



Society of St. Vincent DePaul, Council of Northern Kentucky

September 30, 2022

Financial Statements and Independent Auditors' Report

**SOCIETY OF ST. VINCENT DEPAUL,
COUNCIL OF NORTHERN KENTUCKY
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Society of St. Vincent DePaul, Council of Northern Kentucky
Erlanger, Kentucky

Opinion

We have audited the accompanying financial statements of Society of St. Vincent DePaul, Council of Northern Kentucky (a nonprofit Council), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of donated inventory and store vouchers not recorded in the financial statements as described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Society of St. Vincent DePaul, Council of Northern Kentucky as of September 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

As described in the notes to the financial statements, the Council has not recorded gifts of donated inventory and distributed or use of store vouchers in the financial statements. In our opinion, accounting principles generally accepted in the United States of America require that gifts of donated inventory be recorded at fair value at the date of receipt. The effects on the accompanying financial statements of the failure to record donated inventory acquired by gift have not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Society of St. Vincent DePaul, Council of Northern Kentucky and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter

As discussed in the notes to the financial statements, the previously issued financial statements for the year ended September 30, 2021, have been restated for the correction of material misstatements. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Society of St. Vincent DePaul, Council of Northern Kentucky's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Society of St. Vincent DePaul, Council of Northern Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of the 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 Society of St. Vincent DePaul, Council of Northern Kentucky'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.

VonLehman & Company Inc.

**SOCIETY OF ST. VINCENT DEPAUL,
COUNCIL OF NORTHERN KENTUCKY
STATEMENT OF FINANCIAL POSITION**

ASSETS

	September 30, 2022
Current Assets	
Cash and Cash Equivalents	\$ 892,777
Restricted Cash	18,370
Accounts Receivable	26,960
Employee Retention Credit Receivable	53,300
Total Current Assets	991,407
Property and Equipment, Net	439,503
Other Assets	
Investments	1,293,797
Beneficial Interest in Assets Held by Community Foundation	20,248
Deposits	6,292
Total Other Assets	1,320,337
Total Assets	\$ 2,751,247

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	\$ 29,315
Accrued Liabilities	87,428
Total Current Liabilities	116,743
Net Assets	
Without Donor Restrictions	2,409,069
With Donor Restrictions	225,435
Total Net Assets	2,634,504
Total Liabilities and Net Assets	\$ 2,751,247

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL,
COUNCIL OF NORTHERN KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support and Gains			
Sales of Donated Items	\$ 3,467,736	\$ -	\$ 3,467,736
Special Events (Revenue of \$118,160 Less Expenses of \$21,628)	68,758	27,774	96,532
Grants	223,628	136,108	359,736
Donations and Memorials	456,684	-	456,684
Net Investment Return	(161,915)	-	(161,915)
Loss on Disposal of Property and Equipment	(347)	-	(347)
	<hr/>	<hr/>	<hr/>
Total Revenue, Support and Gains	4,054,544	163,882	4,218,426
Net Assets Released From Restriction	<u>39,326</u>	<u>(39,326)</u>	<u>-</u>
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, Gains and Reclassifications	4,093,870	124,556	4,218,426
	<hr/>	<hr/>	<hr/>
Expenses			
Program Services	3,466,905	-	3,466,905
Management and General	162,332	-	162,332
Fundraising and Development	245,710	-	245,710
	<hr/>	<hr/>	<hr/>
Total Expenses	3,874,947	-	3,874,947
	<hr/>	<hr/>	<hr/>
Excess of Revenue, Support, Gains and Reclassifications Over Expenses	218,923	124,556	343,479
Change in Beneficial Interest in Assets Held by Community Foundation			
	<u>-</u>	<u>(4,275)</u>	<u>(4,275)</u>
	<hr/>	<hr/>	<hr/>
Change in Net Assets	218,923	120,281	339,204
Net Assets, Beginning of Year - As Restated	<u>2,190,146</u>	<u>105,154</u>	<u>2,295,300</u>
	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	<u>\$ 2,409,069</u>	<u>\$ 225,435</u>	<u>\$ 2,634,504</u>

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL,
COUNCIL OF NORTHERN KENTUCKY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries and Payroll Tax	\$ 1,968,649	\$ 73,491	\$ 190,104	\$ 2,232,244
Employee Benefits	166,110	19,428	14,195	199,733
Employee Hiring and Training	7,333	653	150	8,136
Telephone and Technology	67,310	2,403	5,246	74,959
Professional Fees	64,272	7,782	2,876	74,930
Special Events Expense	-	-	21,628	21,628
Supplies	55,308	5,472	162	60,942
Postage and Printing	1,180	2,288	11,524	14,992
Depreciation	52,892	2,938	2,938	58,768
Business Insurance	54,531	8,812	995	64,338
Utilities	70,499	2,549	1,274	74,322
Transportation	69,000	-	-	69,000
Facility Maintenance	104,820	1,510	-	106,330
Advertising and Promotion	3,988	1,173	14,326	19,487
National Dues and Meetings	361	24,029	-	24,390
Membership Dues and Subscriptions	-	2,801	-	2,801
Rent	237,843	4,697	-	242,540
Service Charges	65,158	1,982	1,596	68,736
Bed Program Expense	126,400	-	-	126,400
Conference Stipends	186,789	-	-	186,789
Out of Area Support	68,922	-	-	68,922
Food Pantry	13,413	-	-	13,413
Summer Breeze Program Expense	22,284	-	-	22,284
New Life Furniture Bank	5,200	-	-	5,200
Homeless Assistance	25,598	-	-	25,598
Service Charge - Auto Auction	8,881	-	-	8,881
Butler Grant Helping Hands	10,301	-	-	10,301
Other Program Specific Expenses	4,034	-	-	4,034
Miscellaneous	5,829	324	324	6,477
Total Expenses by Function	3,466,905	162,332	267,338	3,896,575
Less Expenses Included with Revenues on the Statement of Activities				
Special Event Expenses	-	-	21,628	21,628
Total Expenses	\$ 3,466,905	\$ 162,332	\$ 245,710	\$ 3,874,947

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL,
COUNCIL OF NORTHERN KENTUCKY
STATEMENT OF CASH FLOWS**

	Year Ended September 30 2022
Cash Flows From Operating Activities	
Change in Net Assets	\$ 339,204
Reconciliation of Change in Net Assets with Cash Flows From Operations	
Loss on Sale of Property and Equipment	347
Change in Beneficial Interests In Assets Held by Community Foundation	4,275
Net Investment Return	161,915
Depreciation	58,768
Changes in Operating Assets and Liabilities	
Accounts Receivable	(26,960)
Accounts Payable	(646)
Accrued Liabilities	31,964
	568,867
Net Cash Provided by Operating Activities	568,867
 Cash Flows From Investing Activities	
Purchases of Investments	(467,786)
Proceeds From Sales of Investments	324,175
	(143,611)
Net Cash Used by Investing Activities	(143,611)
 Net Change in Cash, Cash Equivalents, and Restricted Cash	425,256
 Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	485,891
 Cash, Cash Equivalents, and Restricted Cash - End of Year	\$ 911,147

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL, COUNCIL OF NORTHERN KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Society of St. Vincent DePaul, Council of Northern Kentucky (the Council), is a nonprofit Council that was incorporated in November 1954 for the purpose of serving the less fortunate with basic necessities regardless of religious affiliation or any other demographic.

The Council provides support for all member conferences that are associated with the Diocese of Covington parishes. The Council gives financial support to the member conferences who then provide emergency financial assistance to those that need it within their respective parishes. The Council also redeems clothing, furniture, and houseware vouchers issued by those conferences. The Council has thrift stores in Erlanger, Falmouth, Florence, and Cold Spring, Kentucky. Individuals can redeem their vouchers at all store locations. The Council administers a bed program and several seasonal programs. The Council operates three food pantries in Erlanger, Cold Spring, and Falmouth, Kentucky and has a food distribution program. Additionally, the Council provides assistance to those experiencing homelessness and provides financial assistance to areas out of reach of the parish conferences. The Council has a Microloan Program to help meet the root causes of poverty.

The Council's viability is dependent on the success of program services, contributions and grants, etc. and the Council's ability to operate thrift stores.

Departure from Generally Accepted Accounting Principles

Accounting principles requires accurate valuation and revenue recognition of nonfinancial inventory donations. Reporting the revenues and expenses resulting from the donation of inventory demonstrates how much the Council depends on the contributions to perform its mission. In relation to the sale of donated items, the Council issues vouchers to clients to be used for the purchase of donated items in their stores. Vouchers issued and redeemed by Council clients are not recorded in accordance with GAAP as required. Reporting issued and redeemed vouchers would demonstrate the amount of overall complementary items the Council provides to the community.

Use of Estimates

The process of preparing financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounts Receivable

Accounts receivable are stated at contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account or pledge has not been paid in full within the contractual terms of the account. The Council begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Council's collection history, the financial stability and recent payment history of the grantors and clients, and other pertinent factors. Accounts receivables are written off as uncollectible after the Council has used reasonable collection efforts and deems them uncollectible. Based on these criteria, no allowance for doubtful accounts has been provided at September 30, 2022 since the Council does not expect any material losses.

Investments

Investments, if purchased, are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less any external and direct internal investment expenses. Cash equivalents, and other securities and investments held in brokerage accounts, are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account with a limit of \$250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost, or if donated, at fair value at the date of donation, and depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method and double declining method for financial reporting purposes. Maintenance and repairs are charged to operations when incurred. Significant betterments and renewals are capitalized for items in excess of \$2,000.

The useful lives of property and equipment for purposes of computing depreciation are:

Buildings	10 to 40 Years
Leasehold Improvements	3 to 20 Years
Furniture and Fixtures	5 to 10 Years
Machinery and Equipment	10 Years
Autos and Trucks	3 to 10 Years

Beneficial Interest in Assets Held by Community Foundation

During 2021, the Council established a fund that is perpetual in nature under a community foundation's (CF) Non-Profit Endowment Grant Program and named the Council as beneficiary. The Council granted variance power to the CF, which allows the CF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the CF for the benefit of the Council and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment, and no adjustments were deemed necessary during the year ended September 30, 2022.

Net Assets

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 – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – 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-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Council reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

Revenue From Contracts with Customers

Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing service. The Council recognizes contract revenue for financial reporting purposes over time, at a point in time, or both.

The Council recognizes revenues from sales of donated items at the time goods are sold.

The Council records special events revenue equal to the cost of direct benefits to donors. Revenue for special events is recognized at a point in time, which is the time of the event.

Revenue From Contributions

The Council recognizes contributions when cash, securities or other assets, an unconditional promise to give, or 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 substantially met. The Council's grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

The Council has 33,299 hours contributed to its mission through volunteers, however, the statement of activities does not reflect the value of these services as they do not meet the recognition criteria required under U.S. GAAP.

Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided an employee retention credit (CARES Employee Retention Credit), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Council has determined that they meet the criteria to qualify for this tax credit under the CARES Act for certain quarters in 2020 and 2021. During the fiscal year ended September 30, 2022 the Council recorded \$53,000, related to the CARES Employee Retention Credit on the Council's statement of activities. As of September 30, 2022, the Council has a \$53,000 employee retention credit receivable balance from the United States government related to the CARES Act, which is recorded on the statement of financial position.

Advertising Costs

The Council expenses the cost of advertising when incurred.

Retirement Plan

The Council sponsors a 403(b) plan for its employees. Eligible full-time and part-time employees may elect to make deferrals pursuant to a salary reduction agreement upon meeting a 90-day length-of-service requirement. The Council may choose to contribute an additional 25% discretionary match of each employee's payroll deducted contribution to their account. By its nature, the Plan is fully funded.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, salaries and wages, benefits, payroll taxes, professional services, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

Society of St. Vincent DePaul, Council of Northern Kentucky is a nonprofit Council as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to the Internal Revenue Code.

The Council has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Council recognized no interest or penalties in the statement of activities for the year ended September 30, 2022. If the situation arose in which the Council would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under Federal and state statutes of limitations and remain subject to review and change. The Council is not currently under audit nor has the Council been contacted by these jurisdictions.

Based on the evaluation of the Council's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded the year ended September 30, 2022.

Recently Issued Significant Accounting Standard

Lease Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The ASU is effective for nonpublic entities for years beginning after December 15, 2021.

The Council is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

Reclassifications

Cash and equivalents and investment amounts in the prior period financial statements have been reclassified as follows:

	Cash and Equivalents	Investments
Balance at September 30, 2021	\$ 662,466	\$ 1,092,815
Reclassification	(214,837)	214,837
Reclassified Balance at September 30, 2021	\$ 447,629	1,307,652

The reclassification had no impact on previously reported net assets.

Subsequent Events

The Council has evaluated subsequent events through February 23, 2023, which is the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY

Financial assets available for general use and without donor or other restrictions, or designations limiting their use within one year of the statement of financial position, are comprised of the following:

	September 30, 2022
Cash and Cash Equivalents	\$ 892,777
Restricted Cash	18,370
Investments	1,293,797
Accounts Receivable	26,960
Employee Retention Credit Receivable	53,300
	2,285,204
Total Financial Assets	2,285,204
Restricted or Designated Funds	
Donor Restricted Funds Held	(205,187)
Beneficial Interest In Assets Held by Community Foundation	(20,248)
	(225,435)
Total Restricted or Designated Assets	(225,435)
Total Financial Assets Available	\$ 2,059,769

As part of the Council's liquidity management, the Council invests cash in excess of needs, typically as six month reserves.

NOTE 3 - CASH AND CASH FLOWS

At various times throughout the year, the Council may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to \$250,000 for each business depositor.

For purposes of the cash flows statements, cash and cash equivalents include cash on hand and cash held in checking accounts.

The following provides a reconciliation of cash, cash equivalents and restricted cash reported on the statement of cash flows to amounts reported in the statement of financial position:

	September 30, 2022
Cash and Cash Equivalents	\$ 892,777
Cash Restricted related to Microloan Program	18,370
	\$ 911,147

The Council has a microloan program it established through partnership with a local credit union to administer. The program grants loans up to \$2,500 to individuals in need with the expectation of repayment. The credit union administers the loans including issuance and collection of payments. The organization is required to hold funds at the credit union in the amount of the loans outstanding to individuals as collateral. The Council has chosen to hold all donations for the microloan program in the account rather than only the legally restricted portion.

NOTE 4 - CONTRACT BALANCES

Receivables from contracts with customers were as follows:

	September 30, <u>2022</u>
Accounts Receivable	
Beginning of Year	\$ -
End of Year	\$ 26,960

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation consisted of the following:

Land	\$ 66,763
Buildings	277,209
Leasehold Improvements	433,592
Furniture and Fixtures	100,988
Machinery and Equipment	102,570
Auto and Trucks	<u>351,629</u>
	1,332,751
Less Accumulated Depreciation	<u>893,248</u>
Total Property and Equipment, Net	<u>\$ 439,503</u>

NOTE 6 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

LEVEL 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Council has the ability to access at the measurement date.

LEVEL 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

LEVEL 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Council uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

Following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2022.

Cash and Cash Equivalents - Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Corporate Bonds - Valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

Exchange Traded Funds - Valued at the daily closing price as reported by the fund. Exchange Traded Funds held by the Council are open-end exchanged traded funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Council are deemed to be actively traded.

Beneficial Interest in Assets Held by the Community Foundation - Valued at fair value of fund investments as reported by the community foundation.

The preceding methods described may provide a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Council 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 operating date.

The following table sets forth by level, within the fair value hierarchy, the Council's assets at fair value at September 30, 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and Cash Equivalents	\$ 103,358	\$ -	\$ -	\$ 103,358
Corporate Bonds	-	668,494	-	668,494
Exchange Traded Funds	521,945	-	-	521,945
Beneficial Interest in Assets Held by Community Foundation	<u>-</u>	<u>-</u>	<u>20,248</u>	<u>20,248</u>
Total Assets at Fair Value	<u>\$ 625,303</u>	<u>\$ 668,494</u>	<u>\$ 20,248</u>	<u>\$ 1,314,045</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

September 30, 2022	Beneficial Interest In Assets Held by Community Foundation
Net investment Return of Investments	<u>\$ (4,275)</u>

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

Risks and Uncertainties

The Council invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credits risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and those changes could materially affect account balances and amounts reported on the statements of financial position.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	September 30, 2022
Subject to Expenditure for Specified Purpose	
Micro Loan Program	\$ 53,118
Disaster Relief	8,187
Kentucky Disaster Relief	116,108
	177,413
 Subject to the Passage of Time	
Events	27,774
 Not Subject to Spending Policy or Appropriation	
Beneficial Interests in Assets Held by Community Foundations	20,248
Total Net Assets with Donor Restrictions	\$ 225,435

NOTE 8 - OPERATING LEASES

Office Equipment

The Council leases office equipment with expiration dates through August 2026. These equipment leases call for monthly payments of \$367 and quarterly payments of \$138. The Council incurred lease expenses related to these leases of \$5,022 for 2022.

Buildings

The Council leases buildings for their stores with varying expiration through March 2028. Monthly payments range from \$5,000 to \$8,775 per month. The Council incurred lease expense related to these leases of \$165,298 for 2022.

NOTE 8 - OPERATING LEASES (Continued)

The following are the net minimum lease payments for the remainder of these leases:

Years Ending September 30,	Office Equipment	Buildings	Total
2023	\$ 4,994	\$ 165,298	\$ 170,292
2024	4,994	125,298	130,292
2025	4,994	105,298	110,292
2026	4,486	105,298	109,784
2027	-	105,298	105,298
Thereafter	-	52,649	52,649
	<u>\$ 19,468</u>	<u>\$ 659,139</u>	<u>\$ 678,607</u>

NOTE 9 - RETIREMENT PLAN EXPENSE

During the year ended September 30, 2022, the Council incurred expenses related to the Council sponsored retirement plan in the amount of \$15,950.

NOTE 10 - RESTATEMENT OF NET ASSETS

The beginning net assets for the year ended September 30, 2021 have been restated to properly report restricted net assets for restricted donations and events in addition to removing pantry inventory related to donated pantry inventory not tracked and fully used. The effect of the restatements to beginning net assets for the year ended September 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets at September 30, 2021	\$ 2,189,639	\$ 73,651	\$ 2,263,290
Employee Retention Credit	53,300	-	53,300
Pantry Inventory	(29,477)	-	(29,477)
Restricted Pantry Donations	35,389	(35,389)	-
Beneficial Interest at Community Foundation	(24,523)	24,523	-
Disaster Relief Liability	-	8,187	8,187
Restricted Event Income	(34,182)	34,182	-
Net Assets at October 1, 2021 - As Restated	<u>\$ 2,190,146</u>	<u>\$ 105,154</u>	<u>\$ 2,295,300</u>