DEANDORTON

Financial Statements

for

GILDA'S CLUB KENTUCKIANA, INC.

Years Ended December 31, 2021 and 2020
with Report of Independent Auditors

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Report of Independent Auditors

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

Opinion

We have audited the accompanying financial statements of Gilda's Club Kentuckiana, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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.

Dean Dorton Allen Ford, PLLC

Louisville, Kentucky
June 23, 2022

GILDA'S CLUB KENTUCKIANA, INC.

Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,111,709**	$ 614,421
Pledges receivable, current portion, net	**536,793**	590,838
Grants receivable, current portion	**345,333**	250,074
Employee retention credit receivable	**260,026**	-
Prepaid expenses and other current assets	**73,700**	14,213
Total current assets	**2,327,561**	1,469,546
Property and equipment, net	**10,132,980**	10,421,663
Endowment investments	**4,124,789**	2,725,328
Cash designated for building maintenance	**52,187**	18,334
Pledges receivable, less current portion, net	**368,094**	790,871
Grants receivable, less current portion, net	**648,092**	982,635
Total assets	**$ 17,653,703**	$ 16,408,377
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 64,936**	$ 15,544
Accrued liabilities	**18,309**	16,854
Total current liabilities	**83,245**	32,398
Net assets:		
Without donor restrictions:		
Undesignated	**2,705,122**	2,820,082
Invested in property and equipment	**10,132,980**	10,421,663
Board designated for endowment	**3,720,378**	2,320,917
Board designated for building fund	**52,187**	18,334
Total net assets without donor restrictions	**16,610,667**	15,580,996
With donor restrictions	**959,791**	794,983
Total net assets	**17,570,458**	16,375,979
Total liabilities and net assets	**$ 17,653,703**	$ 16,408,377

See accompanying notes.

GILDA'S CLUB KENTUCKIANA, INC.

Statements of Activities

Years ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Support:						
Contributions	**$ 1,158,632**	**$ 221,380**	**$ 1,380,012**	$ 171,021	$ 345,572	$ 516,593
Grant income	**164,320**	**334,000**	**498,320**	1,321,936	45,000	1,366,936
Employee retention credit income	**260,026**	**-**	**260,026**	-	-	-
Special events	**767,899**	**-**	**767,899**	861,755	-	861,755
In-kind contributions	**68,670**	**-**	**68,670**	82,600	-	82,600
Rental income	**33,845**	**-**	**33,845**	25,000	-	25,000
Net assets released from restrictions	**390,572**	**(390,572)**	**-**	357,915	(357,915)	-
Total support	**2,843,964**	**164,808**	**3,008,772**	2,820,227	32,657	2,852,884
Expenses:						
Program services	**1,681,397**	**-**	**1,681,397**	1,602,145	-	1,602,145
General and administrative	**272,596**	**-**	**272,596**	241,500	-	241,500
Fundraising	**202,357**	**-**	**202,357**	194,680	-	194,680
Cost of direct benefits to donors	**259,159**	**-**	**259,159**	36,072	-	36,072
Total expenses	**2,415,509**	**-**	**2,415,509**	2,074,397	-	2,074,397
Other income (expense):						
Net investment return	**365,049**	**-**	**365,049**	336,896	-	336,896
Gain on forgiveness of PPP loan	**190,940**	**-**	**190,940**	190,200	-	190,200
Interest income	**315**	**-**	**315**	1,609	-	1,609
Interest expense	**-**	**-**	**-**	(21,105)	-	(21,105)
Loss on disposal of assets	**(27,143)**	**-**	**(27,143)**	-	-	-
Gain from insurance and settlement proceeds	**72,055**	**-**	**72,055**	-	-	-
Total other income	**601,216**	**-**	**601,216**	507,600	-	507,600
Change in net assets	**1,029,671**	**164,808**	**1,194,479**	1,253,430	32,657	1,286,087
Net assets, beginning of year	**15,580,996**	**794,983**	**16,375,979**	14,327,566	762,326	15,089,892
Net assets, end of year	**$ 16,610,667**	**$ 959,791**	**$ 17,570,458**	$ 15,580,996	$ 794,983	$ 16,375,979

See accompanying notes.

GILDA'S CLUB KENTUCKIANA, INC.

Statement of Functional Expenses

Year ended December 31, 2021

	Program Services	General and Administrative	Fundraising	Cost of Direct Benefits to Donors	Total Expenses
Salaries and related expenses:					
Salaries and wages	$ 772,774	$ 156,083	$ 104,124	$ -	$ 1,032,981
Health insurance	67,134	13,560	9,046	-	89,740
Payroll taxes	58,285	11,772	7,853	-	77,910
Employee benefits	14,614	2,952	1,969	-	19,535
Payroll service fees	6,218	1,256	838	-	8,312
Total salaries and related expenses	919,025	185,623	123,830	-	1,228,478
Depreciation	293,090	29,309	43,964	-	366,363
Fundraising events	-	-	-	259,159	259,159
Donated materials and supplies	68,670	-	-	-	68,670
Program activities	67,271	-	-	-	67,271
Contract services	65,613	-	-	-	65,613
Professional fees	37,995	3,800	5,699	-	47,494
Repairs and maintenance	36,503	3,650	5,475	-	45,628
Utilities	27,930	2,793	4,189	-	34,912
Bad debt expense	-	32,692	-	-	32,692
Insurance	20,015	4,043	2,697	-	26,755
Printing and copying	19,142	1,914	2,871	-	23,927
Computer and software	16,914	1,691	2,537	-	21,142
Fees paid to the Cancer Support Community	21,905	-	-	-	21,905
Advertising	20,518	-	-	-	20,518
Office expense	10,698	1,070	1,605	-	13,373
Telephone and internet	8,295	830	1,244	-	10,369
Postage	5,585	399	1,995	-	7,979
Staff development	5,492	1,109	741	-	7,342
Travel	1,642	164	246	-	2,052
Miscellaneous	35,094	3,509	5,264	-	43,867
Total expenses	$ 1,681,397	$ 272,596	$ 202,357	$ 259,159	$ 2,415,509

See accompanying notes.

GILDA'S CLUB KENTUCKIANA, INC.

Statement of Functional Expenses

Year ended December 31, 2020

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

See accompanying notes.

GILDA'S CLUB KENTUCKIANA, INC.

Statements of Cash Flows

Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	**$ 1,194,479**	$ 1,286,087
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**366,363**	337,462
Amortization	**-**	47,831
Bad debt expense	**32,692**	10,533
Loss on disposal of assets	**27,143**	-
Gain on endowment investments	**(365,049)**	(336,896)
Gain on forgiveness of PPP Loan	**(190,940)**	(190,200)
Change in discount of pledges receivable	**20,188**	21,537
Change in discount of grants receivable	**18,790**	(28,009)
Increase (decrease) in cash due to changes in:		
Pledges receivable	**423,942**	858,058
Grants receivable	**220,494**	(569,460)
Employee retention credit receivable	**(260,026)**	-
Prepaid expenses and other assets	**(59,487)**	16,989
Accounts payable	**49,392**	(22,219)
Accrued expenses	**1,455**	(27,853)
Net cash provided by operating activities	**1,479,436**	1,403,860
Cash flows from investing activities:		
Purchase of property and equipment	**(104,823)**	(342,918)
Purchase of endowment investments	**(1,595,819)**	(426,667)
Sale of endowment investments	**561,407**	494,815
Net cash used in investing activities	**(1,139,235)**	(274,770)

GILDA'S CLUB KENTUCKIANA, INC.

Statements of Cash Flows, continued

Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from financing activities:		
Proceeds from PPP loan	**190,940**	190,200
Principal payments of line of credit	**-**	(1,501,400)
Net cash provided by (used in) financing activities	**190,940**	(1,311,200)
Net increase (decrease)	**531,141**	(182,110)
Cash and cash equivalents, beginning of year	**632,755**	814,865
Cash and cash equivalents, end of year	**$ 1,163,896**	$ 632,755
Reconciliation to statements of financial position:		
Cash and cash equivalents	**$ 1,111,709**	$ 614,421
Cash designated for building maintenance	**52,187**	18,334
Cash and cash equivalents, end of year	**$ 1,163,896**	$ 632,755
Supplemental disclosures of cash flow information:		
Cash paid for interest	**$ -**	$ 21,105

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.

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.

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 8 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 Loans

The Organization received Paycheck Protection Program (PPP) loans under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). 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 loans as debt using Accounting Standards Codification (ASC) 470. Amounts of the PPP loans forgiven are recognized as gains upon extinguishment of the debt when legal release is provided to the Organization.

2. Summary of Significant Accounting Policies, continued

Forgivable Loan, continued

On April 10, 2020, the Organization received a first draw PPP loan in the amount of $190,200. On December 29, 2020 the Organization received notification that the Small Business Administration approved its first draw PPP loan forgiveness application and remitted the forgiveness amount of $190,200 to the lender. On January 27, 2021, the Organization received a second draw PPP loan in the amount of $190,940. On December 13, 2021 the Organization received notification that the Small Business Administration approved its second draw PPP loan forgiveness application and remitted the forgiveness amount of $190,940 to the lender. As such, the amounts forgiven during the years ended December 31, 2021, and December 31, 2020 are included as gains from forgiveness of PPP loans 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.

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:

Expense	Method of Allocation
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 $20,518 and $16,769 for the years ended December 31, 2021 and 2020, 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 $33,845 and $25,000 of rental income for the years ended December 31, 2021 and December 30, 2020, that is consider unrelated business income.

2. Summary of Significant Accounting Policies, continued

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. 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.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind, by requiring not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities and by enhancing the disclosures about the valuation of in-kind contributions and their use in other programs or activities. The ASU requires adoption of the new presentation and disclosures to be applied retrospectively. The updated standard will be effective for the Organization for the year ending December 31, 2022, with early adoption permitted. The Organization is currently evaluating the effect that the new standard will have on its financial statements.

2. Summary of Significant Accounting Policies, continued

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2020 presentation with no impact on total assets, liabilities, net assets or changes in net assets.

Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through June 23, 2022, the date that the financial statements were available to be issued.

3. Liquidity and Availability

As of December 31, 2021 and 2020, the Organization had the following financial assets available at year end to meet its general expenditures over the next twelve months:

	2021	2020
Total assets	**$ 17,653,703**	$ 16,408,377
Less: Property and equipment, net	**(10,132,980)**	(10,421,663)
Less: Prepaid expenses	**(73,700)**	(14,213)
Financial assets at December 31	**7,447,023**	5,972,501
Less: Restricted by donor	**(959,791)**	(794,983)
Less: Board designated assets	**(3,772,565)**	(2,339,251)
Less: Long-term pledges receivable	**(368,094)**	(790,871)
Less: Long-term grants receivable	**(648,092)**	(982,635)
Financial assets available to meet cash needs for general expenditures within one year	**$ 1,698,481**	$ 1,064,761

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 9 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% as of December 31, 2021 and 2020, respectively.

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

	2021	2020
Amounts due within:		
One year or less	**$ 551,311**	$ 594,538
One to five years	**373,185**	816,150
	924,496	1,410,688
Less discount for pledges to be collected in more than one year	**5,091**	25,279
Less allowance for uncollectible pledges	**14,518**	3,700
Pledges receivable, net	**$ 904,887**	$ 1,381,709

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% as of December 31, 2021 and 2020, respectively.

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

	2021	2020
Amounts due within:		
One year or less	**$ 345,333**	$ 250,074
One to five years	**666,667**	1,020,000
	1,012,000	1,270,074
Less discount for pledges to be collected in more than one year	**18,575**	37,365
Grants receivable, net	**$ 993,425**	$ 1,232,709

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.

6. Employee Retention Credit

Under the provisions of the CARES Act, the Organization is eligible for a refundable Employee Retention Credit (ERC). The ERC is a refundable payroll tax credit of 50% of $10,000 in qualified wages paid to an employee by an eligible employer experiencing economic hardship related to COVID-19 from March 13, 2020 through December 31, 2020. Additional relief provisions extended and slightly expanded the payroll tax credit to 70% of $10,000 of qualified wages paid to an employee per quarter by an eligible employer experiencing economic hardship related to COVID-19 from January 1, 2021 through September 30, 2021. For the year ended December 31, 2021, the Organization applied for refunds totaling $260,026 and in April 2022 the Organization received the refunds. This amount is shown as a receivable on the statement of financial position as of December 31, 2021 and as income on the statement of activities for the year ended December 31, 2021. No further refunds are expected.

7. Property and Equipment

Property and equipment are summarized as follows at December 31:

	2021	2020
Land	**$ 320,000**	$ 320,000
Building and improvements	**10,114,942**	9,876,981
Furniture	**885,445**	874,005
Office equipment	**120,812**	251,522
Vehicles	**50,844**	-
	11,492,043	11,322,508
Less accumulated depreciation	**1,359,063**	1,120,323
	10,132,980	10,202,185
Building renovation in progress	**-**	219,478
	$ 10,132,980	$ 10,421,663

Depreciation expense during the years ended December 31, 2021 and 2020 was $366,363 and $337,462, respectively.

8. 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.

8. Investments and Fair Value Measurements, continued

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, 2021 and 2020.

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, 2021 and 2020, 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
2021				
Money market funds	$ **275,729**	$ -	$ -	$ **275,729**
Mutual funds and marketable securities:				
Fixed income	**1,050,960**	-	-	**1,050,960**
Equity	**2,798,100**	-	-	**2,798,100**
Total mutual funds and marketable securities	**3,849,060**	-	-	**3,849,060**
Total investments	$ **4,124,789**	$ -	$ -	$ **4,124,789**

8. Investments and Fair Value Measurements, continued

	Level 1	Level 2	Level 3	Total
2020				
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

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

	2021	2020
Interest and dividend income	**$ 91,061**	$ 59,754
Net realized and unrealized gains on investments reported at fair value	**348,540**	301,263
Investment fees	**(74,552)**	(24,121)
Net investment return	**$ 365,049**	$ 336,896

9. 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% (1.90% as of December 31, 2020) 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 $0 as of December 31, 2020. 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 was scheduled to mature on May 7, 2022. The Organization extended the line of credit and it now matures on May 7, 2024. The Organization did not draw on the line of credit in 2021 or 2020.

10. 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 $13,467 and $18,559 for the years ended December 31, 2021 and 2020, respectively.

11. 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.

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.

11. Endowment Investments and Spending Policies, continued

The endowment net assets consist solely of investments. Changes in endowment net assets during the years ended December 31, 2021 and 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at December 31, 2019	$ 2,052,169	$ 404,411	$ 2,456,580
Funds withdrawn	(68,148)	-	(68,148)
Gain on investment	336,896	-	336,896
Balance at December 31, 2020	2,320,917	404,411	2,725,328
Funds deposited	**1,034,412**	**-**	**1,034,412**
Gain on investment	**365,049**	**-**	**365,049**
Balance at December 31, 2021	**$ 3,720,378**	**$ 404,411**	**$ 4,124,789**

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, 2021 or December 31, 2020.

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.

12. Net Assets With Donor Restrictions

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

		2021		2020
Subject to expenditure for specified purpose:				
Grants - restricted for program costs	$	555,380	$	748,487
Investment in perpetuity		404,411		404,411
Total net assets with restrictions	$	959,791	$	1,152,898

Net assets totaling $390,572 and $357,915 for the years ended December 31, 2021 and 2020, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors. All of the released assets related to grants that were restricted for program costs.

13. 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 and pledges totaled $326,374 and $234,986 for the years ended December 31, 2021 and 2020, respectively.

14. Insurance and Settlement Proceeds

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 December 31, 2021, the Organization incurred $227,513 of repairs related to the water damage. Additionally, various furniture and equipment were destroyed, resulting in a loss on disposals of assets of $27,143. As of December 31, 2021, the Organization received $84,568 in insurance proceeds from its insurance providers and $215,000 in settlement costs from Louisville Gas and Electric Company for recovery of those damages and losses. The total amount of insurance and settlement proceeds of $299,568 were netted against the repair and maintenance costs of $227,513 and the resulting gain of $72,055 was reported in the statement of activities.