



Financial Statements

for

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

Years Ended December 31, 2022 and 2021  
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, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 issued or 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 Dotson Allen Ford, PLLC*

Louisville, Kentucky  
June 22, 2023

# GILDA'S CLUB KENTUCKIANA, INC.

## Statements of Financial Position

December 31, 2022 and 2021

<b>Assets</b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Current assets:		
Cash and cash equivalents	\$ 2,336,197	\$ 1,111,709
Pledges receivable, current portion, net	592,905	536,793
Grants receivable, current portion	32,500	345,333
Prepaid expenses and other current assets	13,366	73,700
Employee retention credit receivable	<u>-</u>	<u>260,026</u>
Total current assets	2,974,968	2,327,561
Endowment investments	3,995,835	4,124,789
Property and equipment, net	9,811,067	10,132,980
Right-of-use asset - operating lease	140,611	-
Cash designated for building maintenance	64,260	52,187
Pledges receivable, less current portion, net	43,415	368,094
Grants receivable, less current portion, net	<u>-</u>	<u>648,092</u>
Total assets	\$ <u>17,030,156</u>	\$ <u>17,653,703</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 21,465	\$ 64,936
Accrued liabilities	62,000	18,309
Operating lease liability, current	<u>15,942</u>	<u>-</u>
Total current liabilities	99,407	83,245
Operating lease liability, noncurrent	<u>126,165</u>	<u>-</u>
Total liabilities	225,572	83,245
Net assets:		
Without donor restrictions:		
Undesignated	2,357,904	2,705,122
Invested in property and equipment	9,811,067	10,132,980
Board designated for endowment	3,591,424	3,720,378
Board designated for building fund	64,260	52,187
Total net assets without donor restrictions	<u>15,824,655</u>	<u>16,610,667</u>
With donor restrictions	<u>979,929</u>	<u>959,791</u>
Total net assets	<u>16,804,584</u>	<u>17,570,458</u>
Total liabilities and net assets	\$ <u>17,030,156</u>	\$ <u>17,653,703</u>

See accompanying notes.

# GILDA'S CLUB KENTUCKIANA, INC.

## Statements of Activities

Years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support:</b>						
Contributions	\$ 1,289,724	\$ 21,983	\$ 1,311,707	\$ 1,158,632	\$ 221,380	\$ 1,380,012
Grant income	399,145	162,963	562,108	164,320	334,000	498,320
Employee retention credit income	30,936	-	30,936	260,026	-	260,026
Special events	853,027	-	853,027	767,899	-	767,899
In-kind contributions	66,192	-	66,192	68,670	-	68,670
Rental income	17,834	-	17,834	33,845	-	33,845
Net assets released from restrictions	<u>164,808</u>	<u>(164,808)</u>	<u>-</u>	<u>390,572</u>	<u>(390,572)</u>	<u>-</u>
Total support	2,821,666	20,138	2,841,804	2,843,964	164,808	3,008,772
<b>Expenses:</b>						
Program services	2,184,660	-	2,184,660	1,681,397	-	1,681,397
General and administrative	322,296	-	322,296	272,596	-	272,596
Fundraising	258,869	-	258,869	202,357	-	202,357
Cost of direct benefits to donors	<u>192,643</u>	<u>-</u>	<u>192,643</u>	<u>259,159</u>	<u>-</u>	<u>259,159</u>
Total expenses	2,958,468	-	2,958,468	2,415,509	-	2,415,509
<b>Other income (expense):</b>						
Net investment (loss) return	(654,639)	-	(654,639)	365,049	-	365,049
Gain on forgiveness of PPP loan	-	-	-	190,940	-	190,940
Interest income	2,835	-	2,835	315	-	315
Loss on disposal of assets	-	-	-	(27,143)	-	(27,143)
Gain from insurance and settlement proceeds	<u>2,594</u>	<u>-</u>	<u>2,594</u>	<u>72,055</u>	<u>-</u>	<u>72,055</u>
Total other (expense) income	<u>(649,210)</u>	<u>-</u>	<u>(649,210)</u>	<u>601,216</u>	<u>-</u>	<u>601,216</u>
Change in net assets	(786,012)	20,138	(765,874)	1,029,671	164,808	1,194,479
Net assets, beginning of year	<u>16,610,667</u>	<u>959,791</u>	<u>17,570,458</u>	<u>15,580,996</u>	<u>794,983</u>	<u>16,375,979</u>
Net assets, end of year	<u>\$ 15,824,655</u>	<u>\$ 979,929</u>	<u>\$ 16,804,584</u>	<u>\$ 16,610,667</u>	<u>\$ 959,791</u>	<u>\$ 17,570,458</u>

See accompanying notes.

# GILDA'S CLUB KENTUCKIANA, INC.

## Statement of Functional Expenses

Year ended December 31, 2022

	Program Services	General and Administrative	Fundraising	Cost of Direct Benefits to Donors	Total Expenses
Salaries and related expenses:					
Salaries and wages	\$ 926,293	\$ 187,091	\$ 124,810	\$ -	\$ 1,238,194
Health insurance	92,336	18,650	12,441	-	123,427
Payroll taxes	67,547	13,643	9,101	-	90,291
Employee benefits	25,092	5,068	3,381	-	33,541
Payroll service fees	6,947	1,403	936	-	9,286
Total salaries and related expenses	1,118,215	225,855	150,669	-	1,494,739
Depreciation	298,468	29,847	44,770	-	373,085
Fundraising events	-	-	-	192,643	192,643
Program activities	128,455	-	-	-	128,455
Contract services	90,024	-	-	-	90,024
Professional fees	64,963	6,496	9,744	-	81,203
Staff development	60,244	12,168	8,117	-	80,529
Computer and software	62,558	6,256	9,384	-	78,198
Donated materials and supplies	66,192	-	-	-	66,192
Repairs and maintenance	52,319	5,232	7,848	-	65,399
Utilities	30,625	3,062	4,594	-	38,281
Office expense	29,012	2,901	4,352	-	36,265
Advertising	33,650	-	-	-	33,650
Printing and copying	23,593	2,359	3,539	-	29,491
Fees paid to the Cancer Support Community	26,722	-	-	-	26,722
Travel	20,478	2,048	3,072	-	25,598
Insurance	18,890	3,815	2,545	-	25,250
Bad debt expense	-	16,406	-	-	16,406
Telephone and internet	8,369	837	1,255	-	10,461
Postage	5,838	417	2,085	-	8,340
Miscellaneous	46,045	4,597	6,895	-	57,537
Total expenses	\$ 2,184,660	\$ 322,296	\$ 258,869	\$ 192,643	\$ 2,958,468

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	<u>6,218</u>	<u>1,256</u>	<u>838</u>	<u>-</u>	<u>8,312</u>
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
Program activities	67,271	-	-	-	67,271
Contract services	65,613	-	-	-	65,613
Professional fees	37,995	3,800	5,699	-	47,494
Staff development	5,492	1,109	741	-	7,342
Computer and software	16,914	1,691	2,537	-	21,142
Donated materials and supplies	68,670	-	-	-	68,670
Repairs and maintenance	36,503	3,650	5,475	-	45,628
Utilities	27,930	2,793	4,189	-	34,912
Office expense	10,698	1,070	1,605	-	13,373
Advertising	20,518	-	-	-	20,518
Printing and copying	19,142	1,914	2,871	-	23,927
Fees paid to the Cancer Support Community	21,905	-	-	-	21,905
Travel	1,642	164	246	-	2,052
Insurance	20,015	4,043	2,697	-	26,755
Bad debt expense	-	32,692	-	-	32,692
Telephone and internet	8,295	830	1,244	-	10,369
Postage	5,585	399	1,995	-	7,979
Miscellaneous	<u>35,094</u>	<u>3,509</u>	<u>5,264</u>	<u>-</u>	<u>43,867</u>
Total expenses	\$ <u>1,681,397</u>	\$ <u>272,596</u>	\$ <u>202,357</u>	\$ <u>259,159</u>	\$ <u>2,415,509</u>

See accompanying notes.



# GILDA'S CLUB KENTUCKIANA, INC.

## Statements of Cash Flows

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (765,874)	\$ 1,194,479
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	373,085	366,363
Bad debt expense	16,406	32,692
Loss on disposal of assets	-	27,143
Loss (gain) on endowment investments	654,639	(365,049)
Gain on forgiveness of PPP Loan	-	(190,940)
Change in discount of pledges receivable	2,122	20,188
Change in discount of grants receivable	18,575	18,790
Lease expense	16,437	-
Increase (decrease) in cash due to changes in:		
Pledges receivable	250,039	423,942
Grants receivable	942,350	220,494
Employee retention credit receivable	260,026	(260,026)
Prepaid expenses and other assets	60,334	(59,487)
Accounts payable	(43,471)	49,392
Accrued liabilities	43,691	1,455
Operating lease liability	<u>(14,941)</u>	<u>-</u>
Net cash provided by operating activities	1,813,418	1,479,436
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(51,172)	(104,823)
Purchase of endowment investments	(1,092,747)	(1,595,819)
Sale of endowment investments	<u>567,062</u>	<u>561,407</u>
Net cash used in investing activities	(576,857)	(1,139,235)
<b>Cash flows from financing activities:</b>		
Proceeds from PPP loan	<u>-</u>	<u>190,940</u>
Net increase	1,236,561	531,141
Cash and cash equivalents, beginning of year	<u>1,163,896</u>	<u>632,755</u>
Cash and cash equivalents, end of year	\$ <u>2,400,457</u>	\$ <u>1,163,896</u>
<b>Reconciliation to statements of financial position:</b>		
Cash and cash equivalents	\$ 2,336,197	\$ 1,111,709
Cash designated for building maintenance	<u>64,260</u>	<u>52,187</u>
Cash and cash equivalents, end of year	\$ <u>2,400,457</u>	\$ <u>1,163,896</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 and Grants Receivable

Unconditional promises to give and grants receivable are reported on the statements of financial position as pledges or grants receivable and the statements of activities as increases in the appropriate net asset category, based on donor or grantor imposed restrictions, if any. Pledges and grants 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 and grants based upon the anticipated collectability of each specific pledge or grant. In evaluating the collectability of receivables, the Organization considers a number of factors, including historical loss rates, the age of the receivables, 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 or grant agreement, and are written off when deemed uncollectible. The Organization does not charge interest on pledges or grants 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 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.

## GILDA'S CLUB KENTUCKIANA, INC.

### Notes to the Financial Statements, continued

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

##### Forgivable Loans, continued

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 amount forgiven during the year ended December 31, 2021 is included as gain on forgiveness of PPP loan on the statements of activities.

##### Adoption of New Accounting Standards

Effective January 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and associated amendments. This standard requires 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). The Organization recognizes: 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 Organization recognized and measured its leases at January 1, 2022 in accordance with Accounting Standards Codification (ASC) Topic 842 using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Amounts as of and for the year ended December 31, 2021 are accounted for in accordance with previous guidance (ASC Topic 840).

Upon adoption of this new standard on January 1, 2022, the Organization recorded right-of-use assets and correspondingly lease liabilities of \$157,048. The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Effective January 1, 2022, the Organization also adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*. The adoption of this new standard did not result in any change in accounting or presentation of in-kind contributions; however, additional disclosures about the description and valuation of in-kind contributions have been added to the footnotes (see Note 14).

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

### Notes to the Financial Statements, continued

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

##### Leases

Lease assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines if an arrangement is, or contains, a lease at inception of the agreement, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization has made an accounting policy election not to recognize right-of-use (ROU) assets and lease liabilities for leases with a term of twelve months or less. Lease expense for such leases is recognized on a straight-line basis over the lease term. For all other leases, they are classified as either finance or operating leases.

Operating leases are included in right-of-use asset, and operating lease liabilities (current and non-current) in the statement of financial position. Operating lease expense is recognized on a straight-line basis over the lease term.

Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date of the lease, and are reduced by any lease incentives.

As most of the Organization's leases do not provide an implicit rate, the Organization uses an incremental borrowing rate of 6.50% at December 31, 2022, based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at the commencement date.

Lease terms may include options to extend or terminate the lease. Where management concludes that it is reasonably certain that a renewal or termination option will be exercised, that renewal period or termination option is used to determine the lease term and the related payments that are reflected in the ROU asset and lease liability.

Some of the Organization's leases include variable lease payments. Variable lease payments are only included in measuring ROU assets and lease liabilities if they depend on an index or a rate, or are in substance fixed payments. Variable payments that are not included in measuring the ROU assets are expensed when incurred. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

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

### Notes to the Financial Statements, continued

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

##### Leases, continued

Lease agreements with lease and non-lease components are generally accounted for separately based upon the standalone price of the separate lease and non-lease components at the commencement date of the lease. The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for the Organization's real estate leases. The non-lease components generally relate to the separate payments made to the lessor based on the lessor's property and casualty insurance costs and the property taxes assessed on the property, as well as a portion of the common area maintenance costs associated with the property. The non-lease components are variable in nature and are recorded in variable lease expense in the period incurred.

##### 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 (see Note 14).

## 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:

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
Miscellaneous	Time and effort

##### Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expenses were \$33,650 and \$20,518 for the years ended December 31, 2022 and 2021, 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 \$17,834 and \$33,845 of rental income for the years ended December 31, 2022 and December 30, 2021, that is consider unrelated business income.



## GILDA'S CLUB KENTUCKIANA, INC.

### Notes to the Financial Statements, continued

## 2. Summary of Significant Accounting Policies, continued

### Recent Accounting Pronouncements

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 (excluding pledges and 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.

### Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through June 22, 2023, the date that the financial statements were available to be issued.

## 3. Liquidity and Availability

As of December 31, 2022, the Organization had the following financial assets available at year end to meet its general expenditures over the next twelve months:

Total assets	\$ 17,030,156
Less: Property and equipment, net	(9,811,067)
Less: Prepaid expenses	(13,366)
Less: Right-of-use asset - operating lease	<u>(140,611)</u>
Financial assets at December 31	7,065,112
Less: Restricted by donor	(979,929)
Less: Board designated assets	(3,655,684)
Less: Long-term pledges receivable	(43,415)
Less: Long-term grants receivable	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>2,386,084</u>

The Organization has a goal to maintain financial assets, and specifically cash on hand to meet 60 days of normal operating expenses. 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.

# GILDA'S CLUB KENTUCKIANA, INC.

## Notes to the Financial Statements, continued

### 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 6.50% and 1.90% as of December 31, 2022 and 2021, respectively.

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

	<u>2022</u>	<u>2021</u>
Amounts due within:		
One year or less	\$ 617,880	\$ 551,311
One to five years	<u>46,384</u>	<u>373,185</u>
	664,264	924,496
Less discount for pledges to be collected in more than one year	2,969	5,091
Less allowance for uncollectible pledges	<u>24,975</u>	<u>14,518</u>
Pledges receivable, net	\$ <u>636,320</u>	\$ <u>904,887</u>

### 5. Grants Receivable

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 was scheduled to be paid over 4 years, but it was paid in full in 2022. 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.

Grants receivable are as follows:

	<u>2022</u>	<u>2021</u>
Amounts due within:		
One year or less	\$ 32,500	\$ 345,333
One to five years	<u>-</u>	<u>666,667</u>
	32,500	1,012,000
Less discount for pledges to be collected in more than one year	<u>-</u>	<u>18,575</u>
Grants receivable, net	\$ <u>32,500</u>	\$ <u>993,425</u>

## GILDA'S CLUB KENTUCKIANA, INC.

### Notes to the Financial Statements, continued

#### 6. Employee Retention Credit

Under the provisions of the CARES Act, the Organization was 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. In October 2022, the Organization received additional refunds totaling \$30,936 due to amendments to the 2021 application.

#### 7. Property and Equipment

Property and equipment are summarized as follows at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 320,000	\$ 320,000
Building and improvements	10,119,673	10,114,942
Furniture	914,993	885,445
Office equipment	137,705	120,812
Vehicles	<u>50,844</u>	<u>50,844</u>
	11,543,215	11,492,043
Less accumulated depreciation	<u>1,732,148</u>	<u>1,359,063</u>
	<u>\$ 9,811,067</u>	<u>\$ 10,132,980</u>

Depreciation expense during the years ended December 31, 2022 and 2021 was \$373,085 and \$366,363, 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.

# GILDA'S CLUB KENTUCKIANA, INC.

## Notes to the Financial Statements, continued

### 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, 2022 and 2021.

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, 2022 and 2021, 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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>2022</u></b>				
Money market funds	\$ 250,700	\$ -	\$ -	\$ 250,700
Mutual funds and marketable securities:				
Fixed income	1,039,531	-	-	1,039,531
Equity	<u>2,705,604</u>	<u>-</u>	<u>-</u>	<u>2,705,604</u>
Total mutual funds and marketable securities	<u>3,745,135</u>	<u>-</u>	<u>-</u>	<u>3,745,135</u>
Total investments	\$ <u>3,995,835</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,995,835</u>

# GILDA'S CLUB KENTUCKIANA, INC.

## Notes to the Financial Statements, continued

### 8. Investments and Fair Value Measurements, continued

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

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

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 78,332	\$ 91,061
Net realized and unrealized (loss) gains on investments reported at fair value	(702,967)	348,540
Investment fees	<u>(30,004)</u>	<u>(74,552)</u>
Net investment (loss) return	<u>\$ (654,639)</u>	<u>\$ 365,049</u>

### 9. Line of Credit

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 to May 7, 2024; however, in January 2023, the line of credit agreement was terminated. The Organization did not draw on the line of credit in 2022 or 2021.

### 10. Leases

The Organization has an operating lease for an office that has an initial term of 5 years and expires in 2024. The operating lease does not contain any material restrictive covenants or residual value guarantees. The lease includes an option to renew for 5 additional years at the Organization's sole discretion, which has been reflected in the lease liability shown below. Lease expense for the years ended December 31, 2022 and 2021 was \$37,319 and \$15,788, respectively.

## GILDA'S CLUB KENTUCKIANA, INC.

### Notes to the Financial Statements, continued

#### 10. Leases, continued

The maturity of the lease liability as of December 31, 2022 was as follows:

2023	\$	24,576
2024		24,576
2025		27,034
2026		27,034
2027		27,034
Thereafter		<u>45,056</u>
Total lease payments		175,310
Less imputed interest		<u>(33,203)</u>
Total	\$	<u>142,107</u>

#### 11. Retirement Plan

The Organization has a 401(k) plan to fund retirement for its employees. The Organization matches 100% of employees' contributions up to three percent of their compensation. The Organization made contributions of \$27,118 and \$13,467 for the years ended December 31, 2022 and 2021, respectively.

#### 12. 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.

## GILDA'S CLUB KENTUCKIANA, INC.

### Notes to the Financial Statements, continued

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

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, 2022 and 2021 were as follows:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Balance at December 31, 2020	\$ 2,320,917	\$ 404,411	\$ 2,725,328
Funds deposited	1,034,412	-	1,034,412
Gain on investment	<u>365,049</u>	<u>-</u>	<u>365,049</u>
Balance at December 31, 2021	3,720,378	404,411	4,124,789
Funds deposited	<b>481,013</b>	-	<b>481,013</b>
Loss on investment	<u>(609,967)</u>	<u>-</u>	<u>(609,967)</u>
Balance at December 31, 2022	<b><u>\$ 3,591,424</u></b>	<b><u>\$ 404,411</u></b>	<b><u>\$ 3,995,835</u></b>

## GILDA'S CLUB KENTUCKIANA, INC.

### Notes to the Financial Statements, continued

#### 12. 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, 2022 or December 31, 2021.

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.

#### 13. Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Grants - restricted for program costs	\$ 575,518	\$ 555,380
Investment in perpetuity	<u>404,411</u>	<u>404,411</u>
Total net assets with restrictions	<u>\$ 979,929</u>	<u>\$ 959,791</u>

Net assets totaling \$164,808 and \$390,572 for the years ended December 31, 2022 and 2021, 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.

#### 14. In-kind Contributions

The Organization received the following contributions of nonfinancial assets for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Auction items	\$ 63,783	\$ 55,498
Supplies	1,959	4,620
Gift cards	180	3,734
Miscellaneous	<u>270</u>	<u>4,818</u>
Total in-kind contributions	<u>\$ 66,192</u>	<u>\$ 68,670</u>



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

### Notes to the Financial Statements, continued

#### **14. In-kind Contributions, continued**

The Organization receives items to be sold at its event auctions. Contributed auction items are valued at the gross selling price received and are recorded as in-kind contribution revenue. Contributed supplies, gift cards, and miscellaneous items received by the Organization are also recorded as in-kind contribution revenue. The Organization values these items at the wholesale prices that would be received for selling similar products.

#### **15. 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 \$190,819 and \$326,374 for the years ended December 31, 2022 and 2021, respectively.

#### **16. 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. During 2022, the Organization suffered an additional instance of flooding. As of December 31, 2022, the Organization incurred \$21,074 of repairs related to water damage and received \$23,668 in insurance proceeds from its insurance providers. The insurance proceeds of \$23,668 were netted against the repair and maintenance costs of \$21,074 and the resulting gain of \$2,594 was reported in the statement of activities.