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

FINANCIAL STATEMENTS

Years Ended June 30, 2015 and 2014

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DMLO
DEMING MALONE
LIVESAY & OSTROFF
CERTIFIED PUBLIC ACCOUNTANTS

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, 2015 and 2014, 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.

9300 Shelbyville Road • Suite 1100 • Louisville, Kentucky 40222
Telephone 502.426.9660 • Fax 502.425.0883 • www.DMLO.com

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, 2015 and 2014, 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, Livesay & Ostroff

Louisville, Kentucky
October 6, 2015

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

Assets	2015	2014
Current Assets		
Cash and cash equivalents	$ 37,654	$ 139,579
Cash - unemployment reserve	53,742	106,890
Cash - capital campaign	401,724	410,932
Investments	1,686,549	1,805,900
Metro United Way receivable	1,255,376	1,319,267
Accounts receivable, less allowance for doubtful accounts of $5,100 in 2015 and $2,500 in 2014	638,584	501,511
Contributions receivable, less allowance for uncollectible promises to give of $61,500 in 2015 and $69,000 in 2014	611,278	674,266
Prepaid expenses	54,223	44,281
Total current assets	4,739,130	5,002,626
Property and Equipment		
Land	952,646	952,646
Buildings and improvements	8,015,742	8,010,480
Leasehold improvements	29,790	24,108
Furniture and equipment	1,312,404	1,225,894
	10,310,582	10,213,128
Less accumulated depreciation	1,682,691	1,361,544
	8,627,891	8,851,584
Other Assets		
Contributions receivable	1,109,150	1,314,824
Beneficial interest in assets held by The Community Foundation of Louisville	19,144	19,393
Cash value of life insurance	44,998	43,854
Loan costs, net of amortization of $24,363 in 2015 and $15,227 in 2014	48,725	57,861
	1,222,017	1,435,932
Total assets	$ 14,589,038	$ 15,290,142

See Notes to Financial Statements.

Liabilities and Net Assets	2015	2014
Current Liabilities		
Current maturities of note payable	$ 200,921	$ 196,124
Current maturities of capital lease obligations	4,746	1,828
Accounts payable and payroll withholdings	57,676	76,872
Accrued expenses and other current liabilities	238,173	222,978
Total current liabilities	501,516	497,802
Long-Term Liabilities		
Line of credit	363,146	371,854
Note payable, less current maturities	3,251,397	3,452,311
Capital lease obligations, less current maturities	5,355	226
Accrued pension cost	3,469,630	2,528,984
	7,089,528	6,353,375
Total liabilities	7,591,044	6,851,177
Net Assets		
Unrestricted	4,218,500	5,587,118
Temporarily restricted	1,531,644	1,603,148
Permanently restricted	1,247,850	1,248,699
	6,997,994	8,438,965
Total liabilities and net assets	$ 14,589,038	$ 15,290,142

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

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2015 and 2014

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Service revenues and other contracts	$ 1,993,713			$ 1,993,713
Federal financial assistance	1,108,829			1,108,829
Metro United Way		$ 1,255,376		1,255,376
Contributions and grants	545,069	318,806	$ 1,144	865,019
Special events	31,085			31,085
Rental and other income	100,880			100,880
Investment income	22,396	47,712		70,108
Net realized and unrealized gains (losses) on investments	4,978	(7,573)	(1,744)	(4,339)
(Decrease) increase in beneficial interest			(249)	(249)
Loss on disposal of property and equipment				
	3,806,950	1,614,321	(849)	5,420,422
Net assets released from restrictions:				
Metro United Way	1,319,267	(1,319,267)		
Satisfaction of program restrictions	366,558	(366,558)		
Total net assets released from restrictions	1,685,825	(1,685,825)		
Total revenues and other support	5,492,775	(71,504)	(849)	5,420,422
Expenses				
Program services:				
Child and family services	1,619,081			1,619,081
Kosair Charities Child Advocacy Center	697,344			697,344
HANDS	1,169,706			1,169,706
Family and school service	357,247			357,247
PAL program	145,292			145,292
Family stabilization	788,793			788,793
Total program services	4,777,463			4,777,463
Supporting services:				
Management and general	571,566			571,566
Fund-raising	449,454			449,454
Total expenses	5,798,483			5,798,483
Decrease in total net assets before pension related changes other than net periodic benefit cost	(305,708)	(71,504)	(849)	(378,061)
Pension related changes other than net periodic benefit cost	(1,062,910)			(1,062,910)
Decrease in total net assets	(1,368,618)	(71,504)	(849)	(1,440,971)
Net assets, beginning of year	5,587,118	1,603,148	1,248,699	8,438,965
Net assets, end of year	$ 4,218,500	$ 1,531,644	$ 1,247,850	$ 6,997,994

See Notes to Financial Statements.

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 1,514,960			$ 1,514,960
1,296,625			1,296,625
	$ 1,319,267		1,319,267
649,319	226,764	$ 35,921	912,004
34,289			34,289
76,716			76,716
13,887	19,515		33,402
93,796	105,131	23,212	222,139
		3,721	3,721
(331)			(331)
3,679,261	1,670,677	62,854	5,412,792
1,319,267	(1,319,267)		
371,378	(371,378)		
1,690,645	(1,690,645)		
5,369,906	(19,968)	62,854	5,412,792
1,627,177			1,627,177
691,852			691,852
983,246			983,246
422,336			422,336
108,487			108,487
687,365			687,365
4,520,463			4,520,463
622,427			622,427
460,997			460,997
5,603,887			5,603,887
(233,981)	(19,968)	62,854	(191,095)
(188,494)			(188,494)
(422,475)	(19,968)	62,854	(379,589)
6,009,593	1,623,116	1,185,845	8,818,554
$ 5,587,118	$ 1,603,148	$ 1,248,699	$ 8,438,965

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

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2015 and 2014

	2015									
	Program Services							Supporting Services		
	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	Total Expenses
Salaries and Employee Benefits										
Salaries	$ 1,012,315	$ 353,718	$ 807,816	$ 243,332	$ 87,274	$ 529,983	$ 3,034,438	$ 249,046	$ 268,512	$ 3,551,996
Health insurance	87,621	30,733	47,287	25,790	5,528	51,126	248,085	13,399	14,185	275,669
Retirement	42,447	15,092	27,245	5,083	545	13,946	104,358	7,746	3,719	115,823
Disability, group life, workers comp, unemployment	21,380	5,740	16,474	5,095	1,562	11,062	61,313	5,938	5,587	72,838
Payroll taxes	73,312	26,389	58,955	18,113	6,496	38,570	221,835	18,181	19,775	259,791
Total salaries and employee benefits	1,237,075	431,672	957,777	297,413	101,405	644,687	3,670,029	294,310	311,778	4,276,117
Professional fees	74,473	51,554	33,518	3,187	13,440	8,158	184,330	32,977	3,545	220,852
Office supplies, copy and computer expenses	12,412	8,041	11,207	2,949	616	6,909	42,134	10,406	7,426	59,966
Telecommunications	22,801	7,110	16,897	4,438	196	9,137	60,579	6,543	4,466	71,588
Postage	1,528	487	1,489	745	248	1,188	5,685	2,464	3,894	12,043
Occupancy expense	122,920	52,751	13,218	5,334	453	11,934	206,610	43,657	5,920	256,187
Outside printing	636	636	1,082	636	698	636	4,324	5,132	2,260	11,716
Local travel	12,302	4,544	45,450	866	2,562	16,484	82,208	3,987	3,036	89,231
Conference and staff development	15,842	3,180	9,044	493	5,668	930	35,157	9,719	3,807	48,683
Memberships and dues	4,128	4,956	3,673	2,348	1,174	3,098	19,377	5,274	1,120	25,771
Public relations	2,261	2,261	2,261	2,261	1,131	2,261	12,436	6,406	1,403	20,245
Development and special events, including direct cost of benefit to donors of $14,580									72,620	72,620
Other expenses	26,047	14,980	27,897	19,214	15,784	49,487	153,409	35,907	11,349	200,665
Interest expense	1,831	31,614	6,659	3,329	1,110	4,439	48,982	50,759	2,775	102,516
Depreciation and amortization	84,825	83,558	39,534	14,034	807	29,445	252,203	64,025	14,055	330,283
Total expenses	$ 1,619,081	$ 697,344	$ 1,169,706	$ 357,247	$ 145,292	$ 788,793	$ 4,777,463	$ 571,566	$ 449,454	$ 5,798,483

	2014									
	Program Services							Supporting Services		
	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	Total Expenses
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	1,260,514	415,380	806,572	339,266	76,849	548,236	3,446,817	333,426	325,700	4,105,943
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	$ 1,627,177	$ 691,852	$ 983,246	$ 422,336	$ 108,487	$ 687,365	$ 4,520,463	$ 622,427	$ 460,997	$ 5,603,887

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, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Cash received for services	$ 1,880,516	$ 1,537,305
Federal financial assistance received	1,084,953	1,305,677
Cash received from Metro United Way	1,319,267	1,428,425
Contributions and grants received	1,158,490	1,062,975
Rental and other income received	100,880	76,716
Investment income received	70,108	33,402
Cash paid to suppliers and employees	(5,434,378)	(5,704,928)
Interest paid	(102,541)	(101,325)
Net cash provided by (used in) operating activities	77,295	(361,753)
Cash Flows from Investing Activities		
Proceeds from sale of investments	1,748,772	1,237,809
Purchases of investments	(1,633,760)	(817,569)
Purchases of property and equipment	(83,714)	(93,196)
Net cash provided by investing activities	31,298	327,044
Cash Flows from Financing Activities		
Proceeds from notes payable		490,867
Principal payments on notes payable	(196,117)	(128,097)
Principal payments on capital lease obligations	(5,693)	(4,783)
Net payments on line of credit	(8,708)	(202,407)
Net cash (used in) provided by financing activities	(210,518)	155,580
Net (decrease) increase in cash and cash equivalents	(101,925)	120,871
Cash and cash equivalents, beginning of year	139,579	18,708
Cash and cash equivalents, end of year	$ 37,654	$ 139,579

See Notes to Financial Statements.

	2015	2014
Reconciliation of Net Decrease in Total Net Assets to Net Cash Provided By (Used In) Operating Activities		
Net decrease in total net assets	$ (1,440,971)	$ (379,589)
Adjustments to reconcile net decrease in total net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	330,283	326,287
Change in allowance for doubtful accounts	2,600	923
Change in allowance for uncollectible promises to give	(7,500)	(6,000)
Change in discount on promises to give	(64,217)	(79,570)
Loss on disposal of property and equipment		331
Net realized and unrealized losses (gains) on investments	4,339	(222,139)
Decrease (increase) in beneficial interest	249	(3,721)
Increase in cash value of life insurance	(1,144)	(1,196)
Pension adjustment	1,172,069	301,317
Changes in assets and liabilities:		
(Increase) decrease in:		
Cash - unemployment reserve	53,148	(9,632)
Cash - capital campaign	9,208	(315,084)
Metro United Way receivable	63,891	109,158
Accounts receivable	(139,673)	30,474
Contributions receivable	340,379	531,432
Prepaid expenses	(9,942)	3,331
Increase (decrease) in:		
Accounts payable and payroll withholdings	(19,196)	(413,034)
Accrued expenses and other current liabilities	15,195	(130,440)
Accrued pension cost	(231,423)	(104,601)
Total adjustments	1,518,266	17,836
Net cash provided by (used in) operating activities	$ 77,295	$ (361,753)

Supplemental Schedule of Noncash Investing and Financing Transactions

	2015	2014
Equipment acquired through capital lease obligations	$ 13,740	

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, 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.

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.

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.

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.

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.

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.

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, 2015 and 2014, the Organization received donated counseling services of $5,940 and $4,500, respectively within the Child and Family Services program.

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.

As of June 30, 2015 and 2014, 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.

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 October 6, 2015, 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, 2015 and 2014 were as follows:

	2015	2014
Capital campaign	$1,703,574	$1,978,842
Annual campaign	272,561	337,672
	1,976,135	2,316,514
Less unamortized discounts	(194,207)	(258,424)
Less allowance for uncollectible promises to give	(61,500)	(69,000)
	$1,720,428	$1,989,090
Amounts due in:		
Less than one year	$ 672,778	$ 743,266
One to five years	1,303,357	1,573,248
	$1,976,135	$2,316,514

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 $1,976,135 and $2,316,514 as of June 30, 2015 and 2014, respectively, one donor accounts for approximately 69% and 63%, respectively, of the gross receivable.

Capital campaign pledge payments collected are placed in a separate account designated for use in making payments on the related debt incurred to construct and renovate the new facilities. Amounts in this account are reflected in the cash – capital campaign balance on the statement of financial position.

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, 2015 and 2014, the Organization had a prepayment account in the amount of $53,742 and $106,890, respectively, on deposit with the trustee.

Note 4. Investments

Cost and fair market value of investments are summarized below:

	June 30, 2015		
	Cost	Market Value	Unrealized Appreciation
Cash equivalents	$ 114,436	$ 114,436	
Mutual funds	1,478,849	1,572,113	$93,264
	$1,593,285	$1,686,549	$93,264

	June 30, 2014		
	Cost	Market Value	Unrealized Appreciation
Cash equivalents	$ 51,824	$ 51,824	
Mutual funds	1,498,266	1,754,076	$255,810
	$1,550,090	$1,805,900	$255,810

Investment income reported in the accompanying statements of activities is net of custodial fees and investment advisory fees. Such investment expenses totaled $8,769 and $10,119 for the years ended June 30, 2015 and 2014, respectively.

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, 2015 and 2014.

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, 2015 and 2014:

	June 30, 2015		
	Level 1	Level 3	Total
Mutual funds:			
Large cap growth	$ 136,017		$ 136,017
Large cap value	113,773		113,773
Mid cap growth	110,699		110,699
Mid cap value	102,290		102,290
Small cap growth	54,722		54,722
Small cap value	56,649		56,649
Diversified emerging markets	8,586		8,586
Large blend	333,878		333,878
Foreign large blend	92,379		92,379
Bond funds	563,120		563,120
	1,572,113		1,572,113
Cash equivalents	114,436		114,436
Beneficial interest in assets held by The Community Foundation of Louisville		$19,144	19,114
	$1,686,549	$19,144	$1,705,693

	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	671,449		671,449
	1,754,076		1,754,076
Cash equivalents	51,824		51,824
Beneficial interest in assets held by The Community Foundation of Louisville		$19,393	19,393
	$1,805,900	$19,393	$1,825,293

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, 2015 and 2014:

	2015	2014
Balance, beginning of year	$19,393	$15,672
Change in beneficial interest	(249)	3,721
Balance, end of year	$19,144	$19,393

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, 2015 and 2014 is as follows:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$13,812	$1,183,708	$1,197,520
Donor-restricted endowment funds (beneficial interest in assets held)			19,144	19,144
Board-designated endowment funds	$489,029			489,029
	$489,029	$13,812	$1,202,852	$1,705,693

NOTES TO FINANCIAL STATEMENTS

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	$610,623			610,623
	$610,623	$15,074	$1,199,596	$1,825,293

Changes in endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 610,623	$ 15,074	$1,199,596	$1,825,293
Contributions	12,958			12,958
Transfers - operations/capital	(201,233)		5,249	(195,984)
Reclassifications	41,401	(41,401)		
Investment return:				
Investment income	20,302	47,712		68,014
Net appreciation	4,978	(7,573)	(1,993)	(4,588)
Endowment net assets, end of year	$ 489,029	$ 13,812	$1,202,852	$1,705,693

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 870,304	$ 6,182	$1,143,187	$2,019,673
Contributions			29,476	29,476
Transfers - operations/capital	(481,765)			(481,765)
Reclassifications	115,754	(115,754)		
Investment return:				
Investment income	12,534	19,515		32,049
Net appreciation	93,796	105,131	26,933	225,860
Endowment net assets, end of year	$ 610,623	$ 15,074	$1,199,596	$1,825,293

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 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 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, 2015 and 2014, the Organization's interest in the fund was $19,144 and $19,393, respectively, and is recorded as a beneficial interest in assets held by The Community Foundation of Louisville.

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, 2015 and 2014 was $1,144 and $1,196, 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, 2015. The line was subsequently extended to mature on July 2, 2016 and bears interest at the prime rate, less 0.125%, which was 3.125% at June 30, 2015. The outstanding balance on the line of credit at June 30, 2015 and 2014 was $363,146 and $371,854, 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, 2015 and 2014:

	2015	2014
Note payable to Stock Yards Bank, stated interest rate of 2.5%, payable in monthly 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 $6,536,250 at June 30, 2015 and assignment of certain rents.	$3,452,318	$3,648,435
Less current maturities	(200,921)	(196,124)
	$3,251,397	$3,452,311

Future principal maturities on the note payable as of June 30, 2015 are as follows:

Year ending June 30, 2016	$ 200,921
2017	206,306
2018	211,596
2019	217,022
2020	222,415
Thereafter	2,394,058
	$3,452,318

Total interest expense, inclusive of the line of credit and note payable, for the years ending June 30, 2015 and 2014 was $102,516 and $108,498, respectively

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:

	2015	2014
Equipment	$ 25,419	$ 17,546
Accumulated amortization	(15,734)	(15,472)
	$ 9,685	$ 2,074

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

Years ending June 30, 2016	$ 5,420
2017	5,194
2018	433
	11,047
Less amount representing interest	(946)
Net minimum lease payments	$10,101

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, 2015 and 2014:

	2015	2014
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 7,292,131	$ 6,656,556
Service cost	55,000	45,000
Interest cost	304,174	311,125
Actuarial loss	865,731	524,437
Benefits paid	(411,349)	(244,987)
Benefit obligation at end of year	8,105,687	7,292,131
Change in Plan Assets		
Fair value of plan assets at beginning of year	4,763,147	4,324,288
Actual return on plan assets	52,836	579,245
Employer contributions	231,423	104,601
Benefits paid	(411,349)	(244,987)
Fair value of plan assets at end of year	4,636,057	4,763,147
Funded status at end of year	$(3,469,630)	$(2,528,984)
Accrued pension cost recognized in the statement of financial position	$(3,469,630)	$(2,528,984)
Accumulated benefit obligation	$ 8,105,687	$ 7,292,131
Amounts Recognized in Change in Unrestricted Net Assets Separate From Expenses But Not Yet Included in Net Periodic Benefit Cost		
Net loss	$ 3,131,615	$ 2,068,705

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

Net Periodic Benefit Cost		
Service cost	$ 55,000	$ 45,000
Interest cost	304,174	311,125
Expected return on plan assets	(402,057)	(366,482)
Amortization of net actuarial loss	152,042	123,180
Net periodic benefit cost	$ 109,159	$ 112,823
Other Changes in Plan Assets and Benefit Obligation Recognized in Change in Net Assets		
Net loss	$1,214,952	$ 311,674
Amortization of net actuarial loss	(152,042)	(123,180)
Total recognized in change in net assets	$1,062,910	$ 188,494

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 $282,710.

Assumptions

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

	2015	2014
Weighted average assumptions used to determine benefit obligations as of June 30:		
Discount rate	4.25%	4.25%
Weighted average assumptions used to determine net periodic benefit cost for years ended June 30:		
Discount rate	4.25%	4.75%
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.

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, 2015 and 2014, by asset category, are as follows:

	2015		
	Level 1	Level 2	Total
Cash and cash equivalents	$ 282,955		$ 282,955
Common stocks:			
Basic materials	143,011		143,011
Industrial goods	93,411		93,411
Consumer goods	152,921		152,921
Services	289,768		289,768
Healthcare	149,746		149,746
Financials	218,346		218,346
Technology	185,229		185,229
	1,232,432		1,232,432
Bond funds:			
Domestic	168,039		168,039
Corporate bonds		$911,003	911,003
Equity mutual funds:			
Small-cap	224,748		224,748
Large-cap	1,816,880		1,816,879
	2,041,628		2,041,627
	$3,725,054	$911,003	$4,636,057

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	2014		
	Level 1	Level 2	Total
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	250,205		250,205
	1,456,400		1,456,400
Preferred stock:			
Financials	150,445		150,445
Bond funds:			
Domestic	124,851		124,851
Corporate bonds		$877,882	877,882
Equity mutual funds:			
International	332,727		332,727
Small-cap	418,081		418,081
Mid-cap	410,464		410,464
Large-cap	707,796		707,796
	1,869,068		1,869,068
	$3,885,265	$877,882	$4,763,147

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 $172,000 to the Plan during the year ended June 30, 2016. 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, 2016.

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
2016	$ 294,181
2017	306,176
2018	324,273
2019	348,815
2020	363,507
2021 - 2025	2,090,747

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 1% of gross salary for all eligible employees through September 30, 2014. Effective October 1, 2014, the Organization's contribution was eliminated. Total contributions made by the Organization to the plan were $6,664 and $28,474 for the years ended June 30, 2015 and 2014, respectively.

Note 14. Changes in Temporarily and Permanently Restricted Net Assets

Changes in temporarily restricted net assets for the years ended June 30, 2015 and 2014 were as follows:

	Balance 6/30/14	Donations/ Grants	Investment Income	Released from Restrictions	Balance 6/30/15
Metro United Way	$1,319,267	$1,255,376		$(1,319,267)	$1,255,376
Pledges receivable	108,334	5,125		(65,930)	47,529
Other programs	10,358	20,754		(10,860)	20,252
Training and scholarship	4,010		$14,383	(18,393)	
Family centered services	159,075	7,927	8,610	(153,872)	21,740
Child abuse services		196,750	2,052	(67,051)	161,747
Professional services for families with ill/disabled children			9,243	(9,243)	
Property maintenance			162	(162)	
Non-operating expenses	2,104	88,250	5,689	(41,047)	25,000
	$1,603,148	$1,574,182	$40,139	$(1,685,825)	$1,531,644

	Balance 6/30/13	Donations/ Grants	Investment Income	Released from Restrictions	Balance 6/30/14
Metro United Way	$1,319,267	$1,319,267		$(1,319,267)	$1,319,267
Pledges receivable	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	514	23,280	20,309	(41,999)	2,104
	$1,623,116	$1,546,031	$124,646	$(1,690,645)	$1,603,148

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

	Balance 6/30/14	Donations	Realized/ Unrealized Loss	Decrease in Beneficial Interest	Balance 6/30/15
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	230,879		$(1,744)		229,135
Property maintenance	5,000				5,000
Non-operating expenses	237,402	$1,144			238,546
Beneficial interest in assets held by The Community Foundation of Louisville	19,393			$(249)	19,144
	$1,248,699	$1,144	$(1,744)	$(249)	$1,247,850

	Balance 6/30/13	Donations	Realized/ Unrealized Gain	Increase in Beneficial Interest	Balance 6/30/14
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	15,672			$3,721	19,393
	$1,185,845	$35,921	$23,212	$3,721	$1,248,699

Note 15. Operating Leases

The Organization leases office space under two operating leases expiring in 2017 and 2018.

Future minimum rental commitments under the leases at June 30, 2015 are as follows:

Year ending June 30, 2016	$ 76,773
2017	72,028
2018	11,569
	$160,370

Total rental expense was $64,934 and $58,624 for the years ended June 30, 2015 and 2014, respectively.

Note 16. Rental Income

The Organization currently leases office space and the use of a billboard 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, 2015 and 2014 was $85,019 and $71,227, respectively.

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, 2015, the Organization's uninsured cash balance totaled approximately $203,000.

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.