

FAMILY & CHILDREN'S PLACE, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
Years Ended June 30, 2019 and 2018

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Family & Children's Place, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family & Children's Place, Inc. as of June 30, 2019 and 2018, 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.

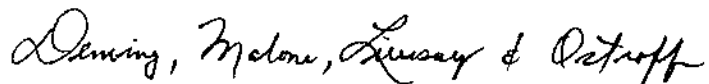
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of Family & Children's Place, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family & Children's Place, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script, likely representing the audit firm, reading "Dewing, Malone, Linsay & Petroff".

Louisville, Kentucky
December 16, 2019

FAMILY & CHILDREN'S PLACE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

Assets	2019	2018
Current Assets		
Cash and cash equivalents	\$ 27,730	\$ 34,898
Cash - unemployment reserve	69,188	69,588
Cash - capital campaign	25,670	140,676
Investments	1,929,648	1,900,852
Metro United Way receivable	719,365	1,054,017
Accounts receivable, less allowance for doubtful accounts of \$6,408 in 2019 and \$4,593 in 2018	665,123	475,950
Contributions receivable, less allowance for uncollectible promises to give of \$55,467 in 2019 and \$57,400 in 2018	999,121	377,623
Prepaid expenses and other assets	50,256	41,293
Total current assets	4,486,101	4,094,897
Property and Equipment		
Land	798,646	798,646
Buildings and improvements	6,086,149	6,086,149
Leasehold improvements	7,403	7,403
Furniture and equipment	1,310,719	1,251,038
	8,202,917	8,143,236
Less accumulated depreciation	2,062,571	1,803,244
	6,140,346	6,339,992
Other Assets		
Contributions receivable	86,598	802,991
Beneficial interest in assets held by The Community Foundation of Louisville	22,786	22,700
Investment in partnership, at cost	76,000	76,000
Cash value of life insurance	48,858	47,961
	234,242	949,652
Total assets	\$ 10,860,689	\$ 11,384,541

See Notes to Financial Statements.

Liabilities and Net Assets	<u>2019</u>	<u>2018</u>
Current Liabilities		
Checks issued in excess of cash on deposit	\$ 23,444	
Line of credit	127,880	\$ 205,363
Current maturities of note payable	209,297	203,094
Accounts payable	42,495	37,027
Accrued expenses and other current liabilities	<u>281,988</u>	<u>329,981</u>
Total current liabilities	<u>685,104</u>	<u>775,465</u>
Long-Term Liabilities		
Note payable, less current maturities	2,417,081	2,615,870
Accrued pension cost	<u>2,360,591</u>	<u>1,865,641</u>
	<u>4,777,672</u>	<u>4,481,511</u>
Total liabilities	<u>5,462,776</u>	<u>5,256,976</u>
Net Assets		
Without donor restrictions	3,149,701	3,501,115
With donor restrictions	<u>2,248,212</u>	<u>2,626,450</u>
	<u>5,397,913</u>	<u>6,127,565</u>
Total liabilities and net assets	<u>\$ 10,860,689</u>	<u>\$ 11,384,541</u>

FAMILY & CHILDREN'S PLACE, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Service revenues and other contracts	\$ 1,886,240		\$ 1,886,240
Federal financial assistance	1,144,269		1,144,269
Metro United Way		\$ 719,365	719,365
Contributions and grants	960,796	207,007	1,167,803
Rental and other income	164,069		164,069
Net investment return	37,388	65,905	103,293
Loss on sale of property and equipment			
Change in beneficial interest		86	86
	4,192,762	992,363	5,185,125
Net assets released from restrictions:			
Time restrictions	1,270,641	(1,270,641)	
Purpose restrictions	99,960	(99,960)	
	1,370,601	(1,370,601)	
Total revenues and other support	5,563,363	(378,238)	5,185,125
Expenses			
Program services:			
Child and family services	1,352,196		1,352,196
Kosair Charities Child Advocacy Center	920,791		920,791
HANDS	1,395,189		1,395,189
Family and school service	434,068		434,068
PAL program	158,724		158,724
Family stabilization			
Shared services			
Total program services	4,260,968		4,260,968
Supporting services:			
Management and general	571,195		571,195
Fund-raising	449,011		449,011
Total expenses	5,281,174		5,281,174
Increase (decrease) in total net assets before pension related changes other than net periodic benefit cost	282,189	(378,238)	(96,049)
Pension related changes other than net periodic benefit cost	(633,603)		(633,603)
Increase (decrease) in total net assets	(351,414)	(378,238)	(729,652)
Net assets, beginning of year	3,501,115	2,626,450	6,127,565
Net assets, end of year	\$ 3,149,701	\$ 2,248,212	\$ 5,397,913

See Notes to Financial Statements.

2018

	Without Donor Restrictions	With Donor Restrictions	Total
\$	2,305,402		\$ 2,305,402
	1,197,741		1,197,741
	691,780	\$ 1,054,017	1,054,017
	168,239	433,383	1,125,163
	18,895	90,033	168,239
	(1,121,736)		108,928
		1,286	(1,121,736)
	<u>3,260,321</u>	<u>1,578,719</u>	<u>4,839,040</u>
	1,297,527	(1,297,527)	
	201,686	(201,686)	
	<u>1,499,213</u>	<u>(1,499,213)</u>	
	<u>4,759,534</u>	<u>79,506</u>	<u>4,839,040</u>
	1,584,286		1,584,286
	1,003,634		1,003,634
	1,589,912		1,589,912
	413,838		413,838
	188,593		188,593
	262,717		262,717
	40,000		40,000
	<u>5,082,980</u>		<u>5,082,980</u>
	571,448		571,448
	512,524		512,524
	<u>6,166,952</u>		<u>6,166,952</u>
	(1,407,418)	79,506	(1,327,912)
	<u>1,367,235</u>		<u>1,367,235</u>
	(40,183)	79,506	39,323
	<u>3,541,298</u>	<u>2,546,944</u>	<u>6,088,242</u>
\$	<u>3,501,115</u>	<u>2,626,450</u>	<u>\$ 6,127,565</u>

FAMILY & CHILDREN'S PLACE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
 Years Ended June 30, 2019 and 2018

2019

	Program Services						Supporting Services		Total Expenses
	Child and Family Services	Kosair Charities Child Advocacy Center	HANDS	Family and School Service	PAL Program	Total Program Services	Management and General	Fund-raising	
Salaries and Employee Benefits									
Salaries	\$ 858,876	\$ 491,843	\$ 945,191	\$ 254,077	\$ 93,500	\$ 2,643,487	\$ 249,302	\$ 318,797	\$ 3,211,586
Health insurance	64,990	38,261	76,117	18,192	5,743	203,303	14,347	12,921	230,571
Retirement	19,445	10,255	15,564	3,847	600	49,711	6,370	3,493	59,574
Other benefits	21,283	7,370	13,476	4,118	1,350	47,597	4,158	4,218	55,973
Payroll taxes	64,089	36,372	70,195	19,123	7,081	196,860	18,424	23,288	238,572
Total salaries and employee benefits	1,028,683	584,101	1,120,543	299,357	108,274	3,140,958	292,601	362,717	3,796,276
Professional fees	112,467	30,051	55,397	31,879	14,447	244,241	65,281	17,824	327,346
Office supplies and expense	7,780	24,473	10,477	2,819	1,184	46,733	7,295	1,891	55,919
Telecommunications	19,672	9,824	26,836	5,195	1,987	63,514	4,901	6,072	74,487
Postage	147	588	210	148	23	1,116	453	712	2,281
Occupancy	50,334	131,949	25,370	6,609	3,662	217,924	36,695	7,163	261,782
Outside printing	1,443	1,895	3,784	197	80	7,399	1,839	3,777	13,015
Local travel	8,034	5,252	38,121	10,268	529	62,204	688	764	63,656
Conferences and staff development	15,122	17,833	11,090	6,134	1,463	51,642	8,135	4,020	63,797
Memberships and dues	2,471	3,433	2,675	696	236	9,511	3,768	1,213	14,492
Public relations	5,427	3,142	7,426	1,999	1,142	19,136	9,425	2,569	31,130
Other expenses	19,500	15,744	25,845	52,003	17,506	130,598	48,258	26,795	205,651
Interest	15,658	10,197	22,369	5,592	2,237	56,053	53,725	2,237	112,015
Depreciation and amortization	65,458	82,309	45,046	11,172	5,954	209,939	38,131	11,257	259,327
Total expenses	\$ 1,352,196	\$ 920,791	\$ 1,395,189	\$ 434,068	\$ 158,724	\$ 4,260,968	\$ 571,195	\$ 449,011	\$ 5,281,174

	Program Services						Supporting Services				
	Child and Family Services	Kosair Charities Child Advocacy Center	HANDS	Family and School Service	PAL Program	Family Stabilization	Shared Services	Total Program Services	Management and General	Fund-raising	Total Expenses
Salaries and Employee Benefits	\$ 946,980	\$ 561,111	\$ 1,016,163	\$ 254,000	\$ 94,179	\$ 146,634		\$ 3,019,067	\$ 256,182	\$ 312,601	\$ 3,597,850
Salaries	68,093	50,528	88,980	25,416	5,892	13,664		252,573	12,293	21,227	286,093
Health insurance	98,231	39,433	70,093	12,285	2,576	14,725		237,343	27,554	9,085	273,982
Retirement	12,551	9,413	17,258	2,615	1,569	2,092		45,498	7,321	2,615	55,434
Other benefits	70,261	41,473	75,729	19,044	7,041	12,698		226,246	19,796	22,885	268,927
Payroll taxes	1,196,116	701,958	1,268,223	313,360	111,257	189,813		3,780,727	333,146	368,413	4,482,286
Total salaries and employee benefits	106,859	70,624	72,675	11,043	23,323	4,659		289,183	47,875	31,671	368,729
Professional fees	7,290	15,016	13,251	2,784	1,072	2,195		41,608	12,127	3,574	57,309
Office supplies and expense	33,279	8,657	27,547	5,070	1,463	2,086		78,102	10,209	6,184	94,495
Telecommunications	1,622	424	1,253	445	265	597		4,606	1,827	839	7,272
Postage	101,485	62,030	23,631	6,352	3,668	2,444		199,610	36,843	13,040	249,493
Occupancy	1,965	2,519	2,237	1,391	711	1,361		10,184	3,649	1,371	15,204
Outside printing	14,296	4,999	59,466	4,407	977	2,113		86,258	2,211	1,167	89,636
Local travel	8,195	5,958	7,542	2,866	990	646		26,197	975	1,848	29,020
Conferences and staff development	2,947	4,137	1,513	1,497	1,493	2,246		13,833	5,017	1,964	20,814
Memberships and dues	1,456	1,456	1,456	1,456	728	1,456		8,008	4,125		12,133
Public relations	18,514	24,175	37,603	42,031	30,453	28,844	\$ 40,000	221,620	19,727	60,513	301,860
Other expenses	1,912	28,986	20,586	7,352	4,411	10,294		73,541	29,400	7,352	110,293
Interest	88,350	72,695	52,929	13,784	7,782	13,963		249,503	64,317	14,588	328,408
Depreciation and amortization											
Total expenses	\$ 1,584,286	\$ 1,003,634	\$ 1,589,912	\$ 413,838	\$ 188,593	\$ 262,717	\$ 40,000	\$ 5,082,980	\$ 571,448	\$ 512,524	\$ 6,166,952

See Notes to Financial Statements.

FAMILY & CHILDREN'S PLACE, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Cash received for services	\$ 1,995,126	\$ 2,448,000
Federal financial assistance received	844,011	1,425,697
Contributions and grants received	2,410,999	2,539,716
Rental and other income received	164,069	168,239
Investment income received	73,482	59,411
Cash paid to suppliers and employees	(5,055,743)	(5,945,194)
Interest paid	(103,341)	(99,206)
	328,603	596,663
Cash Flows from Investing Activities		
Proceeds from sale of investments	1,318,581	291,374
Purchases of investments	(1,317,566)	(690,110)
Proceeds from sale of property and equipment		389,044
Purchases of property and equipment	(59,681)	(64,404)
	(58,666)	(74,096)
Cash Flows from Financing Activities		
Contributions received for long-term purposes	2,100	5,000
Principal payments on notes payable	(201,722)	(204,820)
Principal payments on capital lease obligations		(430)
Net payments on line of credit	(77,483)	(315,419)
	(277,105)	(515,669)
Net (decrease) increase in cash and cash equivalents	(7,168)	6,898
Cash and cash equivalents, beginning of year	34,898	28,000
Cash and cash equivalents, end of year	\$ 27,730	\$ 34,898

See Notes to Financial Statements.

	<u>2019</u>	<u>2018</u>
Reconciliation of Net (Decrease) Increase in Total Net Assets to Net Cash Provided By Operating Activities		
Net (decrease) increase in total net assets	\$ (729,652)	\$ 39,323
Adjustments to reconcile net (decrease) increase in total net assets to net cash provided by operating activities:		
Depreciation and amortization	259,327	328,408
Debt issuance cost amortization	9,136	9,136
Change in allowance accounts	9,815	(1,907)
Change in discount on promises to give	(57,836)	(29,358)
Net realized and unrealized gains on investments	(29,811)	(49,517)
Loss on sale of property and equipment		1,121,736
Change in beneficial interest	(86)	(1,286)
Change in cash value of life insurance	(897)	(919)
Contributions received for long-term purposes	(2,100)	(5,000)
Contribution of land		(45,000)
Pension adjustment	669,950	(1,122,015)
Changes in assets and liabilities:		
(Increase) decrease in:		
Cash - shared services		278,526
Cash - unemployment reserve	400	(6,996)
Cash - capital campaign	115,006	131,113
Metro United Way receivable	334,652	(25,228)
Accounts receivable	(190,988)	305,270
Contributions receivable	144,731	70,590
Prepaid expenses and other assets	(8,963)	44,485
Increase (decrease) in:		
Checks issued in excess of cash on deposit	23,444	
Accounts payable	5,468	8,709
Accrued expenses and other current liabilities	(47,993)	(223,202)
Accrued pension cost	(175,000)	(230,205)
Total adjustments	<u>1,058,255</u>	<u>557,340</u>
Net cash provided by operating activities	<u>\$ 328,603</u>	<u>\$ 596,663</u>

Supplemental Schedule of Noncash Investing and Financing Transactions

In-kind land acquisition	<u>\$ 45,000</u>
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FAMILY & CHILDREN'S PLACE, INC.

NOTES TO FINANCIAL STATEMENTS

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

Description of organization:

Family & Children's Place, Inc. (Organization), a nonprofit organization, provides counseling, education, child welfare services and other support services that strengthen and support family life. Programs consist of Child and Family Services, Kosair Charities Child Advocacy Center, HANDS (Health Access Nurturing Development Services), Family and School Service, PAL Program (Parkhill, Algonquin and Old Louisville), and Family Stabilization Service. The Organization closed the Family Stabilization program effective September 30, 2017. 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 assets:

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

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

NOTES TO FINANCIAL STATEMENTS

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

Contributions:

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

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

Donated goods are recorded at fair value in the period received. Donated services that require specific expertise and would normally have been purchased, and donated services that create or enhance nonfinancial assets are recorded at fair value. Those donated services that do not meet these specific criteria are not reflected in the financial statements. For the years ended June 30, 2019 and 2018, the Organization received donated counseling services of \$9,550 and \$6,000, respectively, within the Child and Family Services program.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for specific 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.

NOTES TO FINANCIAL STATEMENTS

Accounts and contributions receivable:

The valuation of accounts and contributions receivable is based upon a detailed analysis of past due accounts and the history of uncollectible accounts. The Organization periodically reviews doubtful accounts and contributions receivable to determine if write-offs are necessary. At June 30, 2019, approximately 80% of accounts receivable are due from three agencies. At June 30, 2018, approximately 47% of accounts receivable were due from one agency.

Investments:

Investments are recorded at fair value. Donated investments are recorded at their fair value as of the date received. Net investment return is reported on the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external direct investment expenses of \$9,334 and \$7,515 for the years ended June 30, 2019 and 2018, respectively. See Note 7 for discussion of fair value measurements.

Property and equipment:

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

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.

NOTES TO FINANCIAL STATEMENTS

Income taxes:

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

As of June 30, 2019 and 2018, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

Functional allocation of expenses:

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

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting changes

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The standard addresses net asset classification, information about liquidity and availability of resources, and the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these items accordingly. The ASU has been applied retrospectively to all periods presented. Total net assets were unchanged as a result of the retrospective application.

NOTES TO FINANCIAL STATEMENTS

Newly issued standards not yet effective:

The Financial Accounting Standards Board has issued accounting standards No. 2014-09, *Revenue from Contracts with Customers*, effective for years beginning after December 15, 2018; No. 2016-02, *Leases*, effective for years beginning after December 15, 2020; and No. 2016-18, *Statement of Cash Flows: Restricted Cash*, effective for years beginning after December 15, 2018. The Organization is evaluating the impact that adoption of these standards will have on future financial position and results of operations.

Subsequent events:

Subsequent events have been evaluated through December 16, 2019, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

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

Metro United Way receivable	\$ 719,365
Accounts receivable	665,123
Contributions receivable	140,986
Estimated endowment spending-rate distributions	93,359
Less funds with donor restrictions	<u>(137,187)</u>
	<u>\$1,481,646</u>

The Organization's endowment fund consists of donor-restricted endowments and funds designated by the Board of Directors to function as endowments. Endowment funds are subject to an annual spending rate as described in Note 8. Board designated endowment funds of \$596,898 could be made available for general expenditure if necessary. The Organization also has a \$750,000 line of credit which could be drawn on for general expenditure (see Note 11).

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

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash - Unemployment Reserve

The Organization participates in a self-insured unemployment trust. Quarterly deposits are made to a prepayment account, and unemployment claims are paid from the trust as they arise. As of June 30, 2019 and 2018, the Organization had a prepayment account in the amount of \$69,188 and \$69,588, respectively, on deposit with the trustee.

Note 4. Contributions Receivable

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

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

Total pledges receivable as of June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Capital campaign	\$ 901,835	\$1,060,112
Annual campaign	<u>262,164</u>	<u>248,618</u>
	1,163,999	1,308,730
Less unamortized discounts	(12,880)	(70,716)
Less allowance for uncollectible promises to give	<u>(65,400)</u>	<u>(57,400)</u>
	<u>\$1,085,719</u>	<u>\$1,180,614</u>
Amounts due in:		
Less than one year	\$1,064,521	\$ 435,023
One to five years	<u>99,478</u>	<u>873,707</u>
	<u>\$1,163,999</u>	<u>\$1,308,730</u>

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

Of the total gross pledges receivable of \$1,163,999 and \$1,308,730 as of June 30, 2019 and 2018, respectively, one donor accounts for approximately 69% and 75%, respectively, of the gross receivable.

NOTES TO FINANCIAL STATEMENTS

Note 5. Investments

Cost and fair value of investments are summarized below:

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

	June 30, 2018		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash equivalents	\$ 260,055	\$ 260,055	
Mutual funds	<u>1,495,513</u>	<u>1,640,797</u>	\$145,284
	<u>\$1,755,568</u>	<u>\$1,900,852</u>	<u>\$145,284</u>

Note 6. Investment in Partnership

The Organization has joined with four other non-profit organizations to raise funds and establish a partnership to provide centralized support services to the partner organizations. During the year ended June 30, 2018, the Organization recorded \$50,000 of grant revenue and \$40,000 of grant expenses related to this endeavor. The partnership, Impact V, LLC, was formed during the year ended June 30, 2018 as the shared services entity.

Effective September 1, 2017, the Organization holds a 20 percent interest in Impact V, LLC. This investment is carried at cost with an aggregate carrying amount of \$76,000 at June 30, 2019 and 2018. The investment has not been evaluated for impairment because it is not practicable to estimate fair value and management did not identify any events or changes in circumstances that may have a significant adverse effect on fair value.

NOTES TO FINANCIAL STATEMENTS

Note 7. Fair Value Measurements

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

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

The Organization's Level 1 assets have been valued using a market approach. Level 3 assets have been valued using the income approach. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2019 and 2018.

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, 2019 and 2018:

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

NOTES TO FINANCIAL STATEMENTS

	June 30, 2018		
	Level 1	Level 3	Total
Mutual funds	\$1,640,797		\$1,640,797
Cash equivalents	260,055		260,055
Beneficial interest in assets held by The Community Foundation of Louisville	_____	\$22,700	22,700
	<u>\$1,900,852</u>	<u>\$22,700</u>	<u>\$1,923,552</u>

The following table sets forth a summary of the changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2019 and 2018:

	2019	2018
Balance, beginning of year	\$22,700	\$21,414
Change in beneficial interest	86	1,286
	<u>\$22,786</u>	<u>\$22,700</u>

Note 8. Endowment Funds

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

The endowment net asset composition by type of fund as of June 30, 2019 and 2018 is as follows:

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

NOTES TO FINANCIAL STATEMENTS

	2018		<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
Donor-restricted endowment funds		\$1,231,959	\$1,231,959
Donor-restricted endowment funds (beneficial interest in assets held)		22,700	22,700
Board-designated endowment funds	<u>\$668,893</u>	<u> </u>	<u>668,893</u>
	<u>\$668,893</u>	<u>\$1,254,659</u>	<u>\$1,923,552</u>

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

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

	2018		<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
Endowment net assets, beginning of year	\$ 313,560	\$1,236,453	\$1,550,013
Contributions	407,660	5,000	412,660
Transfers - operations/capital	(147,552)		(147,552)
Reclassifications	78,113	(78,113)	
Net investment return	17,112	90,033	107,145
Change in beneficial interest	<u> </u>	<u>1,286</u>	<u>1,286</u>
Endowment net assets, end of year	<u>\$ 668,893</u>	<u>\$1,254,659</u>	<u>\$1,923,552</u>

NOTES TO FINANCIAL STATEMENTS

Interpretation of relevant law:

The Organization has interpreted the Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

Return objectives, risk parameters and strategies:

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

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

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

As of June 30, 2019 and 2018, the Organization's interest in the fund was \$22,786 and \$22,700, respectively, and is recorded as a beneficial interest in assets held by The Community Foundation of Louisville.

NOTES TO FINANCIAL STATEMENTS

Note 10. Cash Value of Life Insurance

The Organization is the owner and beneficiary of four donated life insurance policies. The proceeds of the policies are restricted by the donors and are to be placed in the Organization's Endowment Fund. Funds are contributed by the donors annually to pay certain policy premiums. Increases in cash value of the policies are recorded as increases in net assets with donor restrictions. Income recorded for the years ended June 30, 2019 and 2018 was \$897 and \$919, respectively, due to the increase in cash value.

Note 11. Line of Credit

The Organization has a \$750,000 secured line of credit with Stock Yards Bank & Trust Company that matures on February 28, 2020. The line bears interest at the prime rate, less 0.125%, which was 5.375% at June 30, 2019. The outstanding balance on the line of credit at June 30, 2019 and 2018 was \$127,880 and \$205,363, respectively. The line is secured by all receivables, equipment and general intangibles of the Organization, a third mortgage lien on certain land and buildings, as well as a negative pledge restriction on the investment account balance maintained at PNC Bank.

Note 12. Long-Term Debt

The note payable consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Note payable to Stock Yards Bank, stated interest rate of 3.03%, 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 \$5,929,967 at June 30, 2019 and assignment of certain rents.	\$2,638,559	\$2,840,281
Less unamortized debt issuance costs	(12,181)	(21,317)
Less current maturities	<u>(209,297)</u>	<u>(203,094)</u>
	<u>\$2,417,081</u>	<u>\$2,615,870</u>

Future principal maturities on the note payable as of June 30, 2019 are as follows:

Year ending June 30, 2020	\$ 209,297
2021	<u>2,429,262</u>
	<u>\$2,638,559</u>

NOTES TO FINANCIAL STATEMENTS

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

Total interest expense, inclusive of the line of credit, note payable, and amortization of debt issuance costs, for the years ending June 30, 2019 and 2018 was \$112,015 and \$110,293, respectively.

Note 13. Pension Plan

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

The following sets forth the plan's funded status and amounts recognized in the financial statements as of and for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 6,866,894	\$ 8,024,141
Service cost	75,000	75,000
Interest cost	267,401	294,829
Actuarial loss (gain)	412,214	(1,211,126)
Benefits paid	<u>(357,947)</u>	<u>(315,950)</u>
Benefit obligation at end of year	<u>7,263,562</u>	<u>6,866,894</u>
Change in Plan Assets		
Fair value of plan assets at beginning of year	5,001,253	4,806,280
Actual return on plan assets	84,665	280,718
Employer contributions	175,000	230,205
Benefits paid	<u>(357,947)</u>	<u>(315,950)</u>
Fair value of plan assets at end of year	<u>4,902,971</u>	<u>5,001,253</u>
Funded status at end of year	<u>\$(2,360,591)</u>	<u>\$(1,865,641)</u>
Accrued pension cost recognized in the statement of financial position	\$(2,360,591)	\$(1,865,641)
Accumulated benefit obligation	\$ 7,263,562	\$ 6,866,894
Amounts Recognized in Change in Unrestricted Net Assets Separate from Expenses But Not Yet Included in Net Periodic Benefit Cost		
Net loss	<u>\$ 1,833,980</u>	<u>\$ 1,200,377</u>

NOTES TO FINANCIAL STATEMENTS

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

Net Periodic Benefit Cost

Service cost	\$ 75,000	\$ 75,000
Interest cost	267,401	294,829
Expected return on plan assets	(375,565)	(354,154)
Amortization of net actuarial loss	<u>69,511</u>	<u>229,545</u>
Net periodic benefit cost	<u>\$ 36,347</u>	<u>\$ 245,220</u>

Other Changes in Plan Assets and Benefit Obligation

Recognized in Change in Net Assets

Net loss (gain)	\$ 703,114	\$(1,137,690)
Amortization of net actuarial loss	<u>(69,511)</u>	<u>(229,545)</u>
Total recognized in change in net assets	<u>\$ 633,603</u>	<u>\$(1,367,235)</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 \$131,080.

Assumptions

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

	<u>2019</u>	<u>2018</u>
Weighted average assumptions used to determine benefit obligations as of June 30:		
Discount rate	3.50%	4.00%
Weighted average assumptions used to determine net periodic benefit cost for years ended June 30:		
Discount rate	4.00%	3.75%
Expected return on assets	7.50%	7.50%

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

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, 2019 and 2018, by asset category, are as follows:

	2019		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 324,842		\$ 324,842
Common stocks	2,514,310		2,514,310
Corporate bonds		\$1,276,072	1,276,072
Equity mutual funds	787,747		787,747
	<u>\$3,626,899</u>	<u>\$1,276,072</u>	<u>\$4,902,971</u>
	2018		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 295,208		\$ 295,208
Common stock	2,330,764		2,330,764
Corporate bonds		\$1,281,318	1,281,318
Equity mutual funds	1,093,963		1,093,963
	<u>\$3,719,935</u>	<u>\$1,281,318</u>	<u>\$5,001,253</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 \$226,165 to the plan during the year ended June 30, 2020. 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, 2020.

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>
2020	\$ 377,245
2021	406,225
2022	409,065
2023	405,670
2024	409,563
2025 - 2029	2,123,355

Note 14. Retirement Plan

The Organization has a 403(b) retirement plan which covers all employees who have met the eligibility requirements. The Organization contributes 1% of gross salary for all eligible employee. Total contributions made by the Organization to the plan were \$23,227 and \$28,762 for the years ended June 30, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 15. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Family centered services	\$ 23,097	\$ 21,528
Child abuse services	20,000	
Other programs	19,090	693
Non-programmatic expenses	<u>75,000</u>	<u>15,481</u>
	<u>137,187</u>	<u>37,702</u>
Subject to passage of time:		
Metro United Way	719,365	1,054,017
Pledges receivable	<u>103,648</u>	<u>253,639</u>
	<u>823,013</u>	<u>1,307,656</u>
Held in perpetuity to support:		
Training and scholarship	442,847	442,847
Family centered services	504,695	500,858
Child abuse services	63,178	63,178
Property maintenance	5,000	5,000
Non-programmatic expenses	249,506	246,509
Beneficial interest in assets held by The Community Foundation of Louisville	<u>22,786</u>	<u>22,700</u>
	<u>1,288,012</u>	<u>1,281,092</u>
	<u>\$2,248,212</u>	<u>\$2,626,450</u>

Note 16. Operating Leases

The Organization leases office space under an operating lease expiring in January 2020. Future minimum rental commitments under the lease at June 30, 2019 are as follows:

Year ending June 30, 2020	<u>\$17,881</u>
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Total rental expense was \$30,653 and \$57,850 for the years ended June 30, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 17. Rental Income

The Organization 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, 2019 and 2018 was \$149,957 and \$152,548, respectively. The billboard was sold during the year ended June 30, 2018.

Note 18. Concentration of Credit Risk

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

Note 19. Subsequent Event

In September 2019, the Organization was awarded a grant in the amount of approximately \$7.8 million to administer the Head Start and Early Head Start programs. The Organization is determining the impact the grant will have on operations, including staffing and utilization of subrecipients and third parties.

FAMILY & CHILDREN'S PLACE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services: Drug-Free Communities Support Program Grants	5H79SP020278-09 5H79SP020278-10	93.276		<u>\$ 128,123</u>
U.S. Department of Justice: Passthrough; Kentucky Justice and Public Safety Cabinet Crime Victim Assistance	2018-Family&- C00036 2017-Family&- C00043	16.575		478,813
Passthrough; Indiana Criminal Justice Institute Crime Victim Assistance	15VA5524 15VA5487 2018-00073 2018-00040	16.575		<u>305,349</u>
				<u>784,162</u>
U.S. Department of Justice: Passthrough; National Children's Alliance Domestic Trafficking Victim Program	LOUI-KY-TDTVF18 LOUI-KY-TDTVF19	16.834		<u>33,722</u>
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	LOUI-KY-MDE19	16.758		<u>15,439</u>
U.S. Department of Education: Passthrough; Indiana Department of Education Twenty-First Century Community Learning Centers	20705	84.287		<u>182,823</u>
				<u>\$1,144,269</u>

FAMILY & CHILDREN'S PLACE, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Family & Children's Place, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Family & Children's Place, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.



**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Family & Children's Place, Inc. (Organization) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Family & Children's Place, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Family & Children's Place, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

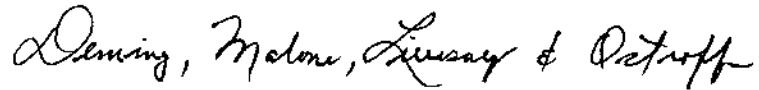
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family & Children's Place, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Louisville, Kentucky
December 16, 2019



**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited Family & Children's Place, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Family & Children's Place, Inc.'s major federal programs for the year ended June 30, 2019. Family & Children's Place, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Family & Children's Place, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Family & Children's Place, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Family & Children's Place, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Family & Children’s Place, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

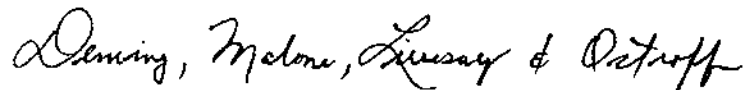
Report on Internal Control over Compliance

Management of Family & Children’s Place, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Family & Children’s Place, Inc.’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Family & Children’s Place, Inc.’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Louisville, Kentucky
December 16, 2019

FAMILY & CHILDREN'S PLACE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

Section 1 – Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Family & Children's Place, Inc. were prepared in accordance with GAAP.
2. Internal control over financial reporting:
 - Material weakness identified? Yes X No
 - Significant deficiency identified? Yes X None reported
3. No instances of noncompliance material to the financial statements of Family & Children's Place, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Internal control over major programs:
 - Material weakness identified? Yes X No
 - Significant deficiency identified? Yes X None reported
5. The auditors' report on compliance for the major federal award programs for Family & Children's Place, Inc. expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose audit findings required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program included the following:

<u>Federal CFDA Number</u>	<u>Name of Major Federal Program</u>
16.575	U.S. Department of Justice: Crime Victim Assistance

8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. Family & Children's Place, Inc. qualified as a low-risk auditee.

FAMILY & CHILDREN'S PLACE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

Section II – Financial Statement Findings

There are no findings relating to the financial statements, which are required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs (Under Section 2 CFR 200.516(a))

There are no findings or questioned costs required to be reported.