VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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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, Livesay & Ostroff

Louisville, Kentucky
November 13, 2023

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

Assets	2023	2022
Current Assets		
Cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	$ 934,684	$ 838,117
Restricted cash	320,363	308,652
	1,255,047	1,146,769
Investments	1,021,285	640,063
Accounts receivable	12,748	12,969
Grants receivable	208,750	146,681
Pledges receivable	48,108	104,811
Cash value of life insurance	18,856	20,050
Prepaid expenses	7,688	8,659
Total current assets	2,572,482	2,080,002
Property and Equipment		
Buildings and improvements	4,631,419	4,501,513
Furniture and equipment	413,472	396,889
Vehicles	216,379	160,509
Construction in progress		66,798
	5,261,270	5,125,709
Less accumulated depreciation	1,628,010	1,448,221
	3,633,260	3,677,488
Other Assets		
Operating lease right-of-use asset	60,004	
	60,004	
Total assets	$ 6,265,746	$ 5,757,490
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 31,965	$ 24,707
Accrued expenses	175,557	136,631
Deferred revenue	13,694	7,800
Current maturities of operating lease	16,532	
Total current liabilities	237,748	169,138
Other Liabilities		
Operating lease liability, less current maturities	43,472	
Net Assets		
Without donor restrictions:		
Undesignated	4,904,493	4,507,136
Board designated for capital improvements	45,203	45,203
Board designated endowments	423,611	391,157
Total without donor restrictions	5,373,307	4,943,496
With donor restrictions:		
Purpose restrictions	10,287	178,348
Time-restricted for future periods	224,229	134,180
Perpetual in nature	376,703	332,328
Total with donor restrictions	611,219	644,856
Total net assets	5,984,526	5,588,352
Total liabilities and net assets	$ 6,265,746	$ 5,757,490

See Notes to Financial Statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions and grants:						
Cash contributions and grants	$ 1,009,052	$ 612,413	$ 1,621,465	$ 794,381	$ 813,550	$ 1,607,931
In-kind contributions					1,110,345	1,110,345
Program service fees	1,203,000		1,203,000	886,530		886,530
Special events	348,063		348,063	333,465		333,465
Net investment return	39,375	22,177	61,552	(74,303)	(47,194)	(121,497)
Gain on disposal of property and equipment				3,560		3,560
Miscellaneous income	9,755		9,755	37,831		37,831
Rental income	1,600		1,600	4,050		4,050
Total operating revenue	2,610,845	634,590	3,245,435	1,985,514	1,876,701	3,862,215
Net assets released from restrictions	668,227	(668,227)		2,665,576	(2,665,576)	
Total revenues, gains and other support	3,279,072	(33,637)	3,245,435	4,651,090	(788,875)	3,862,215
Expenses						
Program services	2,180,693		2,180,693	2,119,239		2,119,239
Managemetn and general	442,612		442,612	408,560		408,560
Fundraising	225,956		225,956	180,903		180,903
Total expenses	2,849,261		2,849,261	2,708,702		2,708,702
Net change in total net assets	429,811	(33,637)	396,174	1,942,388	(788,875)	1,153,513
Net assets, beginning of year	4,943,496	644,856	5,588,352	3,001,108	1,433,731	4,434,839
Net assets, end of year	$ 5,373,307	$ 611,219	$ 5,984,526	$ 4,943,496	$ 644,856	$ 5,588,352

See Notes to Financial Statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2023 and 2022

	2023				2022			
	Preschool Services Programs	Management and General	Fund Raising	Total	Preschool Services Programs	Management and General	Fund Raising	Total
Salaries and wages	$ 1,315,280	$ 276,322	$ 125,616	$ 1,717,218	$ 1,325,315	$ 249,884	$ 65,854	$ 1,641,053
Employee benefits	132,638	33,823	6,327	172,788	136,086	27,013	4,786	167,885
Depreciation	157,601	22,188		179,789	119,064	19,638		138,702
Payroll taxes	95,698	19,762	6,823	122,283	93,327	17,686	4,410	115,423
Travel and auto	68,315	147	964	69,426	72,591	991	141	73,723
Occupancy	55,699	7,492		63,191	59,985	8,929		68,914
Special events			71,563	71,563			66,746	66,746
Miscellaneous	33,055	4,359	6,136	43,550	30,164	5,594	10,069	45,827
Professional fees		31,058		31,058		43,447		43,447
Insurance	61,142	8,745		69,887	42,488	9,306		51,794
Information technology	36,559	3,328	1,309	41,196	45,434	4,256	1,031	50,721
Special programs	61,695			61,695	42,807			42,807
Repairs and maintenance	48,632	5,461		54,093	32,800	2,678		35,478
Telephone	31,569	8,047		39,616	27,513	4,779		32,292
Contract services	23,121	5,093	2,365	30,579	21,789	3,984	19,618	45,391
Conferences, conventions and meetings	36,083	13,072		49,155	21,733	3,031	165	24,929
Supplies	14,022			14,022	37,367	5,376		42,743
Postage and handling	1,873	6	4,553	6,432	2,198	104	3,265	5,567
Printing and publications	1,508			1,508	961	212	3,963	5,136
Dues and memberships	5,374	2,542		7,916	3,162	1,652		4,814
Advertising and marketing	829			829	3,085			3,085
Interest expense					931			931
Donor recognition			300	300			855	855
Bad debt expense		1,167		1,167				
Rental property expense					439			439
	$ 2,180,693	$ 442,612	$ 225,956	$ 2,849,261	$ 2,119,239	$ 408,560	$ 180,903	$ 2,708,702

See Notes to Financial Statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Net change in total net assets	$ 396,174	$ 1,153,513
Adjustments to reconcile net change in total net assets to net cash provided by operating activities:		
Depreciation	179,789	138,702
Decrease in cash value of life insurance	1,194	439
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	(40,152)	138,278
Investment income reinvested	(26,561)	(22,819)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	221	58,549
Grants receivable	(62,069)	498,846
Pledges receivable	56,703	62,093
Prepaid expenses	971	(846)
Increase (decrease) in:		
Accounts payable	7,258	4,725
Accrued expenses	38,926	53,584
Deferred revenue	5,894	(40,450)
Net cash provided by operating activities	558,348	934,459
Cash Flows from Investing Activities		
Purchase of property and equipment	(135,561)	(572,472)
Proceeds from sale of property and equipment		256,509
Purchase of investments	(384,618)	(952,737)
Proceeds from sale of investments	70,109	197,215
Net cash used in investing activities	(450,070)	(1,071,485)
Cash Flows from Financing Activities		
Net payments on line of credit		(49,000)
Net cash used in financing activities		(49,000)
Net change in cash, cash equivalents, and restricted cash	108,278	(186,026)
Cash, cash equivalents, and restricted cash, beginning of year	1,146,769	1,332,795
Cash, cash equivalents, and restricted cash, end of year	$ 1,255,047	$ 1,146,769
Supplemental Schedule of Noncash Investing and Financing Activities		
Interest paid		$ 931

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.

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.

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.

Contract revenue is included in program service fees revenue on the statements of activities. Approximately 30% and 18% of revenues for the years ended June 30, 2023 and 2022, 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, 2023 and 2022:

	2023	2022
Performance obligations satisfied over time	58%	43%
Performance obligations satisfied at a point in time	42%	57%

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, 2023, 2022 and 2021 were $13,694, $7,800 and $48,250, 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 in-kind contributions recognized for the year ended June 30, 2023.

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, 2023 and 2022.

As of June 30, 2023 and 2022, 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, 2023 and 2022 were approximately $800 and $1,900, respectively.

Newly issued standard not yet effective:

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

Accounting standard adopted in 2023:

Effective July 1, 2022, the Organization adopted FASB ASC 842, *Leases*. FASB ASC 842 supersedes the lease requirements in FASB ASC 840. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the statements of financial position for most leases and to provide enhanced disclosures. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities.

The Organization adopted FASB ASC 842, with a date of initial application of July 1, 2022, by applying the modified retrospective transition approach and using the additional and optional transition method provided by ASU No. 2018-11, *Leases (Topic 842) Targeted Improvements*. The Organization did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of July 1, 2022 was necessary. The most significant effects of adopting FASB ASC 842 was the recognition of $70,067 of operating lease ROU assets and operating lease liabilities on the statement of financial position as of July 1, 2022. No cumulative effect adjustment to net assets as of July 1, 2022 was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended June 30, 2023. See Note 10.

The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization also elected other practical expedients. For lease agreements with lease and non-lease components, the Organization elected to account for lease and non-lease components as a single lease component for all asset categories, except for office space.

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 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 statement 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 13, 2023, 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, 2023 and 2022 statements of financial position dates, consist of the following:

	2023	2022
Cash, cash equivalents and restricted cash	$1,255,047	$1,146,769
Investments	1,021,285	640,063
Accounts receivable	12,748	12,969
Grants receivable	208,750	146,681
Pledges receivable	48,108	104,811
Less funds with donor restrictions	(474,610)	(504,071)
	$2,071,328	$1,547,222

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, 2023 and 2022, $4,485 and $174,988, 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 in-kind contributions for the project (see Note 6).

Total pledges receivable as of June 30, 2023 and 2022 were as follows:

	2023	2022
Pledges receivable – capital campaign	$ 1,650	$ 49,730
Pledges receivable – other	50,000	60,000
	51,650	109,730
Less unamortized discount	(3,542)	(4,919)
Net pledges receivable	$48,108	$104,811
Amounts due in:		
Less than one year	$11,650	$ 59,730
One to five years	40,000	50,000
	$51,650	$109,730

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 93% and 97% of total gross pledges receivable of $51,650 and $109,730 as of June 30, 2023 and 2022, 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.

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, 2023 and 2022.

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.

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.

	2023		
	Cost	Fair Value	Unrealized Depreciation
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	100,000	99,943	(57)
	$1,067,595	$1,021,285	$ (46,310)

	2022		
	Cost	Fair Value	Unrealized Depreciation
Level 1:			
Money market funds	$ 17,289	$ 17,289	
Mutual fund - equity	522,452	440,914	$ (81,538)
Mutual funds - fixed	198,428	181,860	(16,568)
	$738,169	$640,063	$ (98,106)
Level 2:			
Measured on a non-recurring basis:			
Property and equipment		$1,110,345	

Investment returns for the years ended June 30, 2023 and 2022 consisted of the following:

Investment returns:	2023	2022
Interest and dividends	$28,191	$ 22,481
Realized and unrealized gains (losses)	40,152	(138,278)
Investment expenses	(6,791)	(5,700)
Total return on investments	$61,552	$(121,497)

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, 2023 and 2022 was as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds		$376,733	$376,733
Board designated endowment funds	$423,611		423,611
	$423,611	$376,733	$800,344

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds		$332,356	$332,356
Board designated endowment funds	$391,157		391,157
	$391,157	$332,356	$723,513

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, 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, 2023 and 2022 were as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$391,157	$332,356	$723,513
Contributions		22,200	22,200
Investment return	32,454	22,177	54,631
Endowment net assets, end of year	$423,611	$376,733	$800,344

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
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	(73,930)	(47,194)	(121,124)
Endowment net assets, end of year	$391,157	$332,356	$ 723,513

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.

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 was completed and placed in service in Fall 2022. The total cost of this project was $109,000.

Note 7. 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. The line of credit bears interest at a variable rate, which was 8.25% at June 30, 2023, and is secured by the Organization's property on Goldsmith Lane in Louisville, Kentucky. There were no outstanding borrowings at June 30, 2023 and 2022.

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2023 and 2022, consisted of the following:

	2023	2022
Restricted by time:		
Metro United Way		$ 2,321
Kosair Charities	$ 25,000	43,750
Pledges	46,459	55,082
GE Appliances	15,000	20,000
Elkhart Community Foundation	2,770	12,610
Heart of Kentucky United Way		417
Nina Mason	100,000	
AWS	35,000	

NOTES TO FINANCIAL STATEMENTS

	2023	2022
Restricted by purpose:		
Dahmke Scholarship Fund	10,257	10,257
Etscorn Foundation - vehicle maintenance		43,063
Capital campaign - Family Resource Center		100,000
United Way Central Indiana – 2 gen and capacity building		25,000
Held in perpetuity	401,750	379,550
Perpetual funds income to be used for:		
Underwater endowments	(25,047)	(47,222)
Scholarships	30	28
Total net assets with donor restrictions	$611,219	$644,856

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, 2023 and 2022:

	2023	2022
Time restrictions expired:		
WHAS Crusade for Children	$154,594	$209,570
Metro United Way	2,321	13,860
United Way of the Bluegrass		10,000
Kosair Charities	118,750	187,500
Pledges	8,623	8,412
Elkhart Community Foundation	9,840	
Heart of Kentucky United Way	417	5,000
GE Appliances	5,000	5,000
Nina Mason	80,000	
AWS	40,000	

	2023	2022
Purpose restrictions accomplished:		
Capital Campaign - Family Resource Center	$104,485	$2,061,227
Etscorn Foundation - vehicles	78,063	38,669
United Way Central Indiana - 2 gen and capacity building	25,000	55,000
United Way Central Indiana – Go All In	1,000	
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

	2023	2022
Kentucky Colonels – equipment	$ 2,642	
Indianapolis Foundation - equipment		$ 3,000
Barth Foundation - family retreat		3,000
IU Optometry - equipment		600
TKD&S Foundation - equipment	11,375	5,998
EO Robinson Mountain Fund - EKY Services	2,000	2,000
CHFS Facility Repair - HVAC repairs		10,000
Jacob Koch Charitable Trust - technology	5,000	4,081
IPA Foundation - equipment	14,367	15,020
Hannah Foundation - technology	4,750	
	$668,227	$2,665,576

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, 2023 and 2022.

Note 9. Operating Leases (prior to adoption of FASB 842)

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, with an option to extended the lease annually. 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. Rental expense under these leases was $17,025 for the year ended June 30, 2022. The future minimum rentals under operating leases with terms of one year or more as of June 30, 2022 were as follows:

Year ended June 30, 2023	$15,600

Note 10. 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 year ended June 30, 2023:

Lease costs:	
Operating lease cost	$18,000
Other information:	
Weighted-average remaining lease term- operating leases	3.5 years
Weighted-average discount rate- operating leases	2.88%

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$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, 2023 are as follows:

Year ended June 30,	2024	$18,000
	2025	18,000
	2026	18,000
	2027	9,000
		63,000
Less: present value discount		(2,996)
Total lease liabilities		$60,004

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, 2023 and 2022 were $52,745 and $44,787, 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, 2023, uninsured cash balances were approximately $1,000,000.

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.