FAMILY & CHILDREN'S PLACE, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

Table of Contents

deming malone livesay + ostroff

Independent Auditors' Report

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

Opinion

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, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of Family & Children's Place, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Family & Children's Place, Inc. 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Family & Children's Place, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

301 E. Elm Street
New Albany, Indiana 47150
T: 812.945.5236
F: 812.949.4095

9300 Shelbyville Road
Suite 1100
Louisville, Kentucky 40222
T: 502.426.9660
F: 502.425.0883

131 E. Chestnut Street
Corydon, Indiana 47112
T: 812.738.3516
F: 812.738.3519

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Family & Children's Place, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family & Children's Place, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Deming, Malone, Livesay & Ostroff

Louisville, Kentucky
October 17, 2022

FAMILY & CHILDREN'S PLACE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

Assets	2022	2021
Current Assets		
Cash and cash equivalents	$ 35,240	$ 501,626
Cash - unemployment reserve	87,317	81,987
Cash - capital campaign	24,230	253,749
Investments	1,780,641	2,154,314
Metro United Way receivable		432,029
Accounts receivable	535,440	692,169
Contributions receivable, less allowance for uncollectible promises to give of $7,824 in 2022 and $9,924 in 2021	260,391	179,198
Prepaid expenses and other current assets	52,742	434,161
Total current assets	2,776,001	4,729,233
Property and Equipment		
Land	798,646	798,646
Buildings and improvements	6,086,149	6,086,149
Leasehold improvements	51,409	33,209
Furniture and equipment	1,478,030	1,461,047
	8,414,234	8,379,051
Less accumulated depreciation	2,613,181	2,541,597
	5,801,053	5,837,454
Other Assets		
Contributions receivable, net	98,428	21,367
Beneficial interest in assets held by The Community Foundation of Louisville	21,878	34,302
Investment in partnership	45,439	42,208
Cash value of life insurance	48,858	48,858
	214,603	146,735
Total assets	$ 8,791,657	$ 10,713,422

See Notes to Financial Statements.

Liabilities and Net Assets	2022	2021
Current Liabilities		
Checkes issued in excess of cash on deposit	$ 28,116	
Line of credit	136,879	
Current maturities of note payable	53,758	$ 216,062
Accounts payable	55,893	253,651
Accrued expenses and other current liabilities	142,707	271,492
Deferred revenue	140,556	489,441
Total current liabilities	557,909	1,230,646
Long-Term Liabilities		
Note payable, net	2,536,485	2,031,842
Accrued pension cost	475,431	1,648,722
	3,011,916	3,680,564
Total liabilities	3,569,825	4,911,210
Net Assets		
Without donor restrictions	3,389,910	3,835,166
With donor restrictions	1,831,922	1,967,046
	5,221,832	5,802,212
Total liabilities and net assets	$ 8,791,657	$ 10,713,422

FAMILY & CHILDREN'S PLACE, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Service revenues and other contracts	$ 1,615,798		$ 1,615,798
Federal financial assistance	7,543,817		7,543,817
Metro United Way			
Contributions and grants	633,893	$ 453,360	1,087,253
In-kind contributions	89,342		89,342
Rental and other income	277,746		277,746
Small Business Administration loan forgiveness			
Net investment return	(225,686)	(59,738)	(285,424)
Change in beneficial interest		(12,424)	(12,424)
	9,934,910	381,198	10,316,108
Net assets released from restrictions:			
Time restrictions	469,756	(469,756)	
Purpose restrictions	46,566	(46,566)	
	516,322	(516,322)	
Total revenues and other support	10,451,232	(135,124)	10,316,108
Expenses			
Program services:			
Child and family services	1,016,856		1,016,856
Kosair Charities Child Advocacy Center	1,018,244		1,018,244
HANDS	1,455,574		1,455,574
School based services	724,342		724,342
Head Start	6,205,298		6,205,298
Total program services	10,420,314		10,420,314
Supporting services:			
Management and general	544,596		544,596
Fund-raising	576,240		576,240
Total expenses	11,541,150		11,541,150
Change in total net assets before certain pension related changes	(1,089,918)	(135,124)	(1,225,042)
Other components of net periodic benefit cost	161,926		161,926
Pension related changes other than net periodic benefit cost	482,736		482,736
Change in total net assets	(445,256)	(135,124)	(580,380)
Net assets, beginning of year	3,835,166	1,967,046	5,802,212
Net assets, end of year	$ 3,389,910	$ 1,831,922	$ 5,221,832

See Notes to Financial Statements.

2021		
Without Donor Restrictions	With Donor Restrictions	Total
$ 1,374,931		$ 1,374,931
7,307,658		7,307,658
	$ 432,029	432,029
1,116,881	45,807	1,162,688
49,587		49,587
201,437		201,437
568,200		568,200
108,600	295,386	403,986
	12,444	12,444
10,727,294	785,666	11,512,960
587,647	(587,647)	
263,139	(263,139)	
850,786	(850,786)	
11,578,080	(65,120)	11,512,960
1,146,357		1,146,357
923,154		923,154
1,180,698		1,180,698
515,804		515,804
5,897,017		5,897,017
9,663,030		9,663,030
518,690		518,690
466,752		466,752
10,648,472		10,648,472
929,608	(65,120)	864,488
(75,480)		(75,480)
1,294,762		1,294,762
2,148,890	(65,120)	2,083,770
1,686,276	2,032,166	3,718,442
$ 3,835,166	$ 1,967,046	$ 5,802,212

FAMILY & CHILDREN'S PLACE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2022 and 2021

	2022								
	Program Services						Supporting Services		
	Child and Family Services	Kosair Charities Child Advocacy Center	HANDS	School Based Services	Head Start	Total Program Services	Management and General	Fund-raising	Total Expenses
Salaries and Employee Benefits									
Salaries	$ 579,898	$ 575,755	$ 843,738	$ 319,799	$ 584,304	$ 2,903,494	$ 193,588	$ 339,330	$ 3,436,412
Health insurance	57,749	52,973	61,548	25,415	46,793	244,478	11,102	22,254	277,834
Retirement	27,541	21,309	30,140	11,731	5,180	95,901	11,331	4,007	111,239
Other benefits	9,346	7,417	10,468	3,986	7,414	38,631	1,773	3,721	44,125
Payroll taxes	43,712	42,301	62,641	23,515	43,108	215,277	17,764	20,759	253,800
Total salaries and employee benefits	718,246	699,755	1,008,535	384,446	686,799	3,497,781	235,558	390,071	4,123,410
Professional fees	83,369	96,327	121,815	104,431	5,131,160	5,537,102	143,400	335	5,680,837
Office supplies and expense	28,361	27,599	20,978	12,813	44,348	134,099	6,710	4,317	145,126
Telecommunications	15,728	10,325	18,352	4,724	26,241	75,370	4,550	3,776	83,696
Postage	545	854	2,367	174	270	4,210	720	3,210	8,140
Occupancy	59,424	77,585	32,336	14,022	21,788	205,155	22,325	6,677	234,157
Outside printing	333	1,353	641	185	56,842	59,354	1,107	275	60,736
Local travel	3,686	2,503	6,320	82,759	5,084	100,352	636	385	101,373
Conferences and staff development	10,257	7,901	2,330	28,807	59,666	108,961	193	1,054	110,208
Memberships and dues	2,447	3,812	2,062	1,331	4,002	13,654	5,989	1,340	20,983
Public relations	259	194	32,615	172	65,210	98,450	1,034	80,882	180,366
Other expenses	13,739	17,708	144,907	67,324	89,919	333,597	35,655	74,015	443,267
Interest	11,901	8,925	15,868	7,934	6,942	51,570	47,605		99,175
Depreciation and amortization	68,561	63,403	46,448	15,220	7,027	200,659	39,114	9,903	249,676
Total expenses	$ 1,016,856	$ 1,018,244	$ 1,455,574	$ 724,342	$ 6,205,298	$ 10,420,314	$ 544,596	$ 576,240	$ 11,541,150

	2021								
	Program Services						Supporting Services		
	Child and Family Services	Kosair Charities Child Advocacy Center	HANDS	School Based Services	Head Start	Total Program Services	Management and General	Fund-raising	Total Expenses
Salaries and Employee Benefits									
Salaries	$ 712,445	$ 524,715	$ 798,854	$ 299,258	$ 454,919	$ 2,790,191	$ 233,586	$ 274,566	$ 3,298,343
Health insurance	67,981	44,405	61,078	25,380	38,505	237,349	15,694	16,960	270,003
Retirement	8,844	7,587	11,814	4,537	2,458	35,240	3,910	4,083	43,233
Other benefits	13,085	3,747	6,642	1,048	1,881	26,403	1,265	3,397	31,065
Payroll taxes	52,567	38,914	59,617	22,401	33,025	206,524	16,915	20,652	244,091
Total salaries and employee benefits	854,922	619,368	938,005	352,624	530,788	3,295,707	271,370	319,658	3,886,735
Professional fees	92,219	99,252	73,339	39,539	5,110,096	5,414,445	77,838	18,740	5,511,023
Office supplies and expense	13,423	29,767	16,419	6,342	71,513	137,464	4,500	3,981	145,945
Telecommunications	17,928	13,838	21,606	6,471	15,540	75,383	3,137	5,213	83,733
Postage	538	1,035	1,928	133	1,683	5,317	588	1,272	7,177
Occupancy	55,653	59,268	29,742	12,874	16,254	173,791	22,784	6,424	202,999
Outside printing	257	487	828	129	605	2,306	1,007	4,333	7,646
Local travel	3,512	893	2,211	7,235	1,515	15,366	181	76	15,623
Conferences and staff development	9,739	3,704	67	15,519	31,635	60,664	426	615	61,705
Memberships and dues	2,922	7,296	2,320	1,068	4,110	17,716	6,237	2,173	26,126
Public relations					48,341	48,341		65,065	113,406
Other expenses	24,361	24,314	40,946	57,337	54,041	200,999	64,712	24,544	290,255
Interest	8,345	6,259	11,127	4,173	4,868	34,772	32,689	2,087	69,548
Depreciation and amortization	62,538	57,673	42,160	12,360	6,028	180,759	33,221	12,571	226,551
Total expenses	$ 1,146,357	$ 923,154	$ 1,180,698	$ 515,804	$ 5,897,017	$ 9,663,030	$ 518,690	$ 466,752	$ 10,648,472

See Notes to Financial Statements.

FAMILY & CHILDREN'S PLACE, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Cash received for services	$ 1,708,985	$ 1,358,610
Federal financial assistance received	7,258,474	6,334,244
Contributions and grants received	1,361,028	1,714,063
Rental and other income received	277,746	201,437
Investment income received	100,200	40,000
Cash paid to suppliers and employees	(11,555,342)	(9,591,037)
Interest paid	(69,441)	(67,450)
Net cash used in operating activities	(918,350)	(10,133)
Cash Flows from Investing Activities		
Proceeds from sale of investments	337,161	220,087
Purchases of investments	(352,343)	(217,021)
Purchases of property and equipment	(213,275)	(95,824)
Net cash used in investing activities	(228,457)	(92,758)
Cash Flows from Financing Activities		
Proceeds from note payable	2,600,000	
Principal payments on notes payable	(2,275,042)	(210,116)
Payments for debt issuance costs	(5,605)	
Net borrowings (payments) on line of credit	136,879	(200,692)
Net cash provided by (used in) financing activities	456,232	(410,808)
Net decrease in cash and cash equivalents	(690,575)	(513,699)
Cash and cash equivalents, beginning of year	837,362	1,351,061
Cash and cash equivalents, end of year	$ 146,787	$ 837,362

See Notes to Financial Statements.

	2022	2021
Reconciliation of Net Change in Total Net Assets to Net Cash Used In Operating Activities		
Net change in total net assets	$ (580,380)	$ 2,083,770
Adjustments to reconcile net change in total net assets to net cash used in operating activities:		
Depreciation and amortization	249,676	226,551
Debt issuance cost amortization	22,986	2,554
Change in allowance accounts	(2,100)	(58,433)
Change in discount on promises to give	10,164	(10,613)
Net realized and unrealized losses (gains) on investments	376,355	(381,360)
Change in beneficial interest	12,424	(12,444)
Equity in earnings from investment	9,269	17,374
Small Business Administration loan forgiveness		(568,200)
Pension adjustment	(559,662)	(1,200,282)
Changes in assets and liabilities:		
(Increase) decrease in:		
Metro United Way receivable	432,029	104,562
Accounts receivable	156,729	(295,591)
Contributions receivable	(166,318)	80,873
Prepaid expenses and other current assets	381,419	689,067
Increase (decrease) in:		
Checks issued in excess of cash on deposit	28,116	
Accounts payable	(197,758)	224,481
Accrued expenses and other current liabilities	(128,785)	6,841
Deferred revenue	(348,885)	(691,187)
Accrued pension cost	(613,629)	(228,096)
Total adjustments	(337,970)	(2,093,903)
Net cash used in operating activities	$ (918,350)	$ (10,133)

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), School Based Services, and Head Start. Services are provided principally throughout Metro Louisville area and surrounding counties of Kentucky and Southern Indiana. The Organization is supported primarily through 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.

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.

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 8% and 5% of these revenues are derived under contracts, as defined under ASC 606, for the years ended June 30, 2022 and 2021, respectively. 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.

The Organization recognizes revenue and contract assets when services have been provided. Since the Organization has performed its obligations under the contracts it has an unconditional right to consideration recorded as contract assets and therefore, classified those billed assets as accounts receivable. A portion of the Organization's accounts receivable are due under contracts, as defined by ASC 606. The opening balances of all accounts receivables for the years ended June 30, 2022 and 2021 were $692,169 and $393,621, respectively.

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:

	2022	2021
Cash and cash equivalents	$ 35,240	$501,626
Cash – unemployment reserve	87,317	81,987
Cash – capital campaign	24,230	253,749
	$146,787	$837,362

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. There was no allowance for doubtful accounts receivable as of June 30, 2022 and 2021. At June 30, 2022, approximately 60% of accounts receivable were due from four agencies. At June 30, 2021, approximately 49% of accounts receivable were due from two 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 statements 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 $11,009 and $9,641 for the years ended June 30, 2022 and 2021, respectively. See Note 7 for discussion of fair value measurements.

NOTES TO FINANCIAL STATEMENTS

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.

In-kind contributions:

The Organization received the following in-kind contributions for the years ended June 30, 2022 and 2021:

	2022	2021
Media	$51,040	$31,260
Supplies and other items	38,302	18,327
	$89,342	$49,587

In-kind contributions are reported as contributions at their estimated fair value on the date of receipt and reported as expenses when utilized. Estimated fair value is determined based on information provided by the donor regarding the value of goods and services received. The Organization did not monetize any in-kind contributions for the years ended June 30, 2022 and 2021. In-kind contributions were used to support general programming during the years ended June 30, 2022 and 2021. There were no donor restrictions on in-kind contributions for the years ended June 30, 2022 and 2021.

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, 2022 and 2021, 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.

Newly issued standards not yet effective:

The FASB has issued ASU No. 2016-02, *Leases*, effective for years beginning after December 15, 2021 and No. 2016-13, *Financial Instruments – Credit Losses*, effective for years beginning after December 15, 2022. The Organization is evaluating the impact that adoption of these standards will have on future financial position and results of operations.

Accounting change:

The FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard modifies the presentation and disclosure requirements for in-kind contributions. The Organization has implemented the provisions of ASU No. 2020-07 retrospectively to all periods presented.

Subsequent events:

Subsequent events have been evaluated through October 17, 2022, 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, 2022 and 2021 statements of financial position date, comprise the following:

	2022	2021
Cash and cash equivalents	$ 894	$ 469,779
Metro United Way receivable		432,029
Accounts receivable	535,440	692,169
Contributions receivable	260,391	179,198
Estimated endowment spending-rate distributions	98,020	100,000
Less funds with donor restrictions	(271,211)	(138,653)
	$623,534	$1,734,522

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 in excess of estimated spending-rate distributions of $466,287 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.

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, 2022 and 2021, the Organization had a prepayment account in the amount of $87,317 and $81,987, 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. Capital campaign pledge payments collected were 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.

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

Total pledges receivable as of June 30, 2022 and 2021 were as follows:

	2022	2021
Annual campaign	$379,074	$212,756
Less unamortized discounts	(12,431)	(2,267)
Less allowance for uncollectible promises to give	(7,824)	(9,924)
	$358,819	$200,565
Amounts due in:		
Less than one year	$268,215	$189,122
One to five years	109,859	23,634
Six to ten years	1,000	
	$379,074	$212,756

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%.

As of June 30, 2022 and 2021 two donors accounted for approximately 46% and 47%, respectively, of the gross pledges receivable.

Note 5. Investments

Cost and fair value of investments are summarized below:

	June 30, 2022		
	Cost	Fair Value	Unrealized Depreciation
Cash equivalents	$ 48,520	$ 48,520	
Mutual funds	1,825,150	1,732,121	$(93,029)
	$1,873,670	$1,780,641	$(93,029)

	June 30, 2021		
	Cost	Fair Value	Unrealized Appreciation
Cash equivalents	$ 42,322	$ 42,322	
Mutual funds	1,769,004	2,111,992	$342,988
	$1,811,326	$2,154,314	$342,988

Note 6. Investment in Partnership

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

The Organization holds an ownership interest in Impact V, LLC that is accounted for by the equity method. The carrying value of the investment was $45,439 and $42,208 for the years ended June 30, 2022 and 2021, respectively. Equity in earnings from investment was $(9,269) and $(17,374) for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 (unaudited):

	2022	2021
Assets	$169,045	$189,907
Liabilities	32,727	21,073
Members' equity	136,318	168,834
Net loss	(77,517)	(69,494)

In February 2022, certain employees of the Organization were transferred to Impact V, LLC. Professional fees charged by Impact V, LLC for services rendered were $133,602 for the year ended June 30, 2022.

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, 2022 and 2021.

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, 2022 and 2021:

	June 30, 2022		
	Level 1	Level 3	Total
Mutual funds	$1,732,121		$1,732,121
Cash equivalents	48,520		48,520
Beneficial interest in assets held by The Community Foundation of Louisville		$21,878	21,878
	$1,780,641	$21,878	$1,802,519

	June 30, 2021		
	Level 1	Level 3	Total
Mutual funds	$2,111,992		$2,111,992
Cash equivalents	42,322		42,322
Beneficial interest in assets held by The Community Foundation of Louisville		$34,302	34,302
	$2,154,314	$34,302	$2,188,616

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 accounting principles generally accepted in the United States of America, 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.

NOTES TO FINANCIAL STATEMENTS

The endowment net asset composition by type of fund as of June 30, 2022 and 2021 is as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds		$1,216,334	$1,216,334
Donor-restricted endowment funds (beneficial interest in assets held)		21,878	21,878
Board-designated endowment funds	$564,307		564,307
	$564,307	$1,238,212	$1,802,519

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds		$1,300,417	$1,300,417
Donor-restricted endowment funds (beneficial interest in assets held)		34,302	34,302
Board-designated endowment funds	$853,897		853,897
	$853,897	$1,334,719	$2,188,616

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$853,897	$1,334,719	$2,188,616
Transfers - operations/capital	(94,982)		(94,982)
Reclassifications	24,345	(24,345)	
Net investment return	(218,953)	(59,738)	(278,691)
Change in beneficial interest		(12,424)	(12,424)
Endowment net assets, end of year	$564,307	$1,238,212	$1,802,519

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$601,818	$1,247,910	$1,849,728
Transfers - operations/capital	(92,656)		(92,656)
Reclassifications	221,021	(221,021)	
Net investment return	123,714	295,386	419,100
Change in beneficial interest		12,444	12,444
Endowment net assets, end of year	$853,897	$1,334,719	$2,188,616

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.

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.

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.

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.

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, 2022 and 2021, the Organization's non-distributable interest in the fund was $21,878 and $34,302, respectively, and is recorded as a beneficial interest in assets held by The Community Foundation of Louisville.

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. There was no change recorded for the years ended June 30, 2022 and 2021.

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 May 10, 2023. The line bears interest at the prime rate, less 0.125%, which was 4.625% at June 30, 2022. There was no outstanding balance on the line of credit at June 30, 2021. The outstanding balance on the line of credit at June 30, 2022 was $136,879. 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, for an aggregate principal amount of $568,200 (PPP Loan). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with deferred interest, had a term of two years, and was unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan was subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds were 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 received forgiveness of the PPP Loan from the U.S. Small Business Administration on March 23, 2021.

Note 13. Long-Term Debt

The note payable consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Note payable to Stock Yards Bank, refinanced May 2022.		$2,270,890
Note payable to Stock Yards Bank, stated interest rate of 4.95%, payable in monthly principal and interest payments through May 2027 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 $5,475,255 at June 30, 2022 and assignment of certain rents.	$2,595,848	
Less unamortized debt issuance costs	(5,605)	(22,986)
Less current maturities	(53,758)	(216,062)
	$2,536,485	$2,031,842

Future principal maturities on the note payable as of June 30, 2022 are as follows:

Year ending June 30, 2023	$ 53,758
2024	56,170
2025	59,403
2026	62,454
2027	2,364,063
	$2,595,848

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, 2022 and 2021 was $99,175 and $69,548, respectively.

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, 2022 and 2021:

	2022	2021
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 7,727,678	$ 7,982,126
Service cost	85,000	19,000
Interest cost	206,595	213,748
Actuarial gain	(1,513,984)	(89,325)
Benefits paid	(417,071)	(397,871)
Benefit obligation at end of year	6,088,218	7,727,678
Change in Plan Assets		
Fair value of plan assets at beginning of year	6,078,956	4,905,026
Actual return on plan assets	(662,727)	1,343,705
Employer contributions	613,629	228,096
Benefits paid	(417,071)	(397,871)
Fair value of plan assets at end of year	5,612,787	6,078,956
Funded status at end of year	$ (475,431)	$(1,648,722)
Accrued pension cost recognized in the statements of financial position	$ (475,431)	$(1,648,722)
Accumulated benefit obligation	$ 6,088,218	$ 7,727,678
Amounts Recognized in Change in Net Assets Separate from Expenses But Not Yet Included in Net Periodic Benefit Cost		
Net loss	$ 883,998	$ 1,366,734

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

<u>Net Periodic Benefit Cost</u>		
Service cost	$ 85,000	$ 19,000
Interest cost	206,595	213,748
Expected return on plan assets	(443,234)	(355,434)
Amortization of net actuarial loss	74,713	217,166
Net periodic benefit cost	$ (76,926)	$ 94,480
<u>Other Changes in Plan Assets and Benefit Obligation Recognized in Change in Net Assets</u>		
Net gain	$(408,023)	$(1,077,596)
Amortization of net actuarial loss	(74,713)	(217,166)
Total recognized in change in net assets	$(482,736)	$(1,294,762)

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 $36,160.

Assumptions

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

	2022	2021
Weighted average assumptions used to determine benefit obligations as of June 30:		
Discount rate	4.50%	2.75%
Weighted average assumptions used to determine net periodic benefit cost for years ended June 30:		
Discount rate	2.75%	2.75%
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.

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, 2022 and 2021, by asset category, are as follows:

	2022		
	Level 1	Level 2	Total
Cash and cash equivalents	$ 572,107		$ 572,107
Equity securities	3,898,499		3,898,499
Fixed income securities		$1,142,181	1,142,181
	$4,470,606	$1,142,181	$5,612,787

	2021		
	Level 1	Level 2	Total
Cash and cash equivalents	$ 89,726		$ 89,726
Equity securities	4,623,435		4,623,435
Fixed income securities		$1,310,309	1,310,309
Other	55,486		55,486
	$4,768,647	$1,310,309	$6,078,956

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.

Cash Flows

The Organization expects to contribute $0 to the plan during the year ended June 30, 2023. 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, 2023.

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:

Fiscal Year Ending:	Expected Benefits
2023	$ 413,204
2024	420,529
2025	420,502
2026	425,481
2027	427,443
2028 - 2032	2,119,531

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 employees. Total contributions made by the Organization to the plan were $26,241 and $24,233 for the years ended June 30, 2022 and 2021, respectively.

Note 16. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following:

	2022	2021
Subject to expenditure for specified purpose:		
Family centered services	$ 25,531	$ 58,605
Child abuse services	174,990	26,000
Other programs	14,342	17,701
Property maintenance	20,000	
Non-programmatic expenses	36,348	36,348
	271,211	138,654
Subject to passage of time:		
Metro United Way		432,029
Contributions receivable	289,886	53,242
	289,886	485,271
Held in perpetuity to support:		
Training and scholarship	442,847	442,847
Family centered services	488,416	548,288
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	21,878	34,302
	1,270,825	1,343,121
	$1,831,922	$1,967,046

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors.

Note 17. Operating Leases

The Organization leases office space under operating leases expiring through November 2026. Future minimum rental commitments under the lease at June 30, 2022 are as follows:

Year ending June 30,	2023	$ 83,210
	2024	83,210
	2025	49,208
	2026	15,206
	2027	6,336
		$237,170

Total rental expense was $48,077 and $33,798 for the years ended June 30, 2022 and 2021, respectively.

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, 2022 and 2021 was $160,832 and $156,993, respectively.

Note 19. Concentration of Credit Risk

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.