

FAMILY & CHILDREN FIRST, INC.
(d/b/a Family & Children's Place, Inc.)

FINANCIAL STATEMENTS

Years Ended June 30, 2014 and 2013

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Independent Auditors' Report

To the Board of Directors
Family & Children First, Inc.
(d/b/a Family & Children's Place, Inc.)
Louisville, Kentucky

We have audited the accompanying financial statements of Family & Children First, Inc. (d/b/a Family & Children's Place, Inc.) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, 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 First, Inc. (d/b/a Family & Children's Place, Inc.) as of June 30, 2014 and 2013, 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 & Petroff

Louisville, Kentucky
September 30, 2014

FAMILY & CHILDREN FIRST, INC.
(d/b/a Family & Children's Place, Inc.)

STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

Assets	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 139,579	\$ 18,708
Investments	233,300	102,600
Metro United Way funding	1,319,267	1,428,425
Accounts receivable, less allowance for doubtful accounts of \$2,500 in 2014 and \$1,577 in 2013	501,511	532,908
Contributions receivable, less allowance for uncollectible promises to give of \$69,000 in 2014 and \$75,000 in 2013	266,462	220,918
Prepaid expenses	<u>44,281</u>	<u>47,612</u>
Total current assets	<u>2,504,400</u>	<u>2,351,171</u>
Assets Whose Use is Limited		
Cash and cash equivalents	410,932	95,848
Contributions receivable	1,722,628	2,214,034
Cash - unemployment reserve	106,890	97,258
Investments	1,572,600	1,901,401
Beneficial interest in assets held by The Community Foundation of Louisville	19,393	15,672
Cash value of life insurance	<u>43,854</u>	<u>42,658</u>
Total assets whose use is limited	<u>3,876,297</u>	<u>4,366,871</u>
Property and Equipment		
Land	952,646	952,646
Buildings and improvements	8,010,480	7,971,186
Leasehold improvements	24,108	32,036
Furniture and equipment	<u>1,225,894</u>	<u>1,259,852</u>
	10,213,128	10,215,720
Less accumulated depreciation	<u>1,361,544</u>	<u>1,139,850</u>
	<u>8,851,584</u>	<u>9,075,870</u>
Loan costs, net of amortization of \$15,227 in 2014 and \$6,091 in 2013	<u>57,861</u>	<u>66,997</u>
Total assets	<u>\$ 15,290,142</u>	<u>\$ 15,860,909</u>

See Notes to Financial Statements.

Liabilities and Net Assets	<u>2014</u>	<u>2013</u>
Current Liabilities		
Line of credit		\$ 574,261
Current maturities of note payable	\$ 196,124	85,145
Current maturities of capital lease obligations	1,828	4,784
Accounts payable and payroll withholdings	76,872	489,906
Accrued expenses and other current liabilities	<u>222,978</u>	<u>353,418</u>
Total current liabilities	<u>497,802</u>	<u>1,507,514</u>
Long-Term Liabilities		
Line of credit	371,854	
Note payable, less current maturities	3,452,311	3,200,520
Capital lease obligations, less current maturities	226	2,053
Accrued pension cost	<u>2,528,984</u>	<u>2,332,268</u>
	<u>6,353,375</u>	<u>5,534,841</u>
Total liabilities	<u>6,851,177</u>	<u>7,042,355</u>
Net Assets		
Unrestricted	5,587,118	6,009,593
Temporarily restricted	1,603,148	1,623,116
Permanently restricted	<u>1,248,699</u>	<u>1,185,845</u>
	<u>8,438,965</u>	<u>8,818,554</u>
Total liabilities and net assets	<u>\$ 15,290,142</u>	<u>\$ 15,860,909</u>

FAMILY & CHILDREN FIRST, INC.
(d/b/a Family & Children's Place, Inc.)

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2014 and 2013

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and Other Support				
Service revenues and other contracts	\$ 1,514,960			\$ 1,514,960
Federal financial assistance	1,296,625			1,296,625
Metro United Way		\$ 1,319,267		1,319,267
Contributions and grants	649,319	226,764	\$ 35,921	912,004
Special events	34,289			34,289
Rental and other income	76,716			76,716
Provision for uncollectible promises to give				
Investment income	13,887	19,515		33,402
Net realized and unrealized gains on investments	93,796	105,131	23,212	222,139
Increase in beneficial interest			3,721	3,721
Gain (loss) on disposal of property and equipment	(331)			(331)
	<u>3,679,261</u>	<u>1,670,677</u>	<u>62,854</u>	<u>5,412,792</u>
Net assets released from restrictions:				
Metro United Way	1,319,267	(1,319,267)		
Satisfaction of program restrictions	371,378	(371,378)		
Total net assets released from restrictions	<u>1,690,645</u>	<u>(1,690,645)</u>		
Total revenues and other support	<u>5,369,906</u>	<u>(19,968)</u>	<u>62,854</u>	<u>5,412,792</u>
Expenses				
Program services:				
Child and family services	1,627,177			1,627,177
Kosair Charities child advocacy center	691,852			691,852
HANDS	983,246			983,246
Family and school service	422,336			422,336
PAL program	108,487			108,487
Children's program				
Family stabilization	687,365			687,365
Total program services	<u>4,520,463</u>			<u>4,520,463</u>
Supporting services:				
Management and general	622,427			622,427
Fund-raising	460,997			460,997
Total expenses	<u>5,603,887</u>			<u>5,603,887</u>
Increase (decrease) in total net assets before pension related changes other than net periodic benefit cost	(233,981)	(19,968)	62,854	(191,095)
Pension related changes other than net periodic benefit cost	(188,494)			(188,494)
Increase (decrease) in total net assets	(422,475)	(19,968)	62,854	(379,589)
Net assets, beginning of year	6,009,593	1,623,116	1,185,845	8,818,554
Net assets, end of year	<u>\$ 5,587,118</u>	<u>\$ 1,603,148</u>	<u>\$ 1,248,699</u>	<u>\$ 8,438,965</u>

See Notes to Financial Statements.

2013

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 1,474,849			\$ 1,474,849
1,301,316			1,301,316
	\$ 1,285,070		1,285,070
636,854	302,264	\$ 1,261	940,379
63,327			63,327
80,056			80,056
	10,810		10,810
8,104	34,278		42,382
16,443	75,173	15,267	106,883
		2,249	2,249
636,047			636,047
4,216,996	1,707,595	18,777	5,943,368
1,321,494	(1,321,494)		
4,915,060	(4,915,060)		
6,236,554	(6,236,554)		
10,453,550	(4,528,959)	18,777	5,943,368
1,837,880			1,837,880
773,803			773,803
877,443			877,443
434,915			434,915
47,015			47,015
681,117			681,117
4,652,173			4,652,173
572,634			572,634
456,605			456,605
5,681,412			5,681,412
4,772,138	(4,528,959)	18,777	261,956
786,927			786,927
5,559,065	(4,528,959)	18,777	1,048,883
450,528	6,152,075	1,167,068	7,769,671
\$ 6,009,593	\$ 1,623,116	\$ 1,185,845	\$ 8,818,554

FAMILY & CHILDREN FIRST, INC.
(d/b/a Family & Children's Place, Inc.)

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2014 and 2013

2014

	Program Services						Supporting Services			Total Expenses
	Child and Family Services	Kosair Charities Child Advocacy Center	HANDS	Family and School Service	PAL Program	Family Stabilization	Total Program Services	Management and General	Fund-raising	
Salaries and Employee Benefits										
Salaries	\$ 1,025,031	\$ 343,209	\$ 662,820	\$ 279,919	\$ 66,101	\$ 444,091	\$ 2,821,171	\$ 281,761	\$ 276,934	\$ 3,379,866
Health insurance	92,883	26,052	54,462	27,874	4,114	48,127	253,512	16,934	19,740	290,186
Retirement	49,117	17,587	32,095	7,236	915	17,616	124,566	11,108	5,623	141,297
Disability, group life, workers comp, unemployment	17,435	3,262	8,337	3,423	1,298	5,386	39,141	2,273	3,558	44,972
Payroll taxes	76,048	25,270	48,858	20,814	4,421	33,016	208,427	21,350	19,845	249,622
Total salaries and employee benefits	<u>1,260,514</u>	<u>415,380</u>	<u>806,572</u>	<u>339,266</u>	<u>76,849</u>	<u>548,236</u>	<u>3,446,817</u>	<u>333,426</u>	<u>325,700</u>	<u>4,105,943</u>
Professional fees	72,683	65,390	27,056	6,815	3,175	11,480	186,599	42,475	3,747	232,821
Office supplies, copy and computer expenses	7,932	5,690	9,486	3,385	1,030	6,254	33,777	10,626	7,766	52,169
Telecommunications	21,613	7,808	12,417	4,996	141	9,249	56,224	7,721	4,765	68,710
Postage	2,149	784	1,881	914	519	1,444	7,691	3,605	3,145	14,441
Occupancy expense	117,991	56,312	12,561	5,578	413	12,425	205,280	47,602	6,360	259,242
Outside printing	621	1,097	1,276	621	311	621	4,547	5,370	3,497	13,414
Local travel	14,348	5,930	40,866	2,592	448	14,526	78,710	4,037	2,298	85,045
Conference and staff development	12,126	3,426	12,581	2,673	7,087	3,780	41,673	3,056	920	45,649
Memberships and dues	3,757	3,349	3,048	2,254	1,116	4,381	17,905	2,761	590	21,256
Public relations	1,589	1,589	1,589	1,589	795	1,589	8,740	4,503		13,243
Development and special events, including direct cost of benefit to donors of \$15,620									68,091	68,091
Other expenses	20,961	10,029	16,806	32,431	14,075	44,435	138,737	34,876	15,465	189,078
Interest expense	1,879	33,057	6,160	3,080	1,848	4,312	50,336	55,082	3,080	108,498
Depreciation and amortization	89,014	82,011	30,947	16,142	680	24,633	243,427	67,287	15,573	326,287
Total expenses	<u>\$ 1,627,177</u>	<u>\$ 691,852</u>	<u>\$ 983,246</u>	<u>\$ 422,336</u>	<u>\$ 108,487</u>	<u>\$ 687,365</u>	<u>\$ 4,520,463</u>	<u>\$ 622,427</u>	<u>\$ 460,997</u>	<u>\$ 5,603,887</u>

2013

	Program Services					Supporting Services				
	Child and Family Services	Kosair Charities Child Advocacy Center	HANDS	Family and School Service	Children's Program	Family Stabilization	Total Program Services	Management and General	Fund-raising	Total Expenses
Salaries and Employee Benefits										
Salaries	\$ 1,142,017	\$ 421,466	\$ 588,638	\$ 283,833	\$ 32,899	\$ 457,194	\$ 2,926,047	\$ 297,090	\$ 268,752	\$ 3,491,889
Health insurance	94,737	26,018	62,441	24,795	2,624	48,550	259,165	9,037	18,317	286,519
Retirement	75,332	26,749	45,571	9,907	563	25,397	183,519	14,784	7,591	205,894
Disability, group life, workers comp, unemployment	19,232	6,831	8,676	4,359		6,797	45,895	4,194	4,060	54,149
Payroll taxes	83,994	31,072	41,893	20,971	2,632	33,124	213,686	20,217	18,131	252,034
Total salaries and employee benefits	1,415,312	512,136	747,219	343,865	38,718	571,062	3,628,312	345,322	316,851	4,290,485
Professional fees	75,609	66,777	25,029	8,767	908	11,033	188,123	54,824	3,082	246,029
Office supplies, copy and computer expenses	12,100	7,543	5,864	6,569	956	5,385	38,417	11,134	2,264	51,815
Telecommunications	25,648	8,217	7,602	3,616	780	10,651	56,514	8,165	4,384	69,063
Postage	2,915	784	1,149	974	35	1,256	7,113	4,708	2,943	14,764
Occupancy expense	168,095	82,848	9,873	21,054	2,218	26,110	310,198	49,362	26,065	385,625
Outside printing	1,060	1,225	1,022	1,022	79	1,022	5,430	3,385	3,016	11,831
Local travel	17,869	7,490	46,126	7,290		14,578	93,353	4,951	2,732	101,036
Conference and staff development	9,422	5,844	3,872	1,800	406	1,504	22,848	5,243	4,240	32,331
Memberships and dues	1,622	1,342	1,260	535		2,567	7,326	12,027	405	19,758
Public relations	1,618	1,618	1,618	1,618	124	1,618	8,214	4,232		12,446
Development and special events, including direct cost of benefit to donors of \$19,620									70,704	70,704
Other expenses	31,480	53,062	18,941	33,806	2,718	24,558	164,565	45,499	15,613	225,677
Interest expense	3,762					341	4,103	9,100		13,203
Depreciation and amortization	71,368	24,917	7,868	3,999	73	9,432	117,657	14,682	4,306	136,645
Total expenses	\$ 1,837,880	\$ 773,803	\$ 877,443	\$ 434,915	\$ 47,015	\$ 681,117	\$ 4,652,173	\$ 572,634	\$ 456,605	\$ 5,681,412

See Notes to Financial Statements.

FAMILY & CHILDREN FIRST, INC.
(d/b/a Family & Children's Place, Inc.)

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Cash received for services	\$ 1,537,305	\$ 1,412,691
Federal financial assistance received	1,305,677	1,325,969
Cash received from Metro United Way	1,428,425	1,212,336
Contributions and grants received	1,378,059	1,614,682
Rental and other income received	76,716	48,522
Investment income received	33,402	42,382
Cash paid to suppliers and employees	(5,704,928)	(5,249,443)
Interest paid	(101,325)	(13,568)
	<u>(46,669)</u>	<u>393,571</u>
Net cash (used in) provided by operating activities		
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,237,809	660,201
Purchases of investments	(817,569)	(1,191,702)
Proceeds from sale of property and equipment		764,282
Purchases of property and equipment	(93,196)	(5,422,439)
(Increase) decrease in assets whose use is limited - cash	(315,084)	967,455
	<u>11,960</u>	<u>(4,222,203)</u>
Net cash provided by (used in) investing activities		
Cash Flows From Financing Activities		
Proceeds from notes payable	490,867	3,285,665
Principal payments on notes payable	(128,097)	(292,095)
Principal payments on capital lease obligations	(4,783)	(6,377)
Net (payments) proceeds from line of credit	(202,407)	574,261
	<u>155,580</u>	<u>3,561,454</u>
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	120,871	(267,178)
Cash and cash equivalents, beginning of year	18,708	285,886
Cash and cash equivalents, end of year	\$ 139,579	\$ 18,708

See Notes to Financial Statements.

	<u>2014</u>	<u>2013</u>
Reconciliation of Net (Decrease) Increase in Total Net Assets to Net Cash (Used In) Provided By Operating Activities		
Net (decrease) increase in total net assets	\$ (379,589)	\$ 1,048,883
Adjustments to reconcile net (decrease) increase in total net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	326,287	136,645
Change in allowance for doubtful accounts	923	(1,458)
Change in allowance for uncollectible promises to give	(6,000)	15,000
Change in discount on promises to give	(79,570)	(19,910)
Gain (loss) on disposal of property and equipment	331	(636,047)
Net realized and unrealized gains on investments	(222,139)	(106,883)
Increase in beneficial interest	(3,721)	(2,249)
Increase in cash value of life insurance	(1,196)	(1,261)
Pension adjustment	301,317	(612,818)
Changes in assets and liabilities:		
(Increase) decrease in:		
Metro United Way funding	109,158	(72,734)
Accounts receivable	30,474	(36,047)
Contributions receivable	531,432	657,437
Prepaid expenses	3,331	31,816
Cash - unemployment reserve	(9,632)	(13,390)
Increase (decrease) in:		
Accounts payable and payroll withholdings	(413,034)	13,333
Accrued expenses and other current liabilities	(130,440)	115,999
Deferred revenue		(31,534)
Accrued pension cost	(104,601)	(91,211)
Total adjustments	<u>332,920</u>	<u>(655,312)</u>
Net cash (used in) provided by operating activities	<u>\$ (46,669)</u>	<u>\$ 393,571</u>

Supplemental Schedule of Noncash Investing and Financing Transactions

Equipment acquired through capital lease obligations	<u>\$ 2,561</u>
Purchases of property and equipment in accounts payable and accrued expenses	<u>\$ 491,117</u>

FAMILY & CHILDREN FIRST, INC.
(d/b/a 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 First, Inc. (d/b/a 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, Children's Program, PAL Program (Parkhill, Algonquin and Old Louisville), and Family Stabilization Service. Services are provided principally throughout the 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, government grants and contracts and other grants. Effective September 2012, the Organization closed the Children's Program due to a decrease in funding.

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 asset classification:

Resources are classified for accounting and reporting purposes into the following three net asset classes according to externally imposed restrictions:

Unrestricted net assets - Unrestricted net assets are not subject to any donor-imposed restrictions. Unrestricted net assets include assets designated by the board for particular purposes.

NOTES TO FINANCIAL STATEMENTS

Temporarily restricted net assets - Temporarily restricted net assets include net assets whose use by the Organization is limited by donor-imposed restrictions that either expire by the passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets - Permanently restricted net assets include net assets whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Contributions:

Contributions received and unconditional promises to give are measured at their fair values and are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term investment purposes or received with donor-imposed restrictions limiting their use are not considered cash and cash equivalents for purposes of the statement of cash flows.

Assets whose use is limited:

Assets set aside by the board or restricted by donors for future use are classified as assets whose use is limited. Assets restricted by donors include contributions and grants to be used for specified purposes.

NOTES TO FINANCIAL STATEMENTS

The Organization reports gifts of long-lived assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. 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.

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.

Investments:

Investments are recorded at fair market value. Donated investments are recorded at their fair market value as of the date received. See Note 5 for discussion of fair value measurements.

Property and equipment:

Property and equipment are recorded at cost, if purchased, or at fair market 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. Amortization of capital leases is included in depreciation expense.

Loan costs:

Loan costs are amortized by the effective interest method over the term of the loan.

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.

Donated services:

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 market value. Those donated services that do not meet these specific criteria are not reflected in the financial statements.

For the years ended June 30, 2014 and 2013, the Organization received donated legal, medical and moving services of \$4,500 and \$40,600, respectively.

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 leasing 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. Income taxes for such unrelated business income totaled \$1,621 and \$2,564 for the years ended June 30, 2014 and 2013, respectively.

As of June 30, 2014 and 2013, 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. Tax years ending on or after June 30, 2011 remain subject to IRS review and change.

NOTES TO FINANCIAL STATEMENTS

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.

Subsequent events:

Subsequent events have been evaluated through September 30, 2014, which is the date the financial statements were available to be issued.

Note 2. 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.

Total pledges receivable as of June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Capital campaign	\$1,978,842	\$2,430,000
Annual campaign	<u>337,671</u>	<u>417,946</u>
	2,316,514	2,847,946
Less unamortized discounts	(258,424)	(337,994)
Less allowance for uncollectible promises to give	<u>(69,000)</u>	<u>(75,000)</u>
	<u>\$1,989,090</u>	<u>\$2,434,952</u>

NOTES TO FINANCIAL STATEMENTS

Contributions receivable are recognized in the financial statements as follows:

	<u>2014</u>	<u>2013</u>
Contributions receivable – current	\$ 266,462	\$ 220,918
Contributions receivable – assets whose use is limited	<u>1,722,628</u>	<u>2,214,034</u>
	<u>\$1,989,090</u>	<u>\$2,434,952</u>
	<u>2014</u>	<u>2013</u>
Amounts due in:		
Less than one year	\$ 743,266	\$ 889,015
One to five years	1,573,248	1,157,931
Six to ten years	<u> </u>	<u>801,000</u>
	<u>\$2,316,514</u>	<u>\$2,847,946</u>

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates of 3.125% - 4%.

Of the total gross pledges receivable of \$2,316,514 and \$2,847,946 as of June 30, 2014 and 2013, respectively, one donor accounts for approximately 63% and 56%, respectively, of the gross receivable.

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, 2014 and 2013, the Organization had a prepayment account in the amount of \$106,890 and \$97,258, respectively, on deposit with the trustee.

NOTES TO FINANCIAL STATEMENTS

Note 4. Investments

Cost and fair market value of investments are summarized below:

	June 30, 2014		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation</u>
Cash equivalents	\$ 51,824	\$ 51,824	
Mutual funds	<u>1,498,266</u>	<u>1,754,076</u>	<u>\$255,810</u>
	<u>\$1,550,090</u>	<u>\$1,805,900</u>	<u>\$255,810</u>
	June 30, 2013		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation</u>
Cash equivalents	\$ 15,598	\$ 15,598	
Mutual funds	<u>1,848,528</u>	<u>1,988,403</u>	<u>\$139,875</u>
	<u>\$1,864,126</u>	<u>\$2,004,001</u>	<u>\$139,875</u>

Investments are recognized in the financial statements as follows:

	<u>2014</u>	<u>2013</u>
Investments – current	\$ 233,300	\$ 102,600
Investments – assets whose use is limited	<u>1,572,600</u>	<u>1,901,401</u>
	<u>\$1,805,900</u>	<u>\$2,004,001</u>

Investment income reported in the accompanying statements of activities is net of custodial fees and investment advisory fees. Such investment expenses totaled \$10,119 and \$7,488 for the years ended June 30, 2014 and 2013, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 5. 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.
- 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, 2014 and 2013.

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

Beneficial interest – valued at the discounted cash flow of future income based on quoted market prices or value as determined by the fund manager of the underlying assets held by the community foundation.

NOTES TO FINANCIAL STATEMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of June 30, 2014 and 2013:

	June 30, 2014		
	Level 1	Level 3	Total
Mutual funds:			
Large cap growth	\$ 326,053		\$ 326,053
Large cap value	322,134		322,134
Mid cap growth	110,427		110,427
Mid cap value	109,713		109,713
Small cap growth	54,133		54,133
Small cap value	53,812		53,812
Diversified emerging markets	9,734		9,734
Foreign large blend	96,621		96,621
Bond funds	<u>671,449</u>		<u>671,449</u>
	<u>1,754,076</u>		<u>1,754,076</u>
Cash equivalents	<u>51,824</u>		<u>51,824</u>
Beneficial interest in assets held by The Community Foundation of Louisville		<u>\$19,393</u>	<u>19,393</u>
	<u>\$1,805,900</u>	<u>\$19,393</u>	<u>\$1,825,293</u>
	June 30, 2013		
	Level 1	Level 3	Total
Mutual funds:			
Large cap growth	\$ 332,084		\$ 332,084
Large cap value	337,359		337,359
Mid cap growth	48,051		48,051
Mid cap value	46,872		46,872
Small cap growth	24,494		24,494
Small cap value	22,686		22,686
Diversified emerging markets	14,464		14,464
Foreign large blend	127,135		127,135
Bond fund	<u>1,035,258</u>		<u>1,035,258</u>
	<u>1,988,403</u>		<u>1,988,403</u>
Cash equivalents	<u>15,598</u>		<u>15,598</u>
Beneficial interest in assets held by The Community Foundation of Louisville		<u>\$15,672</u>	<u>15,672</u>
	<u>\$2,004,001</u>	<u>\$15,672</u>	<u>\$2,019,673</u>

NOTES TO FINANCIAL STATEMENTS

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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$15,672	\$13,423
Change in beneficial interest	<u>3,721</u>	<u>2,249</u>
Balance, end of year	<u>\$19,393</u>	<u>\$15,672</u>

Note 6. 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, 2014 and 2013 is as follows:

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds		\$15,074	\$1,180,203	\$1,195,277
Donor-restricted endowment funds (beneficial interest in assets held)			19,393	19,393
Board-designated endowment funds	<u>\$610,623</u>	_____	_____	<u>610,623</u>
	<u>\$610,623</u>	<u>\$15,074</u>	<u>\$1,199,596</u>	<u>\$1,825,293</u>

NOTES TO FINANCIAL STATEMENTS

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds		\$6,182	\$1,127,515	\$1,133,697
Donor-restricted endowment funds (beneficial interest in assets held)			15,672	15,672
Board-designated endowment funds	<u>\$870,304</u>	—	—	<u>870,304</u>
	<u>\$870,304</u>	<u>\$6,182</u>	<u>\$1,143,187</u>	<u>\$2,019,673</u>

Changes in endowment net assets for the years ended June 30, 2014 and 2013 are as follows:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 870,304	\$ 6,182	\$1,143,187	\$2,019,673
Contributions			29,475	29,475
Transfers - operations/capital	(481,764)			(481,764)
Reclassifications	115,754	(115,754)		
Investment return:				
Investment income	12,534	19,515		32,049
Net appreciation	<u>93,796</u>	<u>105,131</u>	<u>26,933</u>	<u>225,860</u>
Endowment net assets, end of year	<u>\$ 610,624</u>	<u>\$ 15,074</u>	<u>\$1,199,595</u>	<u>\$1,825,293</u>

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$253,369		\$1,125,671	\$1,379,040
Contributions	560,384			560,384
Transfers - operations/capital	(69,768)			(69,768)
Reclassifications	102,927	\$(102,927)		
Investment return:				
Investment income	6,949	33,936		40,885
Net appreciation	<u>16,443</u>	<u>75,173</u>	<u>17,516</u>	<u>109,132</u>
Endowment net assets, end of year	<u>\$870,304</u>	<u>\$ 6,182</u>	<u>\$1,143,187</u>	<u>\$2,019,673</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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the 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 36% Russell 1000 index, 12% Russell Mid-Cap index, 6% Russell 2000 index, 6% EAFE 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 market 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 market value of the endowment falls below the permanently restricted balance. 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 (including restricted, unrestricted and board designated 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 7. 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, 2014 and 2013, the Organization's interest in the fund was \$19,393 and \$15,672, respectively, and is recorded as a beneficial interest in assets held by The Community Foundation of Louisville.

NOTES TO FINANCIAL STATEMENTS

Note 8. 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 the policy premiums. Increases in cash value of the policies are recorded as increases in permanently restricted assets. Income recorded for the years ended June 30, 2014 and 2013 was \$1,196 and \$1,261, respectively, due to the increase in cash value.

Note 9. Line of Credit

The Organization has a \$750,000 secured line of credit with Stock Yards Bank & Trust Company that matured on July 2, 2014. The line was subsequently extended to mature on July 2, 2015 and bears interest at the prime rate, less 0.125%, which was 3.125% at June 30, 2014. The outstanding balance on the line of credit at June 30, 2014 and 2013 was \$371,854 and \$574,261, 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 10. Long-Term Debt

The note payable consisted of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Note payable to Stock Yards Bank, stated interest rate of 2.5%, payable in monthly interest only payments through October 2013 and principal and interest payments through October 2020 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 \$6,687,820 at June 30, 2014 and assignment of certain rents.	\$3,648,435	\$3,285,665
Less current maturities	<u>(196,124)</u>	<u>(85,145)</u>
	<u>\$3,452,311</u>	<u>\$3,200,520</u>

Additional draws of approximately \$491,000 were made on the note payable during the year ended June 30, 2014. These were the final draws on this note.

NOTES TO FINANCIAL STATEMENTS

Future principal maturities on the note payable as of June 30, 2014 are as follows:

Year ending June 30, 2015		\$ 196,124
2016		200,921
2017		206,306
2018		211,596
2019		217,022
Thereafter		<u>2,616,466</u>
		<u>\$3,648,435</u>

Total interest expense, inclusive of the line of credit and note payable, for the years ending June 30, 2014 and 2013 was \$108,498 and \$13,203, respectively. Additional interest of \$24,744 on funds borrowed for construction and renovation was capitalized during the year ended June 30, 2013.

Note 11. Capital Lease Obligations

The Organization leases equipment under capital leases. The following is a summary of leased assets included in property and equipment:

	<u>2014</u>	<u>2013</u>
Equipment	\$ 17,546	\$ 17,546
Accumulated amortization	<u>(15,472)</u>	<u>(10,927)</u>
	<u>\$ 2,074</u>	<u>\$ 6,619</u>

Future minimum lease payments under the capital leases are as follows:

Years ending June 30, 2015		\$1,870
2016		<u>227</u>
		2,097
Less amount representing interest		<u>(43)</u>
Net minimum lease payments		<u>\$2,054</u>

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan

The Organization has a defined benefit pension plan which covers substantially all of its employees. The Organization's policy is to fund the plan within Internal Revenue Service guidelines. 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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 6,656,556	\$ 7,037,077
Service cost	45,000	45,000
Interest cost	311,125	294,931
Actuarial (gain) loss	524,437	(535,236)
Benefits paid	<u>(244,987)</u>	<u>(185,216)</u>
Benefit obligation at end of year	<u>7,292,131</u>	<u>6,656,556</u>
Change in Plan Assets		
Fair value of plan assets at beginning of year	4,324,288	4,000,780
Actual return on plan assets	579,245	417,513
Employer contributions	104,601	91,211
Benefits paid	<u>(244,987)</u>	<u>(185,216)</u>
Fair value of plan assets at end of year	<u>4,763,147</u>	<u>4,324,288</u>
Funded status at end of year	<u>\$(2,528,984)</u>	<u>\$(2,332,268)</u>
Accrued pension cost recognized in the statement of financial position	\$(2,528,984)	\$(2,332,268)
Accumulated benefit obligation	\$ 7,292,131	\$ 6,656,556
Amounts Recognized in Change in Unrestricted Net Assets Separate From Expenses But Not Yet Included in Net Periodic Benefit Cost		
Net loss	<u>\$ 2,068,705</u>	<u>\$ 1,880,211</u>

NOTES TO FINANCIAL STATEMENTS

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

<u>Net Periodic Benefit Cost</u>		
Service cost	\$ 45,000	\$ 45,000
Interest cost	311,125	294,931
Expected return on plan assets	(366,482)	(348,297)
Amortization of net actuarial loss	<u>123,180</u>	<u>182,475</u>
Net periodic benefit	<u>\$ 112,823</u>	<u>\$ 174,109</u>
<u>Other Changes in Plan Assets and Benefit Obligation Recognized in Change in Net Assets</u>		
Net (gain) loss	\$ 311,674	\$ (604,452)
Amortization of net actuarial loss	<u>(123,180)</u>	<u>(182,475)</u>
Total recognized in change in net assets	<u>\$ 188,494</u>	<u>\$ (786,927)</u>

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 \$152,042.

Assumptions

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

	<u>2014</u>	<u>2013</u>
Weighted average assumptions used to determine benefit obligations as of June 30:		
Discount rate	4.25%	4.75%
Weighted average assumptions used to determine net periodic benefit cost for years ended June 30:		
Discount rate	4.75%	4.25%
Expected return on assets	8.50%	8.50%

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 with assumed average annual returns of approximately 5% to 6% for debt securities and 10% to 12% for 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, 2014 and 2013, by asset category, are as follows:

	2014		Total
	Level 1	Level 2	
Cash and cash equivalents	\$ 284,501		\$ 284,501
Common stocks:			
Basic materials	169,466		169,466
Industrial goods	176,589		176,589
Consumer goods	174,809		174,809
Services	253,173		253,173
Healthcare	183,585		183,585
Financials	248,573		248,573
Technology	<u>250,205</u>		<u>250,205</u>
	<u>1,456,400</u>		<u>1,456,400</u>
Preferred stock:			
Financials	<u>150,445</u>		<u>150,445</u>
Bond funds:			
Domestic	<u>124,851</u>		<u>124,851</u>
Corporate bonds		<u>\$877,882</u>	<u>877,882</u>
Equity mutual funds:			
International	332,727		332,727
Small-cap	418,081		418,081
Mid-cap	410,464		410,464
Large-cap	<u>707,796</u>		<u>707,796</u>
	<u>1,869,068</u>		<u>1,869,068</u>
	<u>\$3,885,265</u>	<u>\$877,882</u>	<u>\$4,763,147</u>

NOTES TO FINANCIAL STATEMENTS

	2013		Total
	Level 1	Level 2	
Cash and cash equivalents	\$ 245,242		\$ 245,242
Common stocks:			
Basic materials	138,900		138,900
Industrial goods	150,109		150,109
Consumer goods	148,442		148,442
Services	185,047		185,047
Healthcare	176,914		176,914
Financials	194,749		194,749
Technology	<u>248,355</u>		<u>248,355</u>
	<u>1,242,516</u>		<u>1,242,516</u>
Preferred stock:			
Financials	<u>110,045</u>		<u>110,045</u>
Bond funds:			
Domestic	102,600		102,600
International	<u>155,302</u>		<u>155,302</u>
	<u>257,902</u>		<u>257,902</u>
Corporate bonds		<u>\$779,751</u>	<u>779,751</u>
Equity mutual funds:			
International	400,925		400,925
Small-cap	271,600		271,600
Mid-cap	621,779		621,779
Large-cap	<u>394,528</u>		<u>394,528</u>
	<u>1,688,832</u>		<u>1,688,832</u>
	<u>\$3,544,537</u>	<u>\$779,751</u>	<u>\$4,324,288</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 \$260,563 to the Plan during the year ended June 30, 2015. 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, 2015.

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>
2015	\$ 273,064
2016	302,056
2017	313,024
2018	327,582
2019	350,548
2020 - 2024	1,997,600

Note 13. Retirement Plan

The Organization has a 403(b) retirement plan which covers all employees who have met the eligibility requirements. The Organization contributed 2% of gross salary for all eligible employees through August 31, 2012. Effective September 1, 2012, the Organization contributed 1% of gross salaries. Total contributions made by the Organization to the plan were \$28,474 and \$31,785 for the years ended June 30, 2014 and 2013, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 14. Changes in Temporarily and Permanently Restricted Net Assets

Changes in temporarily restricted net assets for the years ended June 30, 2014 and 2013 were as follows:

	Balance <u>6/30/13</u>	Donations/ <u>Grants</u>	Investment <u>Income</u>	Released from <u>Restrictions</u>	Balance <u>6/30/14</u>
Metro United Way	\$1,319,267	\$1,319,267		\$(1,319,267)	\$1,319,267
Pledges receivable, net of allowance	142,765	41,301		(75,732)	108,334
Other programs	76,388	13,183		(79,213)	10,358
Training and scholarship		5,000	\$ 57,941	(58,931)	4,010
Family centered services	56,182	144,000	33,518	(74,625)	159,075
Child abuse services	28,000		8,266	(36,266)	
Professional services for families with ill/disabled children			3,958	(3,958)	
Property maintenance			654	(654)	
Non-operating expenses	<u>514</u>	<u>23,280</u>	<u>20,309</u>	<u>(41,999)</u>	<u>2,104</u>
	<u>\$1,623,116</u>	<u>\$1,546,031</u>	<u>\$124,646</u>	<u>\$(1,690,645)</u>	<u>\$1,603,148</u>
	Balance <u>6/30/12</u>	Donations/ <u>Grants</u>	Investment <u>Income</u>	Released from <u>Restrictions</u>	Balance <u>6/30/13</u>
Metro United Way	\$1,355,691	\$1,285,070		\$(1,321,494)	\$1,319,267
Pledges receivable, net of allowance	4,585,824	184,139	\$ 341	(4,627,539)	142,765
Other programs	1,560	78,935		(4,107)	76,388
Training and scholarship			49,521	(49,521)	
Family centered services	6,000	50,000	27,956	(27,774)	56,182
Child abuse services	78,000		7,065	(57,065)	28,000
Professional services for families with ill/disabled children			6,248	(6,248)	
Property maintenance			559	(559)	
Non-operating expenses	<u>125,000</u>	<u> </u>	<u>17,761</u>	<u>(142,247)</u>	<u>514</u>
	<u>\$6,152,075</u>	<u>\$1,598,144</u>	<u>\$109,451</u>	<u>\$(6,236,554)</u>	<u>\$1,623,116</u>

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is temporarily restricted for the endowment purpose.

	Balance <u>6/30/13</u>	<u>Donations</u>	Realized/ Unrealized <u>Gain</u>	Increase in Beneficial <u>Interest</u>	Balance <u>6/30/14</u>
Training and scholarship	\$ 442,847				\$ 442,847
Family centered services	250,000				250,000
Child abuse services	63,178				63,178
Professional services for families with ill/disabled children	207,667		\$23,212		230,879
Property maintenance	5,000				5,000
Non-operating expenses	201,481	\$35,921			237,402
Beneficial interest in assets held by The Community Foundation of Louisville	<u>15,672</u>	<u> </u>	<u> </u>	<u>\$3,721</u>	<u>19,393</u>
	<u>\$1,185,845</u>	<u>\$35,921</u>	<u>\$23,212</u>	<u>\$3,721</u>	<u>\$1,248,699</u>

NOTES TO FINANCIAL STATEMENTS

	Balance <u>6/30/12</u>	<u>Donations</u>	Realized/ Unrealized <u>Gain</u>	Increase in Beneficial <u>Interest</u>	Balance <u>6/30/13</u>
Training and scholarship	\$ 442,847				\$ 442,847
Family centered services	250,000				250,000
Child abuse services	63,178				63,178
Professional services for families with ill/disabled children	192,400		\$15,267		207,667
Property maintenance	5,000				5,000
Non-operating expenses	200,220	\$1,261			201,481
Beneficial interest in assets held by The Community Foundation of Louisville	<u>13,423</u>	<u> </u>	<u> </u>	<u>\$2,249</u>	<u>15,672</u>
	<u>\$1,167,068</u>	<u>\$1,261</u>	<u>\$15,267</u>	<u>\$2,249</u>	<u>\$1,185,845</u>

Note 15. Operating Leases

The Organization leases office space under an operating lease expiring in 2015. The minimum rental commitment under the lease at June 30, 2014 was \$4,345 for the year ending June 30, 2015.

Total rental expense was \$58,624 and \$234,092 for the years ended June 30, 2014 and 2013, respectively.

Note 16. Rental Income

The Organization currently leases office space and the use of a billboard and previously leased the use of a cell tower located on its property to unrelated third parties. The leases are accounted for under the operating method. Rental income recognized for the years ended June 30, 2014 and 2013 was \$71,227 and \$80,856, respectively.

During the year ended June 30, 2013, the Organization sold the cell tower for \$813,000 resulting in a gain of \$641,314. The gain is included in gain (loss) on disposal of property and equipment on the statement of activities.

NOTES TO FINANCIAL STATEMENTS

Note 17. 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, 2014, the Organization's uninsured cash balance totaled approximately \$296,000.

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 18. Contingent Liability

During the year ended June 30, 2011, the Organization received a \$250,000 grant from the Louisville/Jefferson County Metro Government Department of Community Services and Revitalization (Metro Government) for the purpose of acquiring certain real property and to construct on the property a child advocacy center and a family services center. During the year ended June 30, 2012, the grant was amended to require the Organization to execute a promissory note in the sum of \$250,000 and a mortgage on the property to secure the promissory note. The promissory note bears no interest and is payable in full only upon the occurrence of the following events: 1) failure by the Organization to complete and place in operation its Family Services Center by September 1, 2013; 2) sale, refinance or transfer of the property before September 1, 2018 without prior written consent; 3) material breach on the terms of the grant agreement; 4) default of the Organization on any other mortgages against the property; or 5) bankruptcy of the Organization. Upon compliance with the note provisions, the promissory note will be forgiven in full on September 1, 2018. It is the Organization's intent to comply with all grant provisions and therefore, no liability has been recorded on the financial statements.