

Accounting changes

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers* including all related amendments (Topic 606). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps, (1) identify the contract(s), (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when or as the entity satisfies a performance obligation. The Organization has adopted this standard using a full retrospective method of application to all periods presented, with no effect on net assets. There was no material change to the Organization's revenue recognition due to the adoption of ASU No. 2014-09.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows* (Topic 230). The standard requires that a statement of cash flows detail the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents. The Organization has implemented Topic 230 and has adjusted the presentation in the financial statements accordingly. The adoption of this standard has been applied retrospectively to all periods presented.

In March 2017, FASB issued No. ASU 2017-07, *Compensation – Retirement Benefits*. The standard provides guidance on the classification of net periodic benefit cost in financial statements. The Organization has implemented the provisions of ASU 2017-07 and has adjusted the presentation in the financial statements accordingly. The adoption of this standard has been applied retrospectively to all periods presented.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance to determine whether transactions are contributions or exchange transactions and whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 under a modified prospective basis. Accordingly, there is no effect on previously reported net assets.

NOTES TO FINANCIAL STATEMENTS

Newly issued standards not yet effective:

FASB has issued accounting standards No. 2016-02, *Leases*, effective for years beginning after December 15, 2021; and No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, effective for years beginning after June 15, 2021. The Organization is evaluating the impact that adoption of these standards will have on future financial position and results of operations.

Subsequent events:

Subsequent events have been evaluated through February 15, 2021, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the June 30, 2020 and 2019 statements of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 158,949	
Metro United Way receivable	536,591	\$ 719,365
Accounts receivable	393,621	665,123
Contributions receivable	111,594	140,986
Estimated endowment spending-rate distributions	92,656	93,359
Less funds with donor restrictions	<u>(111,724)</u>	<u>(137,187)</u>
	<u><u>\$1,181,687</u></u>	<u><u>\$1,481,646</u></u>

The Organization's endowment fund consists of donor-restricted endowments and funds designated by the Board of Directors to function as endowments. Endowment funds are subject to an annual spending rate as described in Note 8. Board designated endowment funds of \$509,162 could be made available for general expenditure if necessary. The Organization also has a \$1,000,000 line of credit which could be drawn on for general expenditure (see Note 11).

The Organization manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash - Unemployment Reserve

The Organization participates in a self-insured unemployment trust. Quarterly deposits are made to a prepayment account, and unemployment claims are paid from the trust as they arise. As of June 30, 2020 and 2019, the Organization had a prepayment account in the amount of \$68,004 and \$69,188, respectively, on deposit with the trustee.

Note 4. Contributions Receivable

In 2013, the Organization completed the construction and renovation of the Kosair Charities Child Advocacy Center and the Family Service Center. The approximate cost of the completed project was \$7.25 million and was substantially funded by a capital campaign which began in 2009. Capital campaign pledge payments collected are placed in a separate account designated for use in making payments on the related debt incurred to construct and renovate the new facilities. Amounts in this account are reflected in the cash – capital campaign balance on the statements of financial position.

Additionally, the Organization has an annual campaign to raise operational funds for the Organization.

Total pledges receivable as of June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Capital campaign	\$101,835	\$ 901,835
Annual campaign	<u>191,794</u>	<u>262,164</u>
	293,629	1,163,999
Less unamortized discounts	(12,880)	(12,880)
Less allowance for uncollectible promises to give	<u>(65,400)</u>	<u>(65,400)</u>
	<u>\$215,349</u>	<u>\$1,085,719</u>
Amounts due in:		
Less than one year	\$235,129	\$1,064,521
One to five years	<u>58,500</u>	<u>99,478</u>
	<u>\$293,629</u>	<u>\$1,163,999</u>

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates of 4% - 5.375%.

Of the total gross pledges receivable of \$1,163,999 as of June 30, 2019, one donor accounted for approximately 69% of the gross receivable.

NOTES TO FINANCIAL STATEMENTS

Note 5. Investments

Cost and fair value of investments are summarized below:

	June 30, 2020		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Cash equivalents	\$ 65,231	\$ 65,231	
Mutual funds	<u>1,786,875</u>	<u>1,762,639</u>	<u>\$(24,236)</u>
	<u>\$1,852,106</u>	<u>\$1,827,870</u>	<u>\$(24,236)</u>

	June 30, 2019		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash equivalents	\$ 30,242	\$ 30,242	
Mutual funds	<u>1,881,880</u>	<u>1,899,406</u>	<u>\$17,526</u>
	<u>\$1,912,122</u>	<u>\$1,929,648</u>	<u>\$17,526</u>

Note 6. Investment in Partnership

The Organization has joined with other non-profit organizations to raise funds and establish a partnership to provide centralized support services to the partner organizations. The partnership, Impact V, LLC, was formed during the year ended June 30, 2018 as the shared services entity.

The Organization holds a 25 percent interest in Impact V, LLC that is accounted for by the equity method. The carrying value of the investment was \$7,732 and \$76,000 as of June 30, 2020 and 2019, respectively. Equity in earnings from investment was \$(68,268) and \$0 for the years ended June 30, 2020 and 2019, respectively, and is included in net investment return on the statements of activities. The following is the financial information of Impact V, LLC as of June 30, 2020 and 2019 (unaudited):

	<u>2020</u>	<u>2019</u>
Assets	\$ 30,928	\$ 99,611
Net assets	30,928	99,611
Change in net assets	(68,683)	(174,153)

NOTES TO FINANCIAL STATEMENTS

Note 7. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active or inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization's Level 1 assets have been valued using a market approach. Level 3 assets have been valued using the income approach. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2020 and 2019.

Cash equivalents and mutual funds – valued at the closing price reported in the active market in which the security is traded.

Beneficial interest – valued as determined by the fund manager of the underlying assets held by the community foundation.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of June 30, 2020 and 2019:

	June 30, 2020		
	Level 1	Level 3	Total
Mutual funds	\$1,762,639		\$1,762,639
Cash equivalents	65,231		65,231
Beneficial interest in assets held by The Community Foundation of Louisville		\$21,858	21,858
	<u>\$1,827,870</u>	<u>\$21,858</u>	<u>\$1,849,728</u>

NOTES TO FINANCIAL STATEMENTS

	June 30, 2019		
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$1,899,406		\$1,899,406
Cash equivalents	30,242		30,242
Beneficial interest in assets held by The Community Foundation of Louisville	_____	<u>\$22,786</u>	22,786
	<u>\$1,929,648</u>	<u>\$22,786</u>	<u>\$1,952,434</u>

The following table sets forth a summary of the changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$22,786	\$22,700
Change in beneficial interest	<u>(928)</u>	<u>86</u>
Balance, end of year	<u>\$21,858</u>	<u>\$22,786</u>

Note 8. Endowment Funds

The Organization's endowment funds consist of investments held in various brokerage accounts and beneficial interest in assets held by others. The investments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. The Organization's Board of Directors does not have input or authority over the nature and type of investments held by others. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment net asset composition by type of fund as of June 30, 2020 and 2019 is as follows:

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds		\$1,226,052	\$1,226,052
Donor-restricted endowment funds (beneficial interest in assets held)		21,858	21,858
Board-designated endowment funds	<u>\$601,818</u>	_____	<u>601,818</u>
	<u>\$601,818</u>	<u>\$1,247,910</u>	<u>\$1,849,728</u>

NOTES TO FINANCIAL STATEMENTS

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds		\$1,239,391	\$1,239,391
Donor-restricted endowment funds (beneficial interest in assets held)		22,786	22,786
Board-designated endowment funds	<u>\$690,257</u>	<u> </u>	<u>690,257</u>
	<u>\$690,257</u>	<u>\$1,262,177</u>	<u>\$1,952,434</u>

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$690,257	\$1,262,177	\$1,952,434
Transfers - operations/capital	(93,359)		(93,359)
Reclassifications	5,202	(5,202)	
Net investment return	(282)	(8,137)	(8,419)
Change in beneficial interest	<u> </u>	<u>(928)</u>	<u>(928)</u>
Endowment net assets, end of year	<u>\$601,818</u>	<u>\$1,247,910</u>	<u>\$1,849,728</u>

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$668,893	\$1,254,659	\$1,923,552
Contributions		2,100	2,100
Transfers - operations/capital	(74,500)		(74,500)
Reclassifications	60,572	(60,572)	
Net investment return	35,292	65,904	101,196
Change in beneficial interest	<u> </u>	<u>86</u>	<u>86</u>
Endowment net assets, end of year	<u>\$690,257</u>	<u>\$1,262,177</u>	<u>\$1,952,434</u>

NOTES TO FINANCIAL STATEMENTS

Interpretation of relevant law:

The Organization has interpreted the Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Organization's investment policies.

The Board of Directors has the responsibility for development of the investment objectives and guidelines, the selection of the investment managers (Managers), and the regular monitoring of the Managers' performance to help assure the effectiveness of the objectives and to initiate modification or changes, as needed.

Under this policy, as approved by the Board of Directors, the endowment assets are managed by investment managers selected by the Board of Directors and are invested in a manner that is intended to provide annual real investment returns (growth and income) sufficient to meet the Organization's needs. The Organization expects its endowment funds, over time, to provide total return, net of fees, that meets or exceeds a combined index of 60% S&P 500 index and 40% Barclays Capital Aggregate index.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization has established and monitors a diversified asset allocation, including a target equity position, fixed income position, and cash equivalents exposure.

NOTES TO FINANCIAL STATEMENTS

Spending policy and how the investment objectives relate to spending policy:

It is the Organization's policy to transfer a minimum of 5% of the fair value, as determined on March 31 each year, to be used for general operations. From time to time, additional distributions may be required for special projects. At no time shall withdrawals be made if the fair value of the endowment falls below the donor restricted balance held in perpetuity. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow for both growth of income and growth of endowment principal. This is consistent with the Organization's objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Return objectives, risk parameters and strategies:

The Organization has adopted investment and spending policies for its endowment assets that are intended to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Total endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period in addition to funds for donor-specified purposes and board-designated funds.

Note 9. Beneficial Interest in Assets Held by The Community Foundation of Louisville

In 1986, the Organization made an irrevocable transfer of \$10,000 to an endowment fund maintained by The Community Foundation of Louisville (Foundation). The Organization is an income beneficiary, receiving a distributable amount calculated in accordance with the Foundation's spending policy.

As of June 30, 2020 and 2019, the Organization's interest in the fund was \$21,858 and \$22,786, respectively, and is recorded as a beneficial interest in assets held by The Community Foundation of Louisville.

NOTES TO FINANCIAL STATEMENTS

Note 10. Cash Value of Life Insurance

The Organization is the owner and beneficiary of four donated life insurance policies. The proceeds of the policies are restricted by the donors and are to be placed in the Organization's Endowment Fund. Funds are contributed by the donors annually to pay certain policy premiums. The change in the cash value of the policies are recorded as a change in net assets with donor restrictions. The change recorded for the years ended June 30, 2020 and 2019 was \$0 and \$897, respectively.

Note 11. Line of Credit

The Organization has a \$1,000,000 secured line of credit with Stock Yards Bank & Trust Company that matures on February 28, 2021. The line bears interest at the prime rate, less 0.125%, which was 4.00% at June 30, 2020. The outstanding balance on the line of credit at June 30, 2020 and 2019 was \$200,692 and \$127,880, respectively. The line is secured by all receivables, equipment and general intangibles of the Organization, a third mortgage lien on certain land and buildings, as well as a negative pledge restriction on the investment account balance maintained at PNC Bank.

Note 12. Small Business Administration Loan

On April 10, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (PPP Lender), for an aggregate principal amount of \$568,200 (PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with deferred interest, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. As of February 15, 2021, the Organization believes it has incurred covered expenses sufficient to meet the requirements for full forgiveness of the principal amount.

To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in July 2021, principal and interest payments will be required through the maturity date in April 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

NOTES TO FINANCIAL STATEMENTS

Note 13. Long-Term Debt

The note payable consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Note payable to Stock Yards Bank, refinanced June 2020.	\$2,638,559	
Note payable to Stock Yards Bank, stated interest rate of 2.61%, payable in monthly principal and interest payments through June 2030 at which time the unpaid principal balance is due. The note is secured by a first mortgage lien on certain land and buildings with a net book value of \$5,778,397 at June 30, 2020 and assignment of certain rents.	\$2,481,006	
Less unamortized debt issuance costs	(25,540)	(12,181)
Less current maturities	<u>(219,614)</u>	<u>(209,297)</u>
	<u><u>\$2,235,852</u></u>	<u><u>\$2,417,081</u></u>

Future principal maturities on the note payable as of June 30, 2020 are as follows:

Year ending June 30, 2021	\$ 219,614
2022	225,497
2023	231,537
2024	237,619
2025	244,616
Thereafter	<u>1,322,123</u>
	<u><u>\$2,481,006</u></u>

Debt issuance costs are amortized by the effective interest method over the term of the loan. Amortization is included in interest expense.

Total interest expense, inclusive of the line of credit, note payable, and amortization of debt issuance costs, for the years ending June 30, 2020 and 2019 was \$105,455 and \$112,015, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 14. Pension Plan

The Organization has a defined benefit pension plan which covers certain of its employees. Effective August 27, 2008, the Organization elected to freeze the plan to future entrants. Also, effective December 31, 2008, the Organization amended the plan to freeze all future accruals.

The following sets forth the plan's funded status and amounts recognized in the financial statements as of and for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 7,263,562	\$ 6,866,894
Service cost	65,000	75,000
Interest cost	247,680	267,401
Actuarial loss	791,478	412,214
Benefits paid	<u>(385,594)</u>	<u>(357,947)</u>
Benefit obligation at end of year	<u>7,982,126</u>	<u>7,263,562</u>
Change in Plan Assets		
Fair value of plan assets at beginning of year	4,902,971	5,001,253
Actual return on plan assets	192,649	84,665
Employer contributions	195,000	175,000
Benefits paid	<u>(385,594)</u>	<u>(357,947)</u>
Fair value of plan assets at end of year	<u>4,905,026</u>	<u>4,902,971</u>
Funded status at end of year	<u><u><u>\$(3,077,100)</u></u></u>	<u><u><u>\$(2,360,591)</u></u></u>
Accrued pension cost recognized in the statements of financial position	<u><u><u>\$(3,077,100)</u></u></u>	<u><u><u>\$(2,360,591)</u></u></u>
Accumulated benefit obligation	<u><u><u>\$ 7,982,126</u></u></u>	<u><u><u>\$ 7,263,562</u></u></u>
Amounts Recognized in Change in Net Assets Separate from Expenses But Not Yet Included in Net Periodic Benefit Cost		
Net loss	<u><u><u>\$ 2,661,496</u></u></u>	<u><u><u>\$ 1,833,980</u></u></u>

NOTES TO FINANCIAL STATEMENTS

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Change in Net Assets

Net Periodic Benefit Cost

Service cost	\$ 65,000	\$ 75,000
Interest cost	247,680	267,401
Expected return on plan assets	(359,767)	(375,565)
Amortization of net actuarial loss	<u>131,080</u>	<u>69,511</u>
Net periodic benefit cost	<u><u>\$ 83,993</u></u>	<u><u>\$ 36,347</u></u>

Other Changes in Plan Assets and Benefit Obligation Recognized in Change in Net Assets

Net loss	\$ 958,596	\$ 703,114
Amortization of net actuarial loss	<u>(131,080)</u>	<u>(69,511)</u>
Total recognized in change in net assets	<u><u>\$ 827,516</u></u>	<u><u>\$ 633,603</u></u>

The service cost component of net periodic benefit cost is included in expenses on the statements of activities and retirement expense of the statements of functional expenses.

The net loss for the defined benefit pension plan that will be amortized from change in net assets into net periodic benefit cost over the next fiscal year is \$217,166.

Assumptions

The Organization uses a June 30 measurement date for the plan.

	<u>2020</u>	<u>2019</u>
Weighted average assumptions used to determine benefit obligations as of June 30:		
Discount rate	2.75%	3.50%
Weighted average assumptions used to determine net periodic benefit cost for years ended June 30:		
Discount rate	3.50%	4.00%
Expected return on assets	7.50%	7.50%

The basis of the long-term rate of return assumption reflects the plan's current asset mix of approximately 30% debt securities and 70% equity securities.

NOTES TO FINANCIAL STATEMENTS

It is assumed that the plan's investment portfolio will be adjusted periodically to maintain the current ratios of debt securities and equity securities. Additional consideration is given to the plan's historical returns as well as future long range projections of investment returns for each asset category.

Plan Assets

The fair values of the plan's assets at June 30, 2020 and 2019, by asset category, are as follows:

	2020		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 304,231		\$ 304,231
Equity securities	3,316,676		3,316,676
Fixed income securities		\$1,228,050	1,228,050
Other	<u>56,069</u>	<u> </u>	<u>56,069</u>
	<u><u>\$3,676,976</u></u>	<u><u>\$1,228,050</u></u>	<u><u>\$4,905,026</u></u>
	2019		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 324,842		\$ 324,842
Equity securities	3,302,057		3,302,057
Fixed income securities		\$1,276,072	1,276,072
	<u><u>\$3,626,899</u></u>	<u><u>\$1,276,072</u></u>	<u><u>\$4,902,971</u></u>

The investment objective is to ensure, over the long-term life of the plan, that an adequate level of assets is available to support the benefit obligations to participants and retirees. The Organization seeks to achieve a high level of investment return consistent with a prudent level of portfolio risk.

NOTES TO FINANCIAL STATEMENTS

Cash Flows

The Organization expects to contribute \$500,000 to the plan during the year ended June 30, 2021. However, the Organization reserves the right to contribute more to the Plan depending on legal requirements, current economic conditions, cash flow considerations, or other internal issues. No plan assets are expected to be returned to the Organization during the year ended June 30, 2021.

The benefits expected to be paid in each of the next five years and the aggregate amount of benefits expected to be paid in the subsequent five years are as follows:

<u>Fiscal Year Ending:</u>	<u>Expected Benefits</u>
2021	\$ 421,748
2022	424,213
2023	420,458
2024	424,196
2025	426,118
2026 - 2030	2,187,022

Note 15. Retirement Plan

The Organization has a 403(b) retirement plan which covers all employees who have met the eligibility requirements. The Organization contributes 1% of gross salary for all eligible employee.

Total contributions made by the Organization to the plan were \$23,058 and \$23,227 for the years ended June 30, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 16. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Family centered services	\$ 19,552	\$ 23,097
Child abuse services	20,000	20,000
Other programs	18,025	19,090
Non-programmatic expenses	<u>54,147</u>	<u>75,000</u>
	<u>111,724</u>	<u>137,187</u>
Subject to passage of time:		
Metro United Way	536,591	719,365
Pledges receivable	<u>104,299</u>	<u>103,648</u>
	<u>640,890</u>	<u>823,013</u>
Held in perpetuity to support:		
Training and scholarship	442,847	442,847
Family centered services	497,163	504,695
Child abuse services	63,178	63,178
Property maintenance	5,000	5,000
Non-programmatic expenses	249,506	249,506
Beneficial interest in assets held by The Community Foundation of Louisville	<u>21,858</u>	<u>22,786</u>
	<u>1,279,552</u>	<u>1,288,012</u>
	<u><u>\$2,032,166</u></u>	<u><u>\$2,248,212</u></u>

Note 17. Operating Leases

The Organization leases office space under an operating leases expiring through November 2026. Future minimum rental commitments under the lease at June 30, 2020 are as follows:

Year ending June 30,	2021	\$ 47,078
	2022	33,798
	2023	15,206
	2024	15,206
	2025	15,206
	Thereafter	<u>21,542</u>
		<u><u>\$148,036</u></u>

Total rental expense was \$40,031 and \$30,653 for the years ended June 30, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 18. Rental Income

The Organization leases office space to unrelated third parties. The leases are accounted for under the operating method. Rental income recognized for the years ended June 30, 2020 and 2019 was \$156,797 and \$149,957, respectively.

Note 19. Concentration of Credit Risk

The Organization maintains its cash accounts at various financial institutions. The total balance of accounts at each institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020, the Organization's uninsured cash balance totaled approximately \$1,245,000.

The Organization has significant investments in mutual funds held by an investment manager engaged by the Organization and is, therefore, subject to concentrations of credit risk. Investments are made by the investment manager and the investments are monitored by the Board of Directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

Note 20. Contingency

On March 11, 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant impact on the global economy. As of June 30, 2020, economic and public health uncertainties exist which may have a negative effect on the Organization's future financial position and results of operations. The total impact of the COVID-19 outbreak is unknown at the date the financial statements were issued. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.