

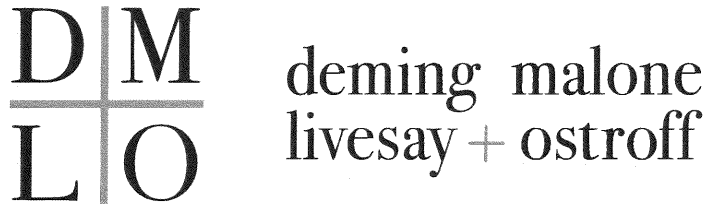
FAMILY & CHILDREN'S PLACE, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Family & Children's Place, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family & Children's Place, Inc. as of June 30, 2021 and 2020, 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, Lussary & Ostroff

Louisville, Kentucky
October 19, 2021

FAMILY & CHILDREN'S PLACE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

Assets	2021	2020
Current Assets		
Cash and cash equivalents	\$ 501,626	\$ 188,550
Cash - unemployment reserve	81,987	68,004
Cash - capital campaign	253,749	1,094,507
Investments	2,154,314	1,827,870
Metro United Way receivable	432,029	536,591
Accounts receivable, less allowance for doubtful accounts of \$2,957 in 2020	692,169	393,621
Contributions receivable, less allowance for uncollectible promises to give of \$9,924 in 2021 and \$65,400 in 2020	179,198	169,729
Prepaid expenses and other current assets	434,161	1,123,228
Total current assets	4,729,233	5,402,100
Property and Equipment		
Land	798,646	798,646
Buildings and improvements	6,086,149	6,086,149
Leasehold improvements	33,209	13,992
Furniture and equipment	1,461,047	1,384,440
	8,379,051	8,283,227
Less accumulated depreciation	2,541,597	2,315,046
	5,837,454	5,968,181
Other Assets		
Contributions receivable, net	21,367	45,620
Beneficial interest in assets held by The Community Foundation of Louisville	34,302	21,858
Investment in partnership	42,208	7,732
Cash value of life insurance	48,858	48,858
	146,735	124,068
Total assets	\$ 10,713,422	\$ 11,494,349

See Notes to Financial Statements.

Liabilities and Net Assets	<u>2021</u>	<u>2020</u>
Current Liabilities		
Line of credit		\$ 200,692
Current maturities of note payable	\$ 216,062	219,614
Accounts payable	253,651	29,170
Accrued expenses and other current liabilities	271,492	264,651
Deferred revenue	489,441	1,180,628
Small Business Administration loan		<u>568,200</u>
Total current liabilities	<u>1,230,646</u>	<u>2,462,955</u>
 Long-Term Liabilities		
Note payable, net	2,031,842	2,235,852
Accrued pension cost	<u>1,648,722</u>	<u>3,077,100</u>
	<u>3,680,564</u>	<u>5,312,952</u>
Total liabilities	<u>4,911,210</u>	<u>7,775,907</u>
 Net Assets		
Without donor restrictions	3,835,166	1,686,276
With donor restrictions	<u>1,967,046</u>	<u>2,032,166</u>
	<u>5,802,212</u>	<u>3,718,442</u>
Total liabilities and net assets	<u>\$ 10,713,422</u>	<u>\$ 11,494,349</u>

FAMILY & CHILDREN'S PLACE, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Service revenues and other contracts	\$ 1,374,931		\$ 1,374,931
Federal financial assistance	7,307,658		7,307,658
Metro United Way		\$ 432,029	432,029
Contributions and grants	1,166,468	45,807	1,212,275
Rental and other income	201,437		201,437
Small Business Administration loan forgiveness	568,200		568,200
Net investment return	108,600	295,386	403,986
Change in beneficial interest		12,444	12,444
	10,727,294	785,666	11,512,960
Net assets released from restrictions:			
Time restrictions	587,647	(587,647)	
Purpose restrictions	263,139	(263,139)	
	850,786	(850,786)	
Total revenues and other support	11,578,080	(65,120)	11,512,960
Expenses			
Program services:			
Child and family services	1,146,357		1,146,357
Kosair Charities Child Advocacy Center	923,154		923,154
HANDS	1,180,698		1,180,698
School based services	515,804		515,804
PAL program			
Head Start	5,897,017		5,897,017
Total program services	9,663,030		9,663,030
Supporting services:			
Management and general	518,690		518,690
Fund-raising	466,752		466,752
Total expenses	10,648,472		10,648,472
Increase (decrease) in total net assets before certain pension related changes	929,608	(65,120)	864,488
Other components of net periodic benefit cost	(75,480)		(75,480)
Pension related changes other than net periodic benefit cost	1,294,762		1,294,762
Increase (decrease) in total net assets	2,148,890	(65,120)	2,083,770
Net assets, beginning of year	1,686,276	2,032,166	3,718,442
Net assets, end of year	\$ 3,835,166	\$ 1,967,046	\$ 5,802,212

See Notes to Financial Statements.

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,318,938		\$ 1,318,938
4,546,822		4,546,822
	\$ 536,591	536,591
1,043,686	39,313	1,082,999
159,131		159,131
(66,363)	(8,137)	(74,500)
	(928)	(928)
<u>7,002,214</u>	<u>566,839</u>	<u>7,569,053</u>
754,965	(754,965)	
27,920	(27,920)	
<u>782,885</u>	<u>(782,885)</u>	
<u>7,785,099</u>	<u>(216,046)</u>	<u>7,569,053</u>
1,297,394		1,297,394
896,618		896,618
1,381,747		1,381,747
469,674		469,674
78,456		78,456
<u>3,349,402</u>		<u>3,349,402</u>
7,473,291		7,473,291
489,794		489,794
438,930		438,930
<u>8,402,015</u>		<u>8,402,015</u>
(616,916)	(216,046)	(832,962)
(18,993)		(18,993)
<u>(827,516)</u>		<u>(827,516)</u>
(1,463,425)	(216,046)	(1,679,471)
<u>3,149,701</u>	<u>2,248,212</u>	<u>5,397,913</u>
<u>\$ 1,686,276</u>	<u>\$ 2,032,166</u>	<u>\$ 3,718,442</u>

FAMILY & CHILDREN'S PLACE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2021 and 2020

2021

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

2020

	Program Services					Supporting Services			Total Expenses	
	Child and Family Services	Kosair Charities Child Advocacy Center	HANDS	School Based Services	PAL Program	Head Start	Total Program Services	Management and General		Fund-raising
Salaries and Employee Benefits	\$ 790,947	\$ 532,079	\$ 895,332	\$ 266,826	\$ 30,304	\$ 113,260	\$ 2,628,748	\$ 252,080	\$ 290,675	\$ 3,171,503
Salaries	61,827	40,349	72,451	17,825	2,306	6,985	201,743	16,149	20,869	238,761
Health insurance	23,880	17,478	24,645	8,337	1,158	115	75,613	8,139	4,306	88,058
Retirement	17,570	8,733	13,861	4,662	402	1,788	47,016	1,534	4,729	53,279
Other benefits	58,170	38,631	62,302	19,684	2,451	6,904	188,142	18,008	21,299	227,449
Payroll taxes	952,394	637,270	1,068,591	317,334	36,621	129,052	3,141,262	295,910	341,878	3,779,050
Total salaries and employee benefits	98,637	68,936	70,442	45,059	8,030	3,196,850	3,487,954	65,345	12,473	3,565,772
Professional fees	10,660	21,824	13,078	3,972	1,032	5,363	55,929	3,465	3,037	62,431
Office supplies and expense	18,474	9,467	26,254	6,781	632	1,941	63,549	3,682	5,770	73,001
Telecommunications	516	828	797	174	40		2,355	1,002	2,247	5,604
Postage	72,014	49,710	39,527	13,557	2,073	2,339	179,220	8,302	8,221	195,743
Occupancy	1,660	2,202	2,341	834	111	1,113	8,261	1,546	7,955	17,762
Outside printing	6,980	2,718	26,022	4,255	3,355	178	43,508	784	193	44,485
Local travel	4,291	5,954	7,409	4,064	814	10,223	32,755	593	3,181	36,529
Conferences and staff development	2,325	3,862	3,171	846	317	1,840	12,361	4,717	1,549	18,627
Memberships and dues	14,149	8,361	19,294	5,145	1,929	503	48,878	32,227	24,074	72,952
Public relations	25,148	11,690	30,186	48,584	16,663		132,774	7,128	7,128	172,129
Other expenses	14,958	8,839	20,397	5,439	2,040		51,673	51,673	2,109	105,455
Interest	75,188	64,957	54,238	13,630	4,799		212,812	20,548	19,115	252,475
Depreciation and amortization										
Total expenses	\$ 1,297,394	\$ 896,618	\$ 1,381,747	\$ 469,674	\$ 78,456	\$ 3,349,402	\$ 7,473,291	\$ 489,794	\$ 438,930	\$ 8,402,015

See Notes to Financial Statements.

FAMILY & CHILDREN'S PLACE, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Cash received for services	\$ 1,358,610	\$ 1,464,968
Federal financial assistance received	6,334,244	5,761,132
Contributions and grants received	1,714,063	2,621,274
Rental and other income received	201,437	159,131
Investment income received	40,000	48,175
Cash paid to suppliers and employees	(9,591,037)	(9,155,475)
Interest paid	(67,450)	(95,712)
Net cash (used in) provided by operating activities	(10,133)	803,493
Cash Flows from Investing Activities		
Proceeds from sale of investments	220,087	1,970,206
Purchases of investments	(217,021)	(1,922,835)
Purchases of property and equipment	(95,824)	(80,310)
Net cash used in investing activities	(92,758)	(32,939)
Cash Flows from Financing Activities		
Proceeds from Small Business Administration loan		568,200
Proceeds from note payable		2,481,006
Principal payments on notes payable	(210,116)	(2,638,559)
Payments for debt issuance costs		(25,540)
Net borrowings (payments) on line of credit	(200,692)	72,812
Net cash (used in) provided by financing activities	(410,808)	457,919
Net (decrease) increase in cash and cash equivalents	(513,699)	1,228,473
Cash and cash equivalents, beginning of year	1,351,061	122,588
Cash and cash equivalents, end of year	\$ 837,362	\$ 1,351,061

See Notes to Financial Statements.

	<u>2021</u>	<u>2020</u>
Reconciliation of Net Increase (Decrease) in Total Net Assets to Net Cash (Used In) Provided By Operating Activities		
Net increase (decrease) in total net assets	\$ 2,083,770	\$ (1,679,471)
Adjustments to reconcile net increase (decrease) in total net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	226,551	252,475
Debt issuance cost amortization	2,554	12,181
Change in allowance accounts	(58,433)	(3,451)
Change in discount on promises to give	(10,613)	
Net realized and unrealized (gains) losses on investments	(381,360)	54,407
Change in beneficial interest	(12,444)	928
Equity in earnings from investment	17,374	68,268
Small Business Administration loan forgiveness	(568,200)	
Pension adjustment	(1,200,282)	911,509
Changes in assets and liabilities:		
(Increase) decrease in:		
Metro United Way receivable	104,562	182,774
Accounts receivable	(295,591)	274,953
Contributions receivable	80,873	870,370
Prepaid expenses and other current assets	689,067	(1,072,972)
Increase (decrease) in:		
Checks issued in excess of cash on deposit		(23,444)
Accounts payable	224,481	(13,325)
Accrued expenses and other current liabilities	6,841	74,453
Deferred revenue	(691,187)	1,088,838
Accrued pension cost	(228,096)	(195,000)
Total adjustments	<u>(2,093,903)</u>	<u>2,482,964</u>
Net cash (used in) provided by operating activities	<u>\$ (10,133)</u>	<u>\$ 803,493</u>

FAMILY & CHILDREN'S PLACE, INC.

NOTES TO FINANCIAL STATEMENTS

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

Description of organization:

Family & Children's Place, Inc. (Organization), a nonprofit organization, provides counseling, education, child welfare services and other support services that strengthen and support family life. Programs consist of Child and Family Services, Kosair Charities Child Advocacy Center, HANDS (Health Access Nurturing Development Services), School Based Services, PAL Program (Parkhill, Algonquin and Old Louisville), and Head Start. The PAL program ended September 30, 2019. Services are provided principally throughout Metro Louisville area and surrounding counties of Kentucky and Southern Indiana. The Organization is supported primarily through fees for services, donor contributions and grants, and government grants and contracts.

Summary of significant accounting policies:

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

Net assets:

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

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

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

NOTES TO FINANCIAL STATEMENTS

Contributions:

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

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

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

Revenue recognition – FASB ASC 606:

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

Contract revenue is included in service revenues and other contracts on the statements of activities. Approximately 5% and 4% of these revenues are derived under contracts, as defined under ASC 606, for the years ended June 30, 2021 and 2020, respectively. The Organization has determined the nature, amount, timing and uncertainty of contract revenues and cash flows are affected by the economy, stability of the government and general public support.

NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents:

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

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$501,626	\$ 188,550
Cash – unemployment reserve	81,987	68,004
Cash – capital campaign	<u>253,749</u>	<u>1,094,507</u>
	<u>\$837,362</u>	<u>\$1,351,061</u>

Accounts and contributions receivable:

The valuation of accounts and contributions receivable is based upon a detailed analysis of past due accounts and the history of uncollectible accounts. The Organization periodically reviews doubtful accounts and contributions receivable to determine if write-offs are necessary. At June 30, 2021, approximately 49% of accounts receivable were due from two agencies. At June 30, 2020, approximately 75% of accounts receivable were due from four agencies.

Investments:

Investments are recorded at fair value. Donated investments are recorded at their fair value as of the date received. Net investment return is reported on the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, equity in earnings from investment in partnership, less external direct investment expenses of \$9,641 and \$9,375 for the years ended June 30, 2021 and 2020, respectively. See Note 7 for discussion of fair value measurements.

Property and equipment:

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

NOTES TO FINANCIAL STATEMENTS

Compensated absences:

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

Income taxes:

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

As of June 30, 2021 and 2020, 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 change:

In August 2018, FASB issued ASU No. 2018-13, *Fair Value Measurement: Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The standard modifies the disclosure requirements for fair value measurements. The Organization has adjusted the presentation of these items accordingly. The standard has been applied retrospectively to all periods presented.

NOTES TO FINANCIAL STATEMENTS

Newly issued standards not yet effective:

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

Subsequent events:

Subsequent events have been evaluated through October 19, 2021, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the June 30, 2021 and 2020 statements of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 469,779	\$ 158,949
Metro United Way receivable	432,029	536,591
Accounts receivable	692,169	393,621
Contributions receivable	179,198	111,594
Estimated endowment spending-rate distributions	100,000	92,656
Less funds with donor restrictions	<u>(138,653)</u>	<u>(111,724)</u>
	<u>\$1,734,522</u>	<u>\$1,181,687</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 \$753,897 could be made available for general expenditure if necessary. The Organization also has a \$1,000,000 line of credit which could be drawn on for general expenditure (see Note 11).

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

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash - Unemployment Reserve

The Organization participates in a self-insured unemployment trust. Quarterly deposits are made to a prepayment account, and unemployment claims are paid from the trust as they arise. As of June 30, 2021 and 2020, the Organization had a prepayment account in the amount of \$81,987 and \$68,004, respectively, on deposit with the trustee.

Note 4. Contributions Receivable

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

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

Total pledges receivable as of June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Capital campaign		\$101,835
Annual campaign	<u>\$212,756</u>	<u>191,794</u>
	212,756	293,629
Less unamortized discounts	(2,267)	(12,880)
Less allowance for uncollectible promises to give	<u>(9,924)</u>	<u>(65,400)</u>
	<u>\$200,565</u>	<u>\$215,349</u>
Amounts due in:		
Less than one year	\$189,122	\$235,129
One to five years	<u>23,634</u>	<u>58,500</u>
	<u>\$212,756</u>	<u>\$293,629</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 \$212,756 as of June 30, 2021, two donors accounted for approximately 47% of the gross receivable.

NOTES TO FINANCIAL STATEMENTS

Note 5. Investments

Cost and fair value of investments are summarized below:

	June 30, 2021		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash equivalents	\$ 42,322	\$ 42,322	
Mutual funds	<u>1,769,004</u>	<u>2,111,992</u>	<u>\$342,988</u>
	<u>\$1,811,326</u>	<u>\$2,154,314</u>	<u>\$342,988</u>
	June 30, 2020		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Cash equivalents	\$ 65,231	\$ 65,231	
Mutual funds	<u>1,786,875</u>	<u>1,762,639</u>	<u>\$(24,236)</u>
	<u>\$1,852,106</u>	<u>\$1,827,870</u>	<u>\$(24,236)</u>

Note 6. Investment in Partnership

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

The Organization holds a 25 percent interest in Impact V, LLC that is accounted for by the equity method. The carrying value of the investment was \$42,208 and \$7,732 as of June 30, 2021 and 2020, respectively. Equity in earnings from investment was \$(17,374) and \$(68,268) for the years ended June 30, 2021 and 2020, respectively, and is included in net investment return on the statements of activities. The following is the financial information of Impact V, LLC as of June 30, 2021 and 2020 (unaudited):

	<u>2021</u>	<u>2020</u>
Assets	\$189,907	\$ 30,928
Liabilities	21,073	
Net assets	168,834	30,928
Change in net assets	(69,494)	(68,683)

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, 2021 and 2020.

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, 2021 and 2020:

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

NOTES TO FINANCIAL STATEMENTS

	June 30, 2020		
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$1,762,639		\$1,762,639
Cash equivalents	65,231		65,231
Beneficial interest in assets held by The Community Foundation of Louisville	_____	<u>\$21,858</u>	<u>21,858</u>
	<u>\$1,827,870</u>	<u>\$21,858</u>	<u>\$1,849,728</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, 2021 and 2020 is as follows:

	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds		\$1,300,417	\$1,300,417
Donor-restricted endowment funds (beneficial interest in assets held)		34,302	34,302
Board-designated endowment funds	<u>\$853,897</u>	_____	<u>853,897</u>
	<u>\$853,897</u>	<u>\$1,334,719</u>	<u>\$2,188,616</u>
	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds		\$1,226,052	\$1,226,052
Donor-restricted endowment funds (beneficial interest in assets held)		21,858	21,858
Board-designated endowment funds	<u>\$601,818</u>	_____	<u>601,818</u>
	<u>\$601,818</u>	<u>\$1,247,910</u>	<u>\$1,849,728</u>

NOTES TO FINANCIAL STATEMENTS

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$601,818	\$1,247,910	\$1,849,728
Transfers - operations/capital	(92,656)		(92,656)
Reclassifications	221,021	(221,021)	
Net investment return	123,714	295,386	419,100
Change in beneficial interest	<u> </u>	<u>12,444</u>	<u>12,444</u>
Endowment net assets, end of year	<u>\$853,897</u>	<u>\$1,334,719</u>	<u>\$2,188,616</u>
	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$690,257	\$1,262,177	\$1,952,434
Transfers - operations/capital	(93,359)		(93,359)
Reclassifications	5,202	(5,202)	
Net investment return	(282)	(8,137)	(8,419)
Change in beneficial interest	<u> </u>	<u>(928)</u>	<u>(928)</u>
Endowment net assets, end of year	<u>\$601,818</u>	<u>\$1,247,910</u>	<u>\$1,849,728</u>

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.

NOTES TO FINANCIAL STATEMENTS

Return objectives, risk parameters and strategies:

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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, 2021 and 2020, the Organization's interest in the fund was \$34,302 and \$21,858, respectively, and is recorded as a beneficial interest in assets held by The Community Foundation of Louisville.

Note 10. Cash Value of Life Insurance

The Organization is the owner and beneficiary of four donated life insurance policies. The proceeds of the policies are restricted by the donors and are to be placed in the Organization's Endowment Fund. Funds are contributed by the donors annually to pay certain policy premiums. The change in the cash value of the policies are recorded as a change in net assets with donor restrictions. There was no change recorded for the years ended June 30, 2021 and 2020.

Note 11. Line of Credit

The Organization has a \$1,000,000 secured line of credit with Stock Yards Bank & Trust Company that matures on May 28, 2022. The line bears interest at the prime rate, less 0.125%, which was 4.00% at June 30, 2021. There was no outstanding balance on the line of credit at June 30, 2021. The outstanding balance on the line of credit at June 30, 2020 was \$200,692. The line is secured by all receivables, equipment and general intangibles of the Organization, a third mortgage lien on certain land and buildings, as well as a negative pledge restriction on the investment account balance maintained at PNC Bank.

Note 12. Small Business Administration Loan

On April 10, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of \$568,200 (PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with deferred interest, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization received forgiveness of the PPP Loan from the U.S. Small Business Administration on March 23, 2021.

NOTES TO FINANCIAL STATEMENTS

Note 13. Long-Term Debt

The note payable consisted of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Note payable to Stock Yards Bank, stated interest rate of 2.61%, payable in monthly principal and interest payments through June 2030 at which time the unpaid principal balance is due. The note is secured by a first mortgage lien on certain land and buildings with a net book value of \$5,626,825 at June 30, 2021 and assignment of certain rents.	\$2,270,890	\$2,481,006
Less unamortized debt issuance costs	(22,986)	(25,540)
Less current maturities	<u>(216,062)</u>	<u>(219,614)</u>
	<u>\$2,031,842</u>	<u>\$2,235,852</u>

Future principal maturities on the note payable as of June 30, 2021 are as follows:

Year ending June 30, 2022	\$ 216,062
2023	221,770
2024	227,628
2025	233,640
2026	239,812
Thereafter	<u>1,131,978</u>
	<u>\$2,270,890</u>

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

Total interest expense, inclusive of the line of credit, note payable, and amortization of debt issuance costs, for the years ending June 30, 2021 and 2020 was \$69,548 and \$105,455, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 14. Pension Plan

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

The following sets forth the plan's funded status and amounts recognized in the financial statements as of and for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 7,982,126	\$ 7,263,562
Service cost	19,000	65,000
Interest cost	213,748	247,680
Actuarial (gain) loss	(89,325)	791,478
Benefits paid	<u>(397,871)</u>	<u>(385,594)</u>
Benefit obligation at end of year	<u>7,727,678</u>	<u>7,982,126</u>
Change in Plan Assets		
Fair value of plan assets at beginning of year	4,905,026	4,902,971
Actual return on plan assets	1,343,705	192,649
Employer contributions	228,096	195,000
Benefits paid	<u>(397,871)</u>	<u>(385,594)</u>
Fair value of plan assets at end of year	<u>6,078,956</u>	<u>4,905,026</u>
Funded status at end of year	<u>\$(1,648,722)</u>	<u>\$(3,077,100)</u>
Accrued pension cost recognized in the statements of financial position	\$(1,648,722)	\$(3,077,100)
Accumulated benefit obligation	\$ 7,727,678	\$ 7,982,126
Amounts Recognized in Change in Net Assets Separate from Expenses But Not Yet Included in Net Periodic Benefit Cost		
Net loss	<u>\$ 1,366,734</u>	<u>\$ 2,661,496</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	\$ 19,000	\$ 65,000
Interest cost	213,748	247,680
Expected return on plan assets	(355,434)	(359,767)
Amortization of net actuarial loss	<u>217,166</u>	<u>131,080</u>
Net periodic benefit cost	<u>\$ 94,480</u>	<u>\$ 83,993</u>

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

Net (gain) loss	\$(1,077,596)	\$ 958,596
Amortization of net actuarial loss	<u>(217,166)</u>	<u>(131,080)</u>
Total recognized in change in net assets	<u>\$(1,294,762)</u>	<u>\$ 827,516</u>

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

The net loss for the defined benefit pension plan that will be amortized from change in net assets into net periodic benefit cost over the next fiscal year is \$74,713.

Assumptions

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

	<u>2021</u>	<u>2020</u>
Weighted average assumptions used to determine benefit obligations as of June 30:		
Discount rate	2.75%	2.75%
Weighted average assumptions used to determine net periodic benefit cost for years ended June 30:		
Discount rate	2.75%	3.50%
Expected return on assets	7.50%	7.50%

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

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

NOTES TO FINANCIAL STATEMENTS

Plan Assets

The fair values of the plan's assets at June 30, 2021 and 2020, by asset category, are as follows:

	2021		Total
	Level 1	Level 2	
Cash and cash equivalents	\$ 89,726		\$ 89,726
Equity securities	4,623,435		4,623,435
Fixed income securities		\$1,310,309	1,310,309
Other	55,486		55,486
	<u>\$4,768,647</u>	<u>\$1,310,309</u>	<u>\$6,078,956</u>
	2020		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 304,231		\$ 304,231
Equity securities	3,316,676		3,316,676
Fixed income securities		\$1,228,050	1,228,050
Other	56,069		56,069
	<u>\$3,676,976</u>	<u>\$1,228,050</u>	<u>\$4,905,026</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.

Cash Flows

The Organization expects to contribute \$129,432 to the plan during the year ended June 30, 2022. 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, 2022.

NOTES TO FINANCIAL STATEMENTS

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>
2022	\$ 428,338
2023	424,206
2024	428,420
2025	429,695
2026	439,565
2027 - 2031	2,178,009

Note 15. Retirement Plan

The Organization has a 403(b) retirement plan which covers all employees who have met the eligibility requirements. The Organization contributes 1% of gross salary for all eligible employee. Total contributions made by the Organization to the plan were \$24,233 and \$23,058 for the years ended June 30, 2021 and 2020, respectively.

Note 16. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Family centered services	\$ 58,605	\$ 19,552
Child abuse services	26,000	20,000
Other programs	17,701	18,025
Non-programmatic expenses	<u>36,348</u>	<u>54,147</u>
	<u>138,654</u>	<u>111,724</u>
Subject to passage of time:		
Metro United Way	432,029	536,591
Pledges receivable	<u>53,242</u>	<u>104,299</u>
	<u>485,271</u>	<u>640,890</u>
Held in perpetuity to support:		
Training and scholarship	442,847	442,847
Family centered services	548,288	497,163
Child abuse services	63,178	63,178
Property maintenance	5,000	5,000
Non-programmatic expenses	249,506	249,506
Beneficial interest in assets held by The Community Foundation of Louisville	<u>34,302</u>	<u>21,858</u>
	<u>1,343,121</u>	<u>1,279,552</u>
	<u>\$1,967,046</u>	<u>\$2,032,166</u>

NOTES TO FINANCIAL STATEMENTS

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

Note 17. Operating Leases

The Organization leases office space under an operating leases expiring through November 2026. Future minimum rental commitments under the lease at June 30, 2021 are as follows:

Year ending June 30,	2022	\$15,206
	2023	15,206
	2024	15,206
	2025	15,206
	2026	15,206
	Thereafter	<u>6,336</u>
		<u>\$82,366</u>

Total rental expense was \$33,798 and \$40,031 for the years ended June 30, 2021 and 2020, respectively.

Note 18. Rental Income

The Organization leases office space to unrelated third parties. The leases are accounted for under the operating method. Rental income recognized for the years ended June 30, 2021 and 2020 was \$156,993 and \$156,797, respectively.

Note 19. Concentration of Credit Risk

The Organization maintains its cash accounts at various financial institutions. The total balance of accounts at each institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2021, the Organization's uninsured cash balance totaled approximately \$500,000.

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.

NOTES TO FINANCIAL STATEMENTS

Note 20. Contingency

On March 11, 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant impact on the global economy. As of June 30, 2021, economic and public health uncertainties exist which may have a negative effect on the Organization's future financial position and results of operations. The total impact of the COVID-19 outbreak is unknown at the date the financial statements were issued. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.