

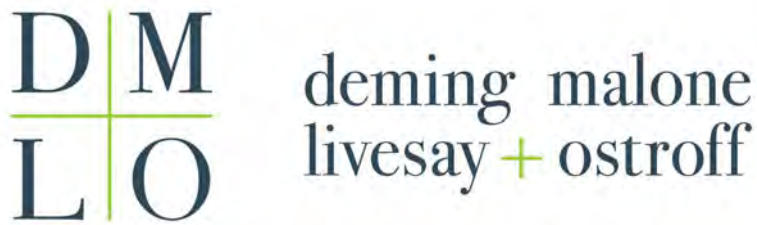
**VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.**

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2024 and 2023**

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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, 2024 and 2023, 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, 2024 and 2023, 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 & Ostroff*

Louisville, Kentucky  
November 14, 2024

**VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2024 and 2023

<b>Assets</b>	<u>2024</u>	<u>2023</u>
<b>Current Assets</b>		
Cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 1,341,821	\$ 934,684
Restricted cash	138,748	320,363
	<u>1,480,569</u>	<u>1,255,047</u>
Investments	1,291,157	1,021,285
Accounts receivable	189,029	12,748
Grants and contributions receivable	300,000	208,750
Pledges receivable	39,270	48,108
Cash value of life insurance	17,828	18,856
Prepaid expenses	16,623	7,688
<b>Total current assets</b>	<u>3,334,476</u>	<u>2,572,482</u>
<b>Property and Equipment</b>		
Buildings and improvements	4,662,624	4,631,419
Furniture and equipment	413,472	413,472
Vehicles	244,720	216,379
	<u>5,320,816</u>	<u>5,261,270</u>
Less accumulated depreciation	1,815,463	1,628,010
	<u>3,505,353</u>	<u>3,633,260</u>
<b>Other Assets</b>		
Operating lease right-of-use asset	28,568	60,004
	<u>28,568</u>	<u>60,004</u>
<b>Total assets</b>	<u>\$ 6,868,397</u>	<u>\$ 6,265,746</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 40,636	\$ 31,965
Accrued expenses	154,431	175,557
Deferred revenue	27,849	13,694
Current maturities of operating lease	11,078	16,532
<b>Total current liabilities</b>	<u>233,994</u>	<u>237,748</u>
<b>Other Liabilities</b>		
Operating lease liability, less current maturities	17,490	43,472
	<u>17,490</u>	<u>43,472</u>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	5,539,131	4,904,493
Board designated for capital improvements	45,203	45,203
Board designated endowments	480,394	423,611
Total without donor restrictions	<u>6,064,728</u>	<u>5,373,307</u>
With donor restrictions:		
Purpose restrictions	10,291	10,287
Time-restricted for future periods	116,620	224,229
Perpetual in nature	425,274	376,703
Total with donor restrictions	<u>552,185</u>	<u>611,219</u>
<b>Total net assets</b>	<u>6,616,913</u>	<u>5,984,526</u>
<b>Total liabilities and net assets</b>	<u>\$ 6,868,397</u>	<u>\$ 6,265,746</u>

See Notes to Financial Statements.

**VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.**

**STATEMENTS OF ACTIVITIES**  
Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>						
Contributions and grants	\$ 1,156,178	\$ 284,358	\$ 1,440,536	\$ 1,009,052	\$ 612,413	\$ 1,621,465
Program service fees	1,732,169		1,732,169	1,203,000		1,203,000
Special events	413,318		413,318	348,063		348,063
Net investment return	76,102	40,175	116,277	39,375	22,177	61,552
Miscellaneous income	4,354		4,354	9,755		9,755
Rental income	2,400		2,400	1,600		1,600
<b>Total operating revenue</b>	<u>3,384,521</u>	<u>324,533</u>	<u>3,709,054</u>	<u>2,610,845</u>	<u>634,590</u>	<u>3,245,435</u>
Net assets released from restrictions	<u>383,567</u>	<u>(383,567)</u>		<u>668,227</u>	<u>(668,227)</u>	
<b>Total revenues, gains and other support</b>	<u>3,768,088</u>	<u>(59,034)</u>	<u>3,709,054</u>	<u>3,279,072</u>	<u>(33,637)</u>	<u>3,245,435</u>
<b>Expenses</b>						
Program services	2,458,899		2,458,899	2,180,693		2,180,693
Management and general	382,314		382,314	442,612		442,612
Fundraising	235,454		235,454	225,956		225,956
<b>Total expenses</b>	<u>3,076,667</u>		<u>3,076,667</u>	<u>2,849,261</u>		<u>2,849,261</u>
<b>Net change in total net assets</b>	691,421	(59,034)	632,387	429,811	(33,637)	396,174
Net assets, beginning of year	<u>5,373,307</u>	<u>611,219</u>	<u>5,984,526</u>	<u>4,943,496</u>	<u>644,856</u>	<u>5,588,352</u>
Net assets, end of year	<u>\$ 6,064,728</u>	<u>\$ 552,185</u>	<u>\$ 6,616,913</u>	<u>\$ 5,373,307</u>	<u>\$ 611,219</u>	<u>\$ 5,984,526</u>

See Notes to Financial Statements.

**VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Years Ended June 30, 2024 and 2023

	2024				2023			
	Preschool Services Programs	Management and General	Fund Raising	Total	Preschool Services Programs	Management and General	Fund Raising	Total
Salaries and wages	\$ 1,504,997	\$ 245,347	\$ 123,209	\$ 1,873,553	\$ 1,315,280	\$ 276,322	\$ 125,616	\$ 1,717,218
Employee benefits	158,965	28,985	17,050	205,000	132,638	33,823	6,327	172,788
Depreciation	167,114	20,339		187,453	157,601	22,188		179,789
Payroll taxes	107,257	17,765	9,731	134,753	95,698	19,762	6,823	122,283
Travel and auto	49,899	355	1,665	51,919	68,315	147	964	69,426
Occupancy	47,839	5,905		53,744	55,699	7,492		63,191
Special events			66,083	66,083			71,563	71,563
Miscellaneous	29,237	5,427	4,485	39,149	33,055	5,526	6,136	44,717
Donations	10,000			10,000				
Professional fees		16,969		16,969		31,058		31,058
Insurance	60,839	10,289		71,128	61,142	8,745		69,887
Information technology	44,834	4,077	1,969	50,880	36,559	3,328	1,309	41,196
Special programs	116,752			116,752	61,695			61,695
Repairs and maintenance	34,771	4,447		39,218	48,632	5,461		54,093
Telephone	36,910	5,582		42,492	31,569	8,047		39,616
Contract services	28,382	5,104	2,369	35,855	23,121	5,093	2,365	30,579
Conferences, conventions and meetings	35,149	8,183	766	44,098	36,083	13,072		49,155
Supplies	8,537			8,537	14,022			14,022
Postage and handling	1,655	112	4,345	6,112	1,873	6	4,553	6,432
Printing and publications	1,365			1,365	1,508			1,508
Dues and memberships	10,045	3,428		13,473	5,374	2,542		7,916
Advertising and marketing	4,352			4,352	829			829
Donor recognition			3,782	3,782			300	300
	<u>\$ 2,458,899</u>	<u>\$ 382,314</u>	<u>\$ 235,454</u>	<u>\$ 3,076,667</u>	<u>\$ 2,180,693</u>	<u>\$ 442,612</u>	<u>\$ 225,956</u>	<u>\$ 2,849,261</u>

See Notes to Financial Statements.

**VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.**

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2024 and 2023

	2024	2023
<b>Cash Flows from Operating Activities</b>		
Net change in total net assets	\$ 632,387	\$ 396,174
Adjustments to reconcile net change in total net assets to net cash provided by operating activities:		
Depreciation	187,453	179,789
Decrease in cash value of life insurance	1,028	1,194
Net realized and unrealized gains on investments	(85,126)	(40,152)
Investment income reinvested	(36,201)	(26,561)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(176,281)	221
Grants and contributions receivable	(91,250)	(62,069)
Pledges receivable	8,838	56,703
Prepaid expenses	(8,935)	971
Increase (decrease) in:		
Accounts payable	8,671	7,258
Accrued expenses	(21,126)	38,926
Deferred revenue	14,155	5,894
<b>Net cash provided by operating activities</b>	<b>433,613</b>	<b>558,348</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(59,546)	(135,561)
Purchase of investments	(316,933)	(384,618)
Proceeds from sale of investments	168,388	70,109
<b>Net cash used in investing activities</b>	<b>(208,091)</b>	<b>(450,070)</b>
<b>Net change in cash, cash equivalents, and restricted cash</b>	225,522	108,278
Cash, cash equivalents, and restricted cash, beginning of year	1,255,047	1,146,769
Cash, cash equivalents, and restricted cash, end of year	<b>\$ 1,480,569</b>	<b>\$ 1,255,047</b>

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.

#### 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.

## NOTES TO FINANCIAL STATEMENTS

### **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 receivable:**

Accounts receivable primarily represent amounts due under contracts from state agencies. Accounts are expensed once they are deemed uncollectible and there is no allowance available.

Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Organization uses the specific identification method in order to determine the amount of allowance for credit losses necessary. In determining the amount of allowances as of June 30, 2024 and 2023, the Organization reviewed the receivable balances on an individual basis to assess collectability. This assessment is based on management's historical collection experience, adjusted for management's expectation about current and future economic conditions. As of June 30, 2024 and 2023, the Organization's management considers accounts receivable to be fully collectable; accordingly, no allowance for credit losses is considered necessary.

### **Grants and pledges receivable:**

The valuation of grants and pledges receivable is based upon a detailed analysis of past due accounts and the history of uncollectible accounts. The Organization considers all 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.

## NOTES TO FINANCIAL STATEMENTS

### **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.

### **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 rendered.

#### 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 rendered.

## NOTES TO FINANCIAL STATEMENTS

Contract revenue is included in program service fees revenue on the statements of activities. Approximately 44% and 30% of revenues for the years ended June 30, 2024 and 2023, 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Performance obligations satisfied over time	58%	58%
Performance obligations satisfied at a point in time	42%	42%

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.

The Organization recognizes revenue and contract assets when services have been provided. Since the Organization has performed its obligations under the contracts, it has an unconditional right to consideration recorded as contract assets, and therefore, has classified those billed assets as accounts receivable. A portion of the Organization's accounts receivable are due under contracts, as defined by ASC 606. The opening balances of all accounts receivable for the years ended June 30, 2024 and 2023 were \$12,748 and \$12,969, respectively.

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, 2024, 2023 and 2022 were \$27,849, \$13,694 and \$7,800, 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. There were no in-kind contributions recognized for the years ended June 30, 2024 and 2023.

## 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 management and general 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, 2024 and 2023.

As of June 30, 2024 and 2023, 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, 2024 and 2023 were approximately \$4,300 and \$800, respectively.

### **Accounting standard adopted in 2024:**

Effective July 1, 2023, the Organization adopted ASU 2016-13, *Financial Instruments - Credit Losses* (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology referred to as the current credit loss (CECL) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including accounts receivable. Financial assets measured at amortized cost are presented at the net amount expected to be collected by using an allowance for credit losses.

The Organization adopted ASC 326 and all related subsequent amendments effective July 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost. There was no transition adjustment with the adoption of CECL. Results for reporting periods beginning July 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards.

## NOTES TO FINANCIAL STATEMENTS

### **Leases:**

The Organization evaluates contracts at inception and when terms of an existing contract are changed to determine if an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position. The Organization has no finance leases. Lease cost for lease payments are recognized on a straight-line basis over the lease term.

ROU assets represent the right to use an underlying asset for the lease term. The ROU asset also includes initial direct costs and prepaid lease payments made, if any, less lease incentives, if any. Lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of the future lease payments over the lease term.

The Organization's leases do not provide an implicit rate, so the Organization utilizes the risk free rate based on the information available at the commencement date for each lease in determining the present value of lease payments. The risk free rate is reevaluated upon lease modification.

The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

Short-term leases (leases with an initial term of twelve months or less that do not contain a purchase option that is likely to be exercised) are not recorded on the statements of financial position.

Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

### **Subsequent events:**

Subsequent events have been evaluated through November 14, 2024, which is the date the financial statements were available to be issued.

## NOTES TO FINANCIAL STATEMENTS

### 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, 2024 and 2023 statements of financial position dates, consist of the following:

	<u>2024</u>	<u>2023</u>
Cash, cash equivalents and restricted cash	\$1,480,569	\$1,255,047
Investments	1,291,157	1,021,285
Accounts receivable	189,029	12,748
Grants and contributions receivable	300,000	208,750
Pledges receivable	39,270	48,108
Less funds with donor restrictions	<u>(464,125)</u>	<u>(474,610)</u>
	<u>\$2,835,900</u>	<u>\$2,071,328</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 6.

### 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 year ended June 30, 2023, \$4,485 has been recognized in contributions and grants revenue as a result of the capital campaign. There were no capital campaign contributions and grants recognized in revenue for the year ended June 30, 2024.

## NOTES TO FINANCIAL STATEMENTS

Total pledges receivable as of June 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Pledges receivable – capital campaign	\$ 1,650	\$ 1,650
Pledges receivable – other	<u>40,000</u>	<u>50,000</u>
	41,650	51,650
Less unamortized discount	<u>(2,380)</u>	<u>(3,542)</u>
Net pledges receivable	<u>\$39,270</u>	<u>\$48,108</u>
Amounts due in:		
Less than one year	\$11,650	\$11,650
One to five years	<u>30,000</u>	<u>40,000</u>
	<u>\$41,650</u>	<u>\$51,650</u>

Pledges 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 98% and 93% of total gross pledges receivable of \$41,650 and \$51,650 as of June 30, 2024 and 2023, 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, 2024 and 2023.

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

Certificates of deposit- Valued at quoted prices of similar assets in active markets.

Treasury bills - valued based on quoted prices for similar assets from observable pricing sources.

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.

	2024		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Level 1:			
Money market funds	\$ 24,555	\$ 24,555	
Mutual fund - equity	549,703	602,048	\$ 52,345
Mutual funds - fixed	213,409	196,746	(16,664)
Level 2:			
Treasury bills	<u>461,951</u>	<u>467,808</u>	<u>5,857</u>
	<u>\$1,249,619</u>	<u>\$1,291,157</u>	<u>\$ 41,538</u>
	2023		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Level 1:			
Money market funds	\$ 231,871	\$ 231,871	
Mutual fund - equity	523,458	492,961	\$ (30,497)
Mutual funds - fixed	212,266	196,510	(15,756)
Certificates of deposit	<u>100,000</u>	<u>99,943</u>	<u>(57)</u>
	<u>\$1,067,595</u>	<u>\$1,021,285</u>	<u>\$ (46,310)</u>

## NOTES TO FINANCIAL STATEMENTS

Investment returns for the years ended June 30, 2024 and 2023 consisted of the following:

Investment returns:	<u>2024</u>	<u>2023</u>
Interest and dividends	\$38,807	\$28,191
Realized and unrealized gains	85,126	40,152
Investment expenses	<u>(7,656)</u>	<u>(6,791)</u>
Total return on investments	<u>\$116,277</u>	<u>\$61,552</u>

### 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 accounting principles generally accepted in the United States of America, 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, 2024 and 2023 was as follows:

	2024		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds		\$425,308	\$425,308
Board designated endowment funds	<u>\$480,394</u>	<u>          </u>	<u>480,394</u>
	<u>\$480,394</u>	<u>\$425,308</u>	<u>\$905,702</u>
	2023		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds		\$376,733	\$376,733
Board designated endowment funds	<u>\$423,611</u>	<u>          </u>	<u>423,611</u>
	<u>\$423,611</u>	<u>\$376,733</u>	<u>\$800,344</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, 2023, funds with original gift values of \$401,750, fair value of \$376,733 and deficiencies of \$25,017, were reported in net assets with donor restrictions. At June 30, 2024, these amounts were recovered from favorable market activity.

## NOTES TO FINANCIAL STATEMENTS

Changes in endowment net assets for the years ended June 30, 2024 and 2023 were as follows:

	2024		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$423,611	\$376,733	\$800,344
Contributions		8,400	8,400
Investment return	<u>56,783</u>	<u>40,175</u>	<u>96,958</u>
Endowment net assets, end of year	<u>\$480,394</u>	<u>\$425,308</u>	<u>\$905,702</u>
	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$391,157	\$332,356	\$723,513
Contributions		22,200	22,200
Investment return	<u>32,454</u>	<u>22,177</u>	<u>54,631</u>
Endowment net assets, end of year	<u>\$423,611</u>	<u>\$376,733</u>	<u>\$800,344</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.

## NOTES TO FINANCIAL STATEMENTS

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 modifications 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.

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. Line of Credit

In August 2022, the Organization renewed its revolving line of credit from Stock Yards Bank for \$350,000 for an additional two year period expiring in November 2024. The line of credit bears interest at a variable rate, which was 8.00% at June 30, 2024, and is secured by the Organization's property on Goldsmith Lane in Louisville, Kentucky. There were no outstanding borrowings at June 30, 2024 and 2023. The Organization expects to renew the line of credit under similar terms.

### Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2024 and 2023, consisted of the following:

	<u>2024</u>	<u>2023</u>
Restricted by time:		
Kosair Charities		\$ 25,000
Pledges	\$37,620	46,459
GE Appliances		15,000
Elkhart Community Foundation	9,000	2,770
Nina Mason	40,000	100,000
AWS		35,000
Lexington-Fayette Urban Co. Government	30,000	
Restricted by purpose:		
Dahmke Scholarship Fund	10,257	10,257
Held in perpetuity	410,150	401,750
Perpetual funds income to be used for:		
Endowments	15,124	(25,047)
Scholarships	<u>34</u>	<u>30</u>
Total net assets with donor restrictions	<u>\$552,185</u>	<u>\$611,219</u>

## NOTES TO FINANCIAL STATEMENTS

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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Time restrictions expired:		
WHAS Crusade for Children	\$178,132	\$154,594
Metro United Way		2,321
Kosair Charities	25,000	118,750
Pledges	8,839	8,623
Elkhart Community Foundation	2,770	9,840
Heart of Kentucky United Way		417
GE Appliances	15,000	5,000
Nina Mason	60,000	80,000
AWS	35,000	40,000
Purpose restrictions accomplished:		
Capital Campaign - Family Resource Center		104,485
Etscorn Foundation - vehicles	25,000	78,063
United Way Central Indiana - 2 gen and capacity building		25,000
United Way Central Indiana - Go All In	1,000	1,000
Kentucky Colonels - equipment	4,445	2,642
Kings Daughter - technology	980	
TKD&S Foundation - equipment	4,557	11,375
EO Robinson Mountain Fund - EKY Services		2,000
Cooke Foundation - technology	4,000	
Jacob Koch Charitable Trust - technology		5,000
IPA Foundation - equipment	18,844	14,367
Hannah Foundation - technology		4,750
	<u>\$383,567</u>	<u>\$668,227</u>

During the year ended June 30, 2012, the board designated \$45,203 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, 2024 and 2023.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Leases (after adoption of FASB ASC 842)

The Organization leases office space in Lexington, Kentucky under an operating lease with a term of one year, with the option to extend the lease annually. Annual lease payments are \$18,000.

The following summarizes lease costs for the years ended June 30, 2024 and 2023:

<b>Lease costs:</b>	<u>2024</u>	<u>2023</u>
Operating lease cost	\$15,000	\$18,000
<b>Other information:</b>		
Weighted-average remaining lease term - operating leases	2.5 years	3.5 years
Weighted-average discount rate- operating leases	4.09%	2.88%
<b>Supplemental cash flow information:</b>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$15,000	\$7,500
Right of use assets obtained in exchange for new operating lease liabilities		\$76,067

Facility lease cost is included in occupancy expense on the statements of functional expenses.

The maturities of the operating lease obligations as of June 30, 2024 are as follows:

Year ended June 30, 2025	\$12,000
2026	12,000
2027	6,000
Less: present value discount	<u>(1,431)</u>
Total lease liabilities	<u>\$28,568</u>

### Note 9. 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, 2024 and 2023 were \$59,143 and \$52,745, respectively.

## NOTES TO FINANCIAL STATEMENTS

### **Note 10. 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, 2024, uninsured cash balances were approximately \$1,230,000.

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.