



Financial Statements

for

**GILDA'S CLUB KENTUCKIANA, INC.**

Years Ended December 31, 2020 and 2019  
with Report of Independent Auditors

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## Report of Independent Auditors

Board of Directors  
Gilda's Club Kentuckiana, Inc.  
Louisville, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of Gilda's Club Kentuckiana, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gilda's Club Kentuckiana, Inc. as of December 31, 2020 and 2019, 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.

*Dean Dorton Allen Ford, PLLC*

Louisville, Kentucky  
June 25, 2021

**GILDA'S CLUB KENTUCKIANA, INC.**

Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 614,421	\$ 797,190
Pledges receivable, current portion, net	590,838	1,528,071
Grants receivable, current portion	250,074	374,380
Prepaid expenses and other current assets	<u>14,213</u>	<u>31,202</u>
Total current assets	1,469,546	2,730,843
Property and equipment, net	10,421,663	10,416,207
Endowment investments	2,725,328	2,456,580
Cash designated for building maintenance	18,334	17,675
Pledges receivable, less current portion	790,871	743,766
Grants receivable, less current portion	<u>982,635</u>	<u>260,860</u>
Total assets	\$ <u>16,408,377</u>	\$ <u>16,625,931</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 15,544	\$ 37,763
Accrued liabilities	<u>16,854</u>	<u>44,707</u>
Total current liabilities	32,398	82,470
Line of credit	-	1,453,569
Net assets:		
Without donor restrictions:		
Undesignated	2,820,082	3,295,084
Invested in property and equipment	10,421,663	8,962,638
Board designated for endowment	2,320,917	2,052,169
Board designated for building fund	18,334	17,675
Total net assets without donor restrictions	<u>15,580,996</u>	<u>14,327,566</u>
With donor restrictions	<u>794,983</u>	<u>762,326</u>
Total net assets	<u>16,375,979</u>	<u>15,089,892</u>
Total liabilities and net assets	\$ <u>16,408,377</u>	\$ <u>16,625,931</u>

See accompanying notes.

## GILDA'S CLUB KENTUCKIANA, INC.

### Statements of Activities

Years ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support:						
Contributions	\$ 171,021	\$ 345,572	\$ 516,593	\$ 2,184,905	\$ -	\$ 2,184,905
Grant income	1,321,936	45,000	1,366,936	97,500	300,995	398,495
Special events	861,755	-	861,755	916,106	-	916,106
In-kind contributions	82,600	-	82,600	199,172	-	199,172
Rental income	25,000	-	25,000	-	-	-
Net assets released from restrictions	<u>357,915</u>	<u>(357,915)</u>	<u>-</u>	<u>2,078,080</u>	<u>(2,078,080)</u>	<u>-</u>
Total support	<b>2,820,227</b>	<b>32,657</b>	<b>2,852,884</b>	5,475,763	(1,777,085)	3,698,678
Expenses:						
Program services	1,602,145	-	1,602,145	1,664,521	-	1,664,521
General and administrative	241,500	-	241,500	258,459	-	258,459
Fundraising	194,680	-	194,680	216,514	-	216,514
Cost of direct benefits to donors	<u>36,072</u>	<u>-</u>	<u>36,072</u>	<u>190,096</u>	<u>-</u>	<u>190,096</u>
Total expenses	<b>2,074,397</b>	<b>-</b>	<b>2,074,397</b>	2,329,590	-	2,329,590
Other income (expense):						
Net investment return	336,896	-	336,896	557,810	-	557,810
Gain on forgiveness of PPP loan	190,200	-	190,200	-	-	-
Interest income	1,609	-	1,609	26,550	-	26,550
Loss on disposal of assets	-	-	-	(89,615)	-	(89,615)
Interest expense	<u>(21,105)</u>	<u>-</u>	<u>(21,105)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other income	<u>507,600</u>	<u>-</u>	<u>507,600</u>	<u>494,745</u>	<u>-</u>	<u>494,745</u>
Change in net assets	<b>1,253,430</b>	<b>32,657</b>	<b>1,286,087</b>	3,640,918	(1,777,085)	1,863,833
Net assets, beginning of year	<u>14,327,566</u>	<u>762,326</u>	<u>15,089,892</u>	<u>10,686,648</u>	<u>2,539,411</u>	<u>13,226,059</u>
Net assets, end of year	<u><b>\$ 15,580,996</b></u>	<u><b>\$ 794,983</b></u>	<u><b>\$ 16,375,979</b></u>	<u><b>\$ 14,327,566</b></u>	<u><b>\$ 762,326</b></u>	<u><b>\$ 15,089,892</b></u>

See accompanying notes to the financial statements.

**GILDA'S CLUB KENTUCKIANA, INC.**

Statement of Functional Expenses

Year ended December 31, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>Total Expenses</u>
Salaries and related expenses:					
Salaries and wages	\$ 730,988	\$ 147,644	\$ 98,494	\$ -	\$ 977,126
Health insurance	74,876	15,123	10,089	-	100,088
Payroll taxes	56,791	11,471	7,652	-	75,914
Employee benefits	18,876	3,813	2,543	-	25,232
Payroll service fees	<u>5,531</u>	<u>1,117</u>	<u>745</u>	<u>-</u>	<u>7,393</u>
 Total salaries and related expenses	 887,062	 179,168	 119,523	 -	 1,185,753
Depreciation	269,970	26,997	40,495	-	337,462
Donated materials and supplies	82,600	-	-	-	82,600
Program activities	53,621	-	-	-	53,621
Contract services	51,254	-	-	-	51,254
Amortization	38,265	3,826	5,740	-	47,831
Professional fees	35,039	3,504	5,256	-	43,799
Fundraising events	-	-	-	36,072	36,072
Repairs and maintenance	24,361	2,436	3,654	-	30,451
Insurance	22,385	4,521	3,016	-	29,922
Computer and software	19,041	1,904	2,856	-	23,801
Utilities	17,853	1,785	2,678	-	22,316
Advertising	16,769	-	-	-	16,769
Fees paid to the Cancer Support Community	16,357	-	-	-	16,357
Printing and copying	12,654	1,265	1,898	-	15,817
Telephone and internet	10,455	1,046	1,568	-	13,069
Bad debt expense	-	10,533	-	-	10,533
Office expense	8,247	825	1,237	-	10,309
Postage	6,590	471	2,354	-	9,415
Staff development	2,527	510	341	-	3,378
Miscellaneous	<u>27,095</u>	<u>2,709</u>	<u>4,064</u>	<u>-</u>	<u>33,868</u>
 Total expenses	 <u>\$ 1,602,145</u>	 <u>\$ 241,500</u>	 <u>\$ 194,680</u>	 <u>\$ 36,072</u>	 <u>\$ 2,074,397</u>

See accompanying notes.

**GILDA'S CLUB KENTUCKIANA, INC.**

Statement of Functional Expenses

Year ended December 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>Total Expenses</u>
Salaries and related expenses:					
Salaries and wages	\$ 776,381	\$ 122,587	\$ 122,587	\$ -	\$ 1,021,555
Health insurance	105,460	16,652	16,652	-	138,764
Payroll taxes	50,053	7,903	7,903	-	65,859
Employee benefits	17,045	2,691	2,691	-	22,427
Payroll service fees	<u>4,325</u>	<u>683</u>	<u>683</u>	<u>-</u>	<u>5,691</u>
 Total salaries and related expenses	 953,264	 150,516	 150,516	 -	 1,254,296
Depreciation	168,208	16,794	25,191	-	210,193
Donated materials and supplies	67,332	-	-	-	67,332
Program activities	53,613	-	-	-	53,613
Contract services	56,655	-	-	-	56,655
Amortization	5,506	552	826	-	6,884
Professional fees	37,344	9,336	-	-	46,680
Fundraising events	-	-	-	190,096	190,096
Repairs and maintenance	37,388	3,739	5,608	-	46,735
Insurance	15,151	2,392	2,392	-	19,935
Computer and software	9,371	937	1,406	-	11,714
Utilities	33,863	3,387	5,080	-	42,330
Advertising	54,697	-	-	-	54,697
Fees paid to the Cancer Support Community	10,265	-	-	-	10,265
Printing and copying	18,482	1,848	2,772	-	23,102
Telephone and internet	23,868	2,387	3,580	-	29,835
Bad debt expense	-	53,962	-	-	53,962
Office expense	41,909	4,191	6,286	-	52,386
Postage	5,340	381	1,907	-	7,628
Staff development	14,021	2,214	2,214	-	18,449
Miscellaneous	41,441	4,143	6,216	-	51,800
Travel	<u>16,803</u>	<u>1,680</u>	<u>2,520</u>	<u>-</u>	<u>21,003</u>
 Total expenses	 <u>\$ 1,664,521</u>	 <u>\$ 258,459</u>	 <u>\$ 216,514</u>	 <u>\$ 190,096</u>	 <u>\$ 2,329,590</u>

See accompanying notes.

**GILDA'S CLUB KENTUCKIANA, INC.**

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,286,087	\$ 1,863,833
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	337,462	210,193
Amortization	47,831	6,884
Bad debt expense	10,533	53,962
Loss on disposal of assets	-	89,615
Gain on endowment investments	(336,896)	(507,053)
Gain on forgiveness of PPP Loan	(190,200)	-
Change in discount of pledges receivable	21,537	30,969
Change in discount of grants receivable	(28,009)	53,754
Increase (decrease) in cash due to changes in:		
Pledges receivable	858,058	(462,434)
Grants receivable	(569,460)	813,296
Prepaid expenses and other assets	16,989	(4,887)
Accounts payable	(22,219)	(906,191)
Accrued expenses	(27,853)	(7,413)
	1,403,860	1,234,528
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(342,918)	(3,514,483)
Proceeds from sale of property	-	1,938,150
Purchase of endowment investments	(426,667)	(419,346)
Sale of endowment investments	494,815	1,427,335
	(274,770)	(568,344)



**GILDA'S CLUB KENTUCKIANA, INC.**

Statements of Cash Flows, continued

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from financing activities:</b>		
Proceeds from PPP loan	190,200	-
Proceeds on line of credit	-	3,573,658
Principal payments of line of credit	<u>(1,501,400)</u>	<u>(5,398,140)</u>
Net cash used in financing activities	<u>(1,311,200)</u>	<u>(1,824,482)</u>
Net decrease	(182,110)	(1,158,298)
Cash and cash equivalents, beginning of year	<u>814,865</u>	<u>1,973,163</u>
Cash and cash equivalents, end of year	<u>\$ 632,755</u>	<u>\$ 814,865</u>
<b>Reconciliation to statements of financial position:</b>		
Cash and cash equivalents	\$ 614,421	\$ 797,190
Cash designated for building maintenance	<u>18,334</u>	<u>17,675</u>
Cash and cash equivalents, end of year	<u>\$ 632,755</u>	<u>\$ 814,865</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	<u>\$ 21,105</u>	<u>\$ 193,540</u>

See accompanying notes.

## GILDA'S CLUB KENTUCKIANA, INC.

### Notes to the Financial Statements

#### 1. Description of the Organization

Gilda's Club Kentuckiana, Inc. (the Organization) is a non-profit public benefit organization serving the states of Kentucky and Indiana. The Organization's mission is to provide a place where children and adults with cancer and their families and friends join with others to build social and emotional support as a supplement to medical care. Free of charge, the Organization offers support and networking groups, lectures, workshops and social events in a nonresidential home-like setting. Funding is solicited from individuals, corporations and foundations.

The Organization is an affiliate of the Cancer Support Community, which strives to create welcoming communities of free support for everyone living with cancer. Cancer Support Community provides the Organization with marketing materials in exchange for an administrative fee.

#### 2. Summary of Significant Accounting Policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Organization in the preparation of its financial statements:

##### Basis of Presentation

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

**Net Assets Without Donor Restrictions** include net assets that are not subject to donor-imposed stipulations. Net assets may be designated for specific purposes by action of the Board of Directors (the Board).

Undesignated: These net assets represent the portion of expendable funds available in operation of the Organization.

Invested in Property and Equipment: These net assets represent cumulative resources expended for property and equipment, less accumulated depreciation recorded and net of related debt.

Board Designated - Endowment: These net assets represent funds without donor restrictions designated by the Board to be used as endowments. This designation can only be released or revised in the future, to the extent not externally restricted, as a result of Board approval.

Board Designated - Building Fund: These net assets represent funds without donor restrictions designated by the Board to be used for building repairs and maintenance.

## GILDA'S CLUB KENTUCKIANA, INC.

Notes to the Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### Basis of Presentation, continued

**Net Assets With Donor Restrictions** include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the corpus funds be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions. The Organization treats certain individual donor restricted contributions whose restrictions are met in the same reporting period as net assets without donor restrictions.

#### Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all highly liquid investments with a maturity, at time of purchase, of three months or less to be cash equivalents.

The Organization has a concentration of credit risk in that it periodically maintains cash deposits in financial institutions in excess of federally insured limits. Management considers it very unlikely that any loss will result from the cash balance in excess of federal insurance limits.

#### Pledges Receivable

Unconditional promises to give are reported on the statements of financial position as pledges receivable and the statements of activities as increases in the appropriate net asset category, based on donor imposed restrictions, if any. Pledges due after one year are recorded after discounting to the present value of the future cash flows.

The Organization provides an allowance for uncollectible pledges based upon the anticipated collectability of each specific pledge. In evaluating the collectability of pledges receivable, the Organization considers a number of factors, including historical loss rates, the age of the pledges, changes in collection patterns, and general economic conditions. Actual collections in subsequent periods may require changes in the estimated provisions. Changes in the estimates are charged or credited to the changes in net assets in the period of change. Amounts are considered past due based upon the due dates on the respective pledge card, and are written off when deemed uncollectible. The Organization does not charge interest on pledges receivable.

## GILDA'S CLUB KENTUCKIANA, INC.

Notes to the Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### Investments

The Organization's investments consist principally of money market funds, marketable securities, and mutual funds. These investments are subject to the risks common to financial markets, including interest rate risks, credit risks, and overall market risks. The Organization's investments are subject to potential loss arising from adverse changes in quoted market prices. The Organization's management will continue to monitor its investment holdings as it has done in the past, but has no immediate plans to change its investment portfolio. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 7 for discussion of fair value measurements. Donated investments are recorded as contributions at the quoted fair value of the investment at the time of donation.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. All gains and losses, including unrealized gains and losses, are reported in the statements of activities.

#### Property and Equipment

Property and equipment is recorded at cost. Contributed property and equipment is recorded at estimated fair value at date of contribution. Such contributions are recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	5 - 39 years
Furniture	5 - 7 years
Office equipment	3 - 5 years

#### Forgivable Loan

The Organization received a Paycheck Protection Program (PPP) loan under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) on April 10, 2020. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the PPP loan, subject to limitations, based on the use of loan proceeds for payment of eligible expenses. The Organization accounts for the PPP loan as debt using Accounting Standards Codification (ASC) 470.

## GILDA'S CLUB KENTUCKIANA, INC.

Notes to the Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### Forgivable Loan, continued

Amounts of the PPP loan forgiven are recognized as gains upon extinguishment of the debt when legal release is provided to the Organization. On December 29, 2020, the Organization received notification that the Small Business Administration approved its PPP loan forgiveness application and remitted the forgiveness amount of \$190,200 to the lender. As such, the amount forgiven during the year ended December 31, 2020 is included as gain from forgiveness of PPP loan on the statements of activities.

#### Revenue and Revenue Recognition

The Organization recognizes the amount of revenue to which it expects to be entitled based on the grant, contract or the transfer of promised goods or services. The Organization has the following four primary sources of revenue.

##### Contribution Revenue

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

##### Grant Revenue

Grants are considered to be non-exchange transactions in which the grantor requires the performance of specified activities related to the Organization's mission. State and local grants are recognized in the same period as the grant criteria are met, which is typically when the related expenses to the specific grant are incurred.

##### Special Event Revenue

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The Organization recognizes revenue from ticket sales at the time of admission.

##### Donated Services and In - Kind Contributions

Volunteers contribute significant amounts of time to the program services, however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP. The Organization receives in-kind contributions in the form of contributed goods and services. The value of in-kind contributions are based on management's estimate of the fair value of the contribution at the time of donation.

**GILDA'S CLUB KENTUCKIANA, INC.**

Notes to the Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Organization are summarized on a functional basis in the accompanying statements of activities and functional expenses. Directly identifiable expenses are charged to the applicable program or supporting services. Certain expenses are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization, and require allocation between functions on a reasonable basis that is consistently applied.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and related expenses	Time and effort
Depreciation	Square footage
Office expense	Time and effort
Repairs and maintenance	Square footage
Professional fees	Time and effort
Utilities	Square footage
Telephone and internet	Square footage
Printing and copying	Time and effort
Travel	Time and effort
Insurance	Time and effort
Staff development	Time and effort
Computer and software	Time and effort
Postage	Time and effort
Amortization	Square footage
Miscellaneous	Time and effort

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expenses were \$16,769 and \$54,697 for the years ended December 31, 2020 and 2019, respectively.

Income Taxes

The Organization is a not-for-profit entity exempt from income taxes under Section 501(c)(3) of the IRC. Although the Organization is exempt from income taxes, any income generated from activities unrelated to its exempt purpose is subject to tax under IRC Section 511. There was \$25,000 of rental income for the year ended December 31, 2020, that is consider unrelated business income. There was no unrelated business income for the year ended December 31, 2019.

## GILDA'S CLUB KENTUCKIANA, INC.

Notes to the Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### COVID-19 Impact

During March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 continues to impact worldwide economic activity and financial markets. The Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of its operations. The continued spread of the disease represents a significant risk that the Organization's operations could be disrupted in the near future. Since the situation surrounding the COVID-19 pandemic remains fluid, the long-term duration, nature and extent of the effects on the Organization cannot be reasonably estimated at this time.

#### Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, requiring all leases to be recognized on the Organization's statement of financial position as a right of use asset and a lease liability, unless the lease is a short term lease (generally a lease with a term of twelve months or less). At the commencement date of the lease, the Organization will recognize: 1) a lease liability for the Organization's obligation to make payments under the lease agreement, measured on a discounted basis; and 2) a right of use asset that represents the Organization's right to use, or control the use of, the specified asset for the lease term. The ASU originally required recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective transition method. In July 2018, the FASB issued ASU 2018-11, which provided an additional (and optional) transition method that permits application of the updated standard at the adoption date with recognition of a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The FASB has issued additional guidance (ASU 2019-10 and ASU 2020-05) which have deferred the effective date of ASU 2016-02. The updated standard will be effective for the Organization for the year ending December 31, 2022, with early adoption permitted. The Organization has not yet selected a transition method and is currently evaluating the effect that the new standard will have on its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The standard will be effective for the Organization for the year ending December 31, 2023, with early adoption permitted. The Organization is currently evaluating the effect that the new standard will have on its financial statements.

## GILDA'S CLUB KENTUCKIANA, INC.

Notes to the Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2019 presentation with no impact on total assets, liabilities, net assets or changes in net assets.

### 3. Liquidity and Availability

As of December 31, 2020 and 2019, the Organization had the following financial assets available at year end to meet its general expenditures over the next twelve months:

	<u>2020</u>	<u>2019</u>
Total assets	<b>\$ 16,408,377</b>	\$ 16,625,931
Less: Property and equipment	<b>(10,421,663)</b>	(10,416,207)
Less: Prepaid expenses	<u><b>(14,213)</b></u>	<u>(31,202)</u>
Financial assets at December 31	<b>5,972,501</b>	6,178,522
Less: Restricted by donor	<b>(794,983)</b>	(762,326)
Less: Board designated assets	<b>(2,339,251)</b>	(2,069,844)
Less: Long-term pledges receivable	<b>(790,871)</b>	(743,766)
Less: Long-term grants receivable	<u><b>(982,635)</b></u>	<u>(260,860)</u>
Financial assets available to meet cash needs for general expenditures within one year	<b><u>\$ 1,064,761</u></b>	<b><u>\$ 2,341,726</u></b>

The Organization has a goal to maintain financial assets, and specifically cash on hand to meet 60 days of normal operating expenses, approximately \$350,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event the need arises to utilize the Board designated funds for liquidity purposes, the Organization can utilize them upon Board approval. Additionally, the Organization has a line of credit facility available to meet short-term needs. See Note 8 for more information regarding the line of credit.

### 4. Pledges Receivable

Pledges receivable due after one year are recorded after discounting to the present value of future cash flows. The discounts on those amounts are computed using the Organization's borrowing rate of 1.90% and 3.46% as of December 31, 2020 and 2019, respectively.



**GILDA'S CLUB KENTUCKIANA, INC.**

Notes to the Financial Statements, continued

**4. Pledges Receivable, continued**

Unconditional promises to give are expected to be realized in the following periods:

	<u>2020</u>	<u>2019</u>
Amounts due within:		
One year or less	\$ <b>594,538</b>	\$ 1,596,730
One to five years	<u>816,150</u>	<u>781,781</u>
	<b>1,410,688</b>	2,378,511
Less discount for pledges to be collected in more than one year	<b>25,279</b>	46,816
Less allowance for uncollectible pledges	<u>3,700</u>	<u>59,858</u>
Pledges receivable, net	<u>\$ <b>1,381,709</b></u>	<u>\$ 2,271,837</u>

**5. Grants Receivable**

Grants receivable due after one year are recorded after discounting to the present value of future cash flows. The discounts on those amounts are computed using the Organization's borrowing rate of 1.90% and 3.46% as of December 31, 2020 and 2019, respectively.

Unconditional promises to give are expected to be realized in the following periods:

	<u>2020</u>	<u>2019</u>
Amounts due within:		
One year or less	\$ <b>250,074</b>	\$ 374,380
One to five years	<u>1,020,000</u>	<u>270,216</u>
	<b>1,270,074</b>	644,596
Less discount for pledges to be collected in more than one year	<u>37,365</u>	<u>9,356</u>
Grants receivable, net	<u>\$ <b>1,232,709</b></u>	<u>\$ 635,240</u>

During 2020, the Organization received a \$1,000,000 grant from Kosair Charities as a contribution to the capital campaign that ended in 2019. This grant will be paid out in equal installments of \$333,333 beginning in 2022 and ending in 2024.

## GILDA'S CLUB KENTUCKIANA, INC.

Notes to the Financial Statements, continued

### 6. Property and Equipment

Property and equipment are summarized as follows at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 320,000	\$ 320,000
Building and improvements	9,876,981	9,876,981
Furniture	874,005	761,437
Office equipment	<u>251,522</u>	<u>240,650</u>
	<b>11,322,508</b>	11,199,068
Less accumulated depreciation	<u>1,120,323</u>	<u>782,861</u>
	<b>10,202,185</b>	10,416,207
Building renovation in progress	<u>219,478</u>	<u>-</u>
	<b>\$ 10,421,663</b>	<b>\$ 10,416,207</b>

Depreciation expense during the years ended December 31, 2020 and 2019 was \$337,462 and \$210,193, respectively. The building renovation in progress relates to the Organization's additional office at a newly constructed West Louisville YMCA in collaboration with Kentucky African Americans Against Cancer.

### 7. Investments and Fair Value Measurements

The Organization classifies its investments based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). The asset's 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 observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value on a recurring basis:

*Money market funds:* Valued at cost, plus accrued interest, which approximates fair value.

*Marketable securities:* Valued at unadjusted quoted prices for identical assets in active markets.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

There have been no changes in the valuation methodologies used at December 31, 2020 and 2019.

**GILDA'S CLUB KENTUCKIANA, INC.**

Notes to the Financial Statements, continued

**7. Investments and Fair Value Measurements, continued**

The methods described above 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.

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. Management evaluates the significance of transfers between levels based upon the nature of the investment and size of the transfer. For the years ended December 31, 2020 and 2019, there were no transfers in or out of Level 3.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31:

	Level 1	Level 2	Level 3	Total
<b><u>2020</u></b>				
Money market funds	\$ 77,940	\$ -	\$ -	\$ 77,940
Mutual funds and marketable securities:				
Fixed income	900,350	-	-	900,350
Equity	1,747,038	-	-	1,747,038
Total mutual funds and marketable securities	2,647,388	-	-	2,647,388
Total investments	\$ 2,725,328	\$ -	\$ -	\$ 2,725,328
<b><u>2019</u></b>				
Money market funds	\$ 83,977	\$ -	\$ -	\$ 83,977
Mutual funds and marketable securities:				
Fixed income	845,662	-	-	845,662
Equity	1,526,941	-	-	1,526,941
Total mutual funds and marketable securities	2,372,603	-	-	2,372,603
Total investments	\$ 2,456,580	\$ -	\$ -	\$ 2,456,580

**GILDA'S CLUB KENTUCKIANA, INC.**

Notes to the Financial Statements, continued

**7. Investments and Fair Value Measurements, continued**

Net investment return is comprised of the following for the years ending December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 59,754	\$ 81,939
Net realized and unrealized gains on investments reported at fair value	301,263	507,053
Investment fees	<u>(24,121)</u>	<u>(31,182)</u>
Net investment return	<u>\$ 336,896</u>	<u>\$ 557,810</u>

**8. Line of Credit**

In November 2018, the Organization obtained a construction line of credit from a bank for borrowings up to \$7,000,000, requiring interest only payments at a rate of LIBOR plus 1.75% (3.46% as of December 31, 2019) through November 2025. The agreement contained principal curtailments to the line where the maximum amount on the line at the end of year four cannot exceed \$3,000,000. The amount outstanding on the line of credit was \$1,453,569 as of December 31, 2019. The construction line of credit was paid off in full during 2020.

On May 7, 2020, the Organization entered into a revolving line of credit agreement with a bank, which allows for borrowings up to \$1,000,000, requiring interest only payments at an initial rate of 3%. The line of credit is collateralized by the endowment investments and matures on May 7, 2022. The Organization did not draw on the line of credit in 2020.

**9. Retirement Plan**

The Organization has a 401(k) plan to fund retirement for its employees. The Organization matches 100% of employees' contributions up to two percent of their compensation. The Organization made contributions of \$18,559 and \$14,032 for the years ended December 31, 2020 and 2019, respectively.

**10. Endowment Investments and Spending Policies**

The Organization's endowment consists of individual funds and includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**GILDA'S CLUB KENTUCKIANA, INC.**

Notes to the Financial Statements, continued

**10. Endowment Investments and Spending Policies, continued**

State law allows the Board to appropriate as much of the net appreciation as is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with restrictions: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with time or purpose restrictions with those amounts appropriated for expenditure by the Organization in a manner consistent with the standards prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- Duration and preservation of the fund;
- Purposes of the donor-restricted endowment funds;
- General economic conditions;
- Possible effect of inflation and deflation;
- Expected total return from investment income and appreciation or depreciation of investments;
- Other resources of the Organization; and
- Investment policies of the Organization.

The endowment net assets consist solely of investments. Changes in endowment net assets during the years ended December 31, 2020 and 2019 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at December 31, 2018	\$ 2,553,105	\$ 404,411	\$ 2,957,516
Funds withdrawn	(1,058,746)	-	(1,058,746)
Gain on investment	<u>557,810</u>	<u>-</u>	<u>557,810</u>
Balance at December 31, 2019	2,052,169	404,411	2,456,580
Funds withdrawn	<b>(68,148)</b>	-	<b>(68,148)</b>
Gain on investment	<u><b>336,896</b></u>	<u>-</u>	<u><b>336,896</b></u>
Balance at December 31, 2020	<u><b>\$ 2,320,917</b></u>	<u><b>\$ 404,411</b></u>	<u><b>\$ 2,725,328</b></u>

## GILDA'S CLUB KENTUCKIANA, INC.

Notes to the Financial Statements, continued

### 10. Endowment Investments and Spending Policies, continued

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. There were no such deficiencies as of December 31, 2020 or December 31, 2019.

The Organization has adopted investment spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Organization's spending and investment policies are aligned to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. Each of the Organization's investments have a long-term objective to provide stability of principal and income. Each fund also has relative objectives that include generating a return in excess of the passive portfolio benchmark for each asset class, exceeding the rate of inflation, assumed to be approximately 3% over a five to ten year period, and exceeding the 50th percentile return of a universe comprised of funds or managers with similar objectives and and/or styles. The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk parameters.

In December 2019, the Board approved utilizing \$1,000,000 of the Board-designated endowment funds which was in excess of the spending policy. The funds were used to pay down the construction line of credit in 2020 (see Note 8).

### 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Grants - restricted for program costs	\$ 748,487	\$ 357,915
Investment in perpetuity	<u>404,411</u>	<u>404,411</u>
Total net assets with restrictions	<u>\$ 1,152,898</u>	<u>\$ 762,326</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Program restrictions - Grants	\$ 357,915	\$ 2,063,080
Program restrictions - Pledges	<u>-</u>	<u>15,000</u>
Net assets released from restrictions	<u>\$ 357,915</u>	<u>\$ 2,078,080</u>

## GILDA'S CLUB KENTUCKIANA, INC.

Notes to the Financial Statements, continued

### 12. Related Party Transactions

Certain members of the Board and immediate family members have provided financial support to the Organization in the form of contributions. Cash contributions totaled \$70,210 and \$239,099 for the years ended December 31, 2020 and 2019, respectively.

### 13. Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through June 25, 2021, the date that the financial statements were available to be issued.

#### Government Loan

On January 27, 2021, the Organization received a Second Draw PPP loan under the Consolidated Appropriations Act, 2021 in the amount of \$190,940. This loan is potentially forgivable if the Organization meets certain criteria. The loan balance not forgiven has an interest rate of 1% and is due five years from the date of origination.

#### Basement Flooding

During 2021, the Organization suffered three instances of flooding and sewage backup into the basement of their building due to a pipe blockage caused by another company. As of June 25, 2021, the Organization has incurred approximately \$310,000 of repairs and \$12,000 of furniture replacement. As of June 25, 2021, the Organization has received approximately \$76,000 in insurance proceeds. The Organization expects to recoup the majority of the cost of damages and repairs.