

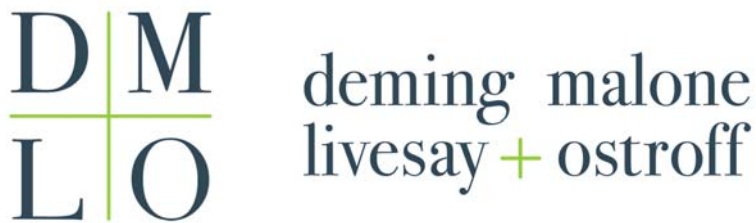
**VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.**

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2022 and 2021**

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## **Independent Auditors' Report**

To the Board of Directors  
Visually Impaired Preschool Services, Inc.  
Louisville, Kentucky

### **Opinion**

We have audited the accompanying financial statements of Visually Impaired Preschool Services, Inc. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Visually Impaired Preschool Services, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Visually Impaired Preschool Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Visually Impaired Preschool Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Visually Impaired Preschool Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Visually Impaired Preschool Services Inc.'s ability to continue as a going concern for a reasonable period of time.

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

*Deming, Malone, Lussary & Petroff*

Louisville, Kentucky  
November 7, 2022

**VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2022 and 2021

<b>Assets</b>	<u>2022</u>	<u>2021</u>
<b>Current Assets</b>		
Cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 838,117	\$ 846,036
Restricted cash	<u>308,652</u>	<u>486,759</u>
	1,146,769	1,332,795
Investments	640,063	
Accounts receivable	12,969	71,518
Grants receivable	146,681	645,527
Pledges receivable	104,811	166,904
Cash value of life insurance	20,050	20,489
Prepaid expenses	<u>8,659</u>	<u>4,063</u>
<b>Total current assets</b>	<u>2,080,002</u>	<u>2,241,296</u>
<b>Property and Equipment</b>		
Buildings and improvements	4,501,513	2,929,253
Furniture and equipment	396,889	394,147
Vehicles	160,509	128,438
Construction in progress	<u>66,798</u>	<u>474,668</u>
	5,125,709	3,926,506
Less accumulated depreciation	<u>1,448,221</u>	<u>1,344,047</u>
	<u>3,677,488</u>	<u>2,582,459</u>
<b>Total assets</b>	<u>\$ 5,757,490</u>	<u>\$ 4,823,755</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 24,707	\$ 208,619
Accrued expenses	136,631	83,047
Deferred revenue	7,800	48,250
Line of credit		<u>49,000</u>
<b>Total current liabilities</b>	<u>169,138</u>	<u>388,916</u>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	4,507,136	2,955,905
Board designated for capital improvements	45,203	45,203
Board designated endowments	<u>391,157</u>	
Total without donor restrictions	<u>4,943,496</u>	<u>3,001,108</u>
With donor restrictions:		
Purpose restrictions	178,348	916,360
Time-restricted for future periods	134,180	160,021
Perpetual in nature	<u>332,328</u>	<u>357,350</u>
Total with donor restrictions	<u>644,856</u>	<u>1,433,731</u>
<b>Total net assets</b>	<u>5,588,352</u>	<u>4,434,839</u>
<b>Total liabilities and net assets</b>	<u>\$ 5,757,490</u>	<u>\$ 4,823,755</u>

See Notes to Financial Statements.

**VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.**

**STATEMENTS OF ACTIVITIES**

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>						
Contributions and grants:						
Cash contributions and grants	\$ 794,381	\$ 813,550	\$ 1,607,931	\$ 871,517	\$ 1,576,000	\$ 2,447,517
In-kind contributions		1,110,345	1,110,345			
Program service fees	886,530		886,530	779,788		779,788
Special events	333,465		333,465	363,978		363,978
Net investment return	(74,303)	(47,194)	(121,497)	(447)		(447)
Forgiveness of debt - PPP loan				336,000		336,000
Gain on disposal of property and equipment	3,560		3,560			
Miscellaneous income	37,831		37,831	6,088		6,088
Rental income	4,050		4,050	11,900		11,900
<b>Total operating revenue</b>	1,985,514	1,876,701	3,862,215	2,368,824	1,576,000	3,944,824
Net assets released from restrictions	2,665,576	(2,665,576)		569,801	(569,801)	
<b>Total revenues, gains and other support</b>	4,651,090	(788,875)	3,862,215	2,938,625	1,006,199	3,944,824
<b>Expenses</b>						
Program services	2,119,239		2,119,239	1,894,719		1,894,719
General and administrative	408,560		408,560	336,094		336,094
Fundraising	180,903		180,903	133,152		133,152
<b>Total expenses</b>	2,708,702		2,708,702	2,363,965		2,363,965
<b>Net increase (decrease) in total net assets</b>	1,942,388	(788,875)	1,153,513	574,660	1,006,199	1,580,859
Net assets, beginning of year	3,001,108	1,433,731	4,434,839	2,426,448	427,532	2,853,980
Net assets, end of year	\$ 4,943,496	\$ 644,856	\$ 5,588,352	\$ 3,001,108	\$ 1,433,731	\$ 4,434,839

See Notes to Financial Statements.

**VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Years Ended June 30, 2022 and 2021

	2022				2021			
	Preschool Services Programs	Management and General	Fund Raising	Total	Preschool Services Programs	Management and General	Fund Raising	Total
Salaries and wages	\$ 1,325,315	\$ 249,884	\$ 65,854	\$ 1,641,053	\$ 1,239,258	\$ 231,607	\$ 68,787	\$ 1,539,652
Employee benefits	136,086	27,013	4,786	167,885	148,469	21,434	6,118	176,021
Depreciation	119,064	19,638		138,702	90,791	12,000		102,791
Payroll taxes	93,327	17,686	4,410	115,423	87,466	16,453	4,492	108,411
Travel and auto	72,591	991	141	73,723	20,640	130		20,770
Occupancy	59,985	8,929		68,914	65,292	10,864		76,156
Special events			66,746	66,746			8,126	8,126
Miscellaneous	30,164	5,594	10,069	45,827	2,411	5,617	20,653	28,681
Professional fees		43,447		43,447		13,210		13,210
Insurance	42,488	9,306		51,794	39,101	8,426		47,527
Information technology	45,434	4,256	1,031	50,721	42,461	4,490	1,274	48,225
Special programs	42,807			42,807	36,008			36,008
Repairs and maintenance	32,800	2,678		35,478	23,098	1,388		24,486
Telephone	27,513	4,779		32,292	29,782	3,914		33,696
Contract services	21,789	3,984	19,618	45,391	10,786	1,890	18,168	30,844
Conferences, conventions and meetings	21,733	3,031	165	24,929	7,254	1,313	565	9,132
Supplies	37,367	5,376		42,743	17,086			17,086
Postage and handling	2,198	104	3,265	5,567	2,024	63	4,650	6,737
Printing and publications	961	212	3,963	5,136	1,766	7	319	2,092
Dues and memberships	3,162	1,652		4,814	6,054	948		7,002
Advertising and marketing	3,085			3,085	200			200
Interest expense	931			931	1,257			1,257
Donor recognition			855	855				
Bad debt expense						2,340		2,340
Rental property expense	439			439	23,515			23,515
	<u>\$ 2,119,239</u>	<u>\$ 408,560</u>	<u>\$ 180,903</u>	<u>\$ 2,708,702</u>	<u>\$ 1,894,719</u>	<u>\$ 336,094</u>	<u>\$ 133,152</u>	<u>\$ 2,363,965</u>

See Notes to Financial Statements.

**VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.**

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2022 and 2021

	2022	2021
<b>Cash Flows from Operating Activities</b>		
Net increase in total net assets	\$ 1,153,513	\$ 1,580,859
Adjustments to reconcile net increase in total net assets to net cash provided by operating activities:		
Depreciation	138,702	102,791
Decrease in cash value of life insurance	439	588
Forgiveness of debt - PPP loan		(336,000)
In-kind donation of property and equipment	(1,110,345)	
Loss on disposal of property and equipment	190	
Net realized and unrealized losses on investments	138,278	
Investment income reinvested	(22,819)	
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	58,549	(47,882)
Grants receivable	498,846	(530,596)
Pledges receivable	62,093	(47,851)
Prepaid expenses	(846)	(1,730)
Increase (decrease) in:		
Accounts payable	4,725	(1,368)
Accrued expenses	53,584	37,233
Deferred revenue	(40,450)	22,775
<b>Net cash provided by operating activities</b>	934,459	778,819
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(572,472)	(323,043)
Proceeds from sale of property and equipment	256,509	
Purchase of investments	(952,737)	
Proceeds from sale of investments	197,215	
<b>Net cash used in investing activities</b>	(1,071,485)	(323,043)
<b>Cash Flows from Financing Activities</b>		
Net (payments) advances on line of credit	(49,000)	35,633
<b>Net cash (used in) provided by financing activities</b>	(49,000)	35,633
<b>Net (decrease) increase in cash, cash equivalents, and restricted cash</b>	(186,026)	491,409
Cash, cash equivalents, and restricted cash, beginning of year	1,332,795	841,386
Cash, cash equivalents, and restricted cash, end of year	\$ 1,146,769	\$ 1,332,795
<b>Supplemental Schedule of Noncash Investing and Financing Activities</b>		
Purchases of property and equipment in accounts payable	\$	\$ 188,637
Interest paid	\$ 931	\$ 1,257

See Notes to Financial Statements.



# VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Nature of Activities and Summary of Significant Accounting Policies

#### Nature of activities:

Visually Impaired Preschool Services, Inc. (VIPS) (the Organization) is a not-for-profit agency offering services to infants, toddlers, and preschoolers who are visually impaired, and to their families, with the objective of maximizing each child's developmental potential through direct services, advocacy and community education. VIPS is headquartered in Louisville, Kentucky and also has facilities in Lexington, Kentucky and Indianapolis, Indiana. It serves families through direct intervention and outreach throughout Kentucky and Indiana.

#### Summary of significant accounting policies:

This summary of significant accounting policies of Visually Impaired Preschool Services, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements 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.

#### Basis of presentation:

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization records resources for accounting and reporting purposes 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 specific operational purposes.

**Net assets with donor restrictions** – Net assets subject to donor 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

### **Use of 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 disclosures 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.

### **Cash, cash equivalents, and restricted cash:**

For purposes of the statements of cash flows, the Organization considers cash, restricted cash, and investments with original maturities of three months or less, that are not held as part of an investment portfolio, to be cash, cash equivalents, and restricted cash.

### **Accounts, grants and pledges receivable:**

The valuation of accounts, grants and pledges receivable is based upon a detailed analysis of past due accounts and the history of uncollectible accounts. The Organization considers all accounts, grants and pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

### **Investments:**

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

### **Property and equipment:**

The Organization's policy is to capitalize asset purchases in excess of \$5,000. Property and equipment are recorded at cost if purchased, or at fair value as of the date of donation, if donated, and are being depreciated on the straight-line method over their estimated useful lives. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in operations.

### **Compensated absences:**

Compensated absences for sick pay have not been accrued since they cannot be reasonably estimated. The Organization's policy is to recognize these costs when actually paid.

## NOTES TO FINANCIAL STATEMENTS

### **Revenue recognition – contributions and grants:**

Revenue for contributions and grants is recognized when cash, securities or other assets are received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

### **Revenue recognition – FASB ASC 606:**

Contract revenue, as defined under ASC 606, is derived primarily from providing early childhood intervention services. Revenue is recognized at a point in time or over time as the services are rendered satisfying the performance obligations.

#### Revenue recognized over time:

The Organization recognizes revenue from certain contracts over time as services are rendered under the contracts using the input method as time has elapsed. The transaction price is based on the terms of the contracts and is the amount of consideration the Organization expects to be entitled to in exchange for services provided. Certain contracts have performance indicators that require reimbursement if not met. The Organization records revenue based on its historical experience in meeting performance indicators. Contract amounts are billed bi-weekly or monthly as services are provided.

#### Revenue recognized at a point in time:

The Organization recognizes revenue from certain contracts at a point in time the service is rendered. Revenues are reported at the estimated net realizable amounts for services rendered. Transaction prices vary according to the type, level and volume of services rendered. The transaction price for services rendered to individuals covered under school district contracts are based on established billing rates approved by the district for the type and volume of services provided. The transaction price for services provided under Kentucky and Indiana Early Intervention Services agreements are based on established rates set by the state agencies, depending on the type and level of service provided. The transaction price for other services is based on various established contracted rates. Amounts are generally billed on a bi-weekly or monthly basis as services are provided.

## NOTES TO FINANCIAL STATEMENTS

Contract revenue is included in program service fees revenue on the statements of activities. Approximately 18% and 12% of revenues for the years ended June 30, 2022 and 2021, respectively, are derived under contracts, as defined under ASC 606. The following table disaggregates the Organization's contract revenue based on the timing of satisfaction of performance obligations for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Performance obligations satisfied over time	43%	52%
Performance obligations satisfied at a point in time	57%	48%

The Organization has determined that the nature, amount, timing and uncertainty of contract revenues and cash flows are affected by the economy and stability of the government. The current level of the Organization's operations and program services may be impacted if program funding is significantly decreased.

Revenue from annual fundraising events is recognized at a point in time when each event occurs. Deferred revenue as reported on the statements of financial position represents a contract liability, and the balances at June 30, 2022, 2021 and 2020 were \$7,800, \$48,250, and \$25,475, respectively.

### **Donated services and in-kind contributions:**

Contributions other than cash are recorded at their fair value as of the date of donation. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. 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.

The Organization records donated services that require specific expertise and would normally have been purchased, and donated services that create or enhance non-financial assets, at fair value as of the date of donation. Those donated services that do not meet these specific criteria are not reflected in the financial statements.

In-kind contributions recognized in the statements of activities for the year ended June 30, 2022 were approximately \$1,110,000 for services, including labor and materials, associated with the design and construction of the Indianapolis building. The fair value of the contributed design and construction services was estimated based on the current rates for similar services in the market of the metropolitan area where the building is located. There were no contributed services or other non-cash donations recognized for the year ended June 30, 2021.

## NOTES TO FINANCIAL STATEMENTS

### **Functional 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 charged directly to program or general and administrative categories based on specific identification, while other expenses are allocated on the basis of estimates of time and effort.

### **Income taxes:**

The Organization is exempt from federal, Kentucky 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 and with the Kentucky Office of the Attorney General. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. Management does not believe that the Organization has unrelated business income for the years ended June 30, 2022 and 2021.

As of June 30, 2022 and 2021, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

### **Advertising:**

The costs of advertising are expensed as they are incurred. Total advertising expense for the years ended June 30, 2022 and 2021 were approximately \$1,900 and \$200, respectively.

### **Accounting pronouncements adopted:**

The Financial Accounting Standards Board has issued accounting standard No. 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, for years beginning after June 15, 2021. The standard modifies the disclosure requirements for contributed nonfinancial assets. The Organization has adjusted the presentation of these items accordingly. The ASU has been applied retrospectively to all periods presented.

### **Newly issued standards not yet effective:**

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

## NOTES TO FINANCIAL STATEMENTS

### Subsequent events:

Subsequent events have been evaluated through November 7, 2022, which is the date the financial statements were available to be issued.

### Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the June 30, 2022 and 2021 statements of financial position dates, consist of the following:

	<u>2022</u>	<u>2021</u>
Cash, cash equivalents and restricted cash	\$1,146,769	\$1,332,795
Investments	640,063	
Accounts receivable	12,969	71,518
Grants receivable	146,681	645,527
Pledges receivable	104,811	166,904
Less funds with donor restrictions	<u>(504,071)</u>	<u>(1,032,857)</u>
	<u>\$1,547,222</u>	<u>\$1,183,887</u>

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. The Organization has a goal to maintain cash available to meet six months of normal payroll expenses, which average approximately \$900,000.

The Organization maintains a line of credit in the total amount of \$350,000, which could be drawn upon in the event of an unanticipated liquidity need. See Note 7.

### Note 3. Pledges Receivable and Capital Campaign

During the year ended June 30, 2019, the Organization began a capital campaign to raise funds for the construction of the Family Resource Center in Indianapolis, with a goal of \$2.5 million. For the years ended June 30, 2022 and 2021, \$174,988 and \$791,525, respectively, has been recognized in contributions and grants revenue as a result of the capital campaign. Additionally, the Organization has received \$1.12 million of conditional in-kind contributions for the project (see Note 6).

## NOTES TO FINANCIAL STATEMENTS

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

	<u>2022</u>	<u>2021</u>
Pledges receivable – capital campaign	\$ 49,730	\$103,410
Pledges receivable – other	<u>60,000</u>	<u>70,000</u>
	109,730	173,410
Less unamortized discount	<u>(4,919)</u>	<u>(6,506)</u>
Net pledges receivable	<u>\$104,811</u>	<u>\$166,904</u>
Amounts due in:		
Less than one year	\$ 59,730	\$113,230
One to five years	50,000	50,180
More than five years	<u>          </u>	<u>10,000</u>
	<u>\$109,730</u>	<u>\$173,410</u>

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rates 2.25%.

Two donors accounted for 97% and 96% of total gross pledges receivable of \$109,730 and \$173,410 as of June 30, 2022 and 2021, respectively.

#### **Note 4. Investments and Fair Value Measurements**

Accounting principles generally accepted in the United States of America provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). 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 that the Organization has the ability to access.
- 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.

## NOTES TO FINANCIAL STATEMENTS

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

All assets have been valued using a market approach. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2022.

Money market and mutual funds - valued at the closing price reported on the active market in which the security is traded.

In-kind property and equipment - valued based on the sale of comparable property and independent appraisal reports.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Level 1:			
Money market funds	\$ 17,289	\$ 17,289	
Mutual fund - equity	522,452	440,914	\$ (81,538)
Mutual funds - fixed	<u>198,428</u>	<u>181,860</u>	<u>(16,568)</u>
	<u>\$738,169</u>	<u>\$ 640,063</u>	<u>\$ (98,106)</u>
Level 2:			
Measured on a non-recurring basis:			
Property and equipment		<u>\$1,110,345</u>	

Investment returns for the year ended June 30, 2022 consisted of the following:

Investment returns:	
Interest and dividends	\$ 22,481
Realized and unrealized gains	(138,278)
Investment expenses	<u>(5,700)</u>
Total return on investments	<u>\$(121,497)</u>



## NOTES TO FINANCIAL STATEMENTS

### Note 5. Endowment Funds

The Organization's endowment funds consist of assets held in various cash and investment accounts. The endowment funds include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. 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, 2022 and 2021 was as follows:

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds		\$332,356	\$332,356
Board designated endowment funds	<u>\$391,157</u>	—	<u>391,157</u>
	<u>\$391,157</u>	<u>\$332,356</u>	<u>\$723,513</u>
	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds		<u>\$357,350</u>	<u>\$357,350</u>

From time to time, certain donor restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). At June 30, 2022, funds with original gift values of \$379,550, fair value of \$332,328 and deficiencies of \$47,222, were reported in net assets with donor restrictions. These amounts are expected to be recovered from future favorable market activity.

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

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year		\$357,350	\$ 357,350
Contributions		22,200	22,200
Transfers to create board designated endowments	\$465,087		465,087
Investment return	<u>(73,930)</u>	<u>(47,194)</u>	<u>(121,124)</u>
Endowment net assets, end of year	<u>\$391,157</u>	<u>\$332,356</u>	<u>\$ 723,513</u>

## NOTES TO FINANCIAL STATEMENTS

	2021		<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
Endowment net assets, beginning of year		\$ 82,350	\$ 82,350
Contributions		<u>275,000</u>	<u>275,000</u>
Endowment net assets, end of year		<u>\$357,350</u>	<u>\$357,350</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.

### **Investing and Spending Policies:**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide for preservation of capital by investing in a diversified portfolio of mutual funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as 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. 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.

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 targets a diversified asset allocation, including bonds, common stocks, and cash equivalents.

## NOTES TO FINANCIAL STATEMENTS

The Organization has a policy of appropriating amounts for distribution as needed upon direction of the Board. This is consistent with the Organization's objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

### **Note 6. Construction in Progress**

In April 2020, the Organization entered into a construction contract to complete a buildout of the Family Resource Center at the Indianapolis, Indiana location. The Organization received a donation of a 6,000 square foot building related to this project, however, title to the property did not transfer to the Organization until completion of the buildout. The project was financed through a capital campaign (see Note 3). The total costs for the project were \$1.829 million, with approximately \$1.12 million of these costs being donated by the contractor and design teams working on the project as in-kind contributions (see Note 1). Construction on this project began in the summer of 2020 and was substantially completed and placed in service in late 2021.

As of June 30, 2022, the Organization had incurred expenditures of approximately \$67,000 for a Playscape project that is estimated to be completed in Fall 2022. The total estimated cost of this project is \$109,000.

### **Note 7. Line of Credit**

In August 2020, the Organization obtained a revolving line of credit from Stock Yards Bank for \$350,000, which was scheduled to expire on August 19, 2022. The Organization renewed the line of credit for an additional two year period under similar terms subsequent to year-end. The line of credit bears interest at a variable rate, which was 4.00% at June 30, 2022, and is secured by the Organization's property on Goldsmith Lane in Louisville, Kentucky. Outstanding borrowings on the line of credit at June 30, 2021 were \$49,000. There were no outstanding borrowings at June 30, 2022.

### **Note 8. Forgiveness of Debt – PPP Loan**

In April 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 \$336,000 (the "PPP Loan"). The PPP Loan bore interest at a fixed rate of 1.0% per annum, had a term of five years, and was unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan was subject to forgiveness under the Paycheck Protection Program upon the Organization's request, to the extent that the PPP Loan proceeds were used to pay certain expenses permitted by the Paycheck Protection Program, incurred by the Organization.

## NOTES TO FINANCIAL STATEMENTS

The Organization applied for forgiveness of the PPP Loan with respect to these covered expenses and the loan was forgiven on December 18, 2020 by the Small Business Administration and is recorded as forgiveness of debt on the statement of activities for the year ended June 30, 2021.

### Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Restricted by time:		
Metro United Way	\$ 2,321	\$ 13,860
Kosair Charities	43,750	56,250
Barth Foundation		1,000
Pledges	55,082	63,494
GE Appliances	20,000	25,000
Elkhart Community Foundation	12,610	
Heart of Kentucky United Way	417	417
Restricted by purpose:		
Dahmke Scholarship Fund	10,257	10,257
Lions Club - playground gate		3,478
Etscorn Foundation - vehicle maintenance	43,063	26,732
Capital campaign - Family Resource Center	100,000	875,893
United Way Central Indiana – 2 gen and capacity building	25,000	
Held in perpetuity	379,550	357,350
Perpetual funds income to be used for:		
Underwater endowments	(47,222)	
Scholarships	<u>28</u>	<u>          </u>
Total net assets with donor restrictions	<u>\$644,856</u>	<u>\$1,433,731</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Time restrictions expired:		
WHAS Crusade for Children	\$209,570	\$144,281
Metro United Way	13,860	18,731
United Way of the Bluegrass	10,000	16,200
Kosair Charities	187,500	243,750
Pledges	8,412	8,207
Elsa Sule Foundation		5,000
Elkhart Community Foundation		23,480
Heart of Kentucky United Way	5,000	4,583
GE Appliances	5,000	

**NOTES TO FINANCIAL STATEMENTS**

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
Capital Campaign - Family Resource Center	\$2,061,227	\$ 19,015
Etscorn Foundation - vehicles	38,669	43,698
United Way Central Indiana - 2 gen and capacity building	55,000	
Lions Club - playground gate	3,478	
Indiana Children’s Museum - museum access	1,000	
Indiana First Steps - equipment	6,522	
Louisville Jaycee Charity Fund - technology and equipment	5,302	
Kentucky Colonels - playground sunshade	11,337	
Indianapolis Foundation - equipment	3,000	
Barth Foundation - family retreat	3,000	
IU Optometry - equipment	600	
TKD&S Foundation - equipment	5,998	
EO Robinson Mountain Fund - EKY Services	2,000	
CHFS Facility Repair - HVAC repairs	10,000	
Jacob Koch Charitable Trust - technology	4,081	5,620
IPA Foundation - equipment	15,020	6,350
VV Cooke Foundation - technology		3,886
Hannah Foundation - technology		5,000
Suntrust Bank - virtual services		20,000
Kiwanis Club - playframe materials	<u>                    </u>	<u>2,000</u>
	<u>\$2,665,576</u>	<u>\$569,801</u>

During the year ended June 30, 2012, the board designated \$45,202 remaining from a capital campaign to be designated for future capital projects. There were no funds released from the board designated net assets for the years ended June 30, 2022 and 2021.

**Note 10. Operating Leases**

The Organization conducts its central Kentucky operations from a leased facility located in Lexington, Kentucky. The current lease is for a term of one year expiring December 31, 2022. The Organization conducted its Indiana operations from a leased facility located in Indianapolis, Indiana under a year-to-year lease that expired November 30, 2020. This lease continued on a month-to-month basis following its expiration. The Organization also leases a parking lot facility and a bus turnaround under a year-to-year lease. Rental expense under these leases was \$17,025 and \$55,425 for the years ended June 30, 2022 and 2021, respectively. The future minimum rentals under operating leases with terms of one year or more as of June 30, 2022 are as follows:

Year ended June 30, 2023	\$15,600
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## NOTES TO FINANCIAL STATEMENTS

### **Note 11. Retirement Plan**

The Organization has a tax deferred annuity retirement savings plan (Plan) which covers substantially all of its employees. Employees may contribute an amount of their gross pay subject to certain limitations. The Organization contributes 3% of covered employee compensation to all eligible employees, plus a matching contribution equal to 50% of the first 2% of salary reduction amounts an employee elects to contribute. Employer contributions for the years ended June 30, 2022 and 2021 were \$44,787 and \$46,366, respectively.

### **Note 12. Concentration of Credit Risk**

The Organization maintains its cash accounts at various financial institutions in Louisville, Kentucky. Accounts at these institutions are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2022, uninsured cash balances were approximately \$896,000.

The Organization has significant investments in mutual funds and is, therefore, subject to concentrations of credit risk. Investments are monitored by the Board of Directors. Though the fair 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.