Young & Wadlington CPAs | Advisors PLLC

NEW OPPORTUNITY SCHOOL
FOR WOMEN, INC.
Berea, Kentucky

FINANCIAL STATEMENTS
December 31, 2022 and 2021

C O N T E N T S

YOUNG & WADLINGTON
CPAS | ADVISORS PLLC

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Opportunity School for Women, Inc.
Berea, Kentucky

We have audited the financial statements of New Opportunity School for Women, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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 the financial statements referred to above present fairly, in all material respects the financial position of New Opportunity School for Women, Inc. as of December 31, 2022, and the changes in its net assets 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

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Opportunity School for Women, Inc. and to meet our 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 audit opinion.

Management's Responsibility 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 New Opportunity School for Women, Inc.'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 and 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 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, misrepresentation, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individual or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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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 New Opportunity School for Women, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Opportunity School for Women, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Young & Wadlington PLLC

Young & Wadlington, PLLC
Lexington, Kentucky
June 23, 2023

NEW OPPORTUNITY SCHOOL FOR WOMEN, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS	**2022**	**2021**
Current assets:		
Cash and cash equivalents	$ 152,881	$ 174,629
Investments	1,234,412	1,483,268
Pledges and grants receivable	15,887	21,013
Employee rentention credit receivable	113,807	113,807
Other receivables	-	157
Prepaid expenses	7,577	10,296
Other current assets	-	4,081
Total current assets	1,524,564	1,807,251
Property and equipment, net	36,389	47,769
Total assets	$ 1,560,953	$ 1,855,020
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 16,453	$ 16,328
Accrued expenses	24,675	28,199
Total liabilities	41,128	44,527
Net assets		
Without donor restrictions	1,499,325	1,789,993
With donor restrictions	20,500	20,500
Total net assets	1,519,825	1,810,493
Total liabilities and net assets	$ 1,560,953	$ 1,855,020

The accompanying notes are an integral
part of the financial statements.

NEW OPPORTUNITY SCHOOL FOR WOMEN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and non-federal grants	$ 329,828	$ 20,500	$ 350,328
Federal grants	-	-	-
Contributions of nonfinancial assets	8,957	-	8,957
Miscellaneous	(2,427)	-	(2,427)
Interest and dividend income, net of fees	47,392	-	47,392
Realized gain (loss) on investments	(4,366)	-	(4,366)
Unrealized gain (loss) on investments	(193,541)	-	(193,541)
Gain (loss) on disposal of assets	-	-	-
Total support and revenue before assets released from restrictions	185,843	20,500	206,343
Assets released from restrictions:			
Satisfaction of donor restrictions	20,500	(20,500)	-
Total support and revenue	206,343	-	206,343
Expenses			
Program services	399,498	-	399,498
Management and general	41,833	-	41,833
Fund raising	55,680	-	55,680
Total expenses	497,011	-	497,011
Changes in net assets	(290,668)	-	(290,668)
Net assets at beginning of year	1,789,993	20,500	1,810,493
Net assets at end of year	$ 1,499,325	$ 20,500	$ 1,519,825

The accompanying notes are an integral
part of the financial statements.

NEW OPPORTUNITY SCHOOL FOR WOMEN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and non-federal grants	$ 288,394	$ 20,500	$ 308,894
Federal grants	113,807	-	113,807
Contributions of nonfinancial assets	4,081	-	
Interest and dividend income, net of fees	110,193	-	110,193
Realized gain (loss) on investments	811	-	811
Unrealized gain (loss) on investments	152,467	-	152,467
Gain (loss) on disposal of assets	(23,815)	-	(23,815)
Total support and revenue before assets released from restrictions	645,938	20,500	666,438
Assets released from restrictions:			
Satisfaction of donor restrictions	55,000	(55,000)	-
Total support and revenue	700,938	(34,500)	666,438
Expenses			
Program services	297,687	-	297,687
Management and general	34,506	-	34,506
Fund raising	49,615	-	49,615
Total expenses	381,808	-	381,808
Changes in net assets	319,130	(34,500)	284,630
Net assets at beginning of year	1,470,863	55,000	1,525,863
Net assets at end of year	$ 1,789,993	$ 20,500	$ 1,810,493

The accompanying notes are an integral
part of the financial statements.

NEW OPPORTUNITY SCHOOL FOR WOMEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

Expenses:	Program Services	Management and General	Fund Raising	Total
Salaries	$ 182,582	$ 21,823	$ 38,068	$ 242,473
Payroll tax expense	15,240	1,821	3,178	20,239
Employee benefits	25,661	3,067	5,351	34,079
Room and board session	24,956	-	-	24,956
Contract labor	190	-	-	190
Outreach workshops/recruitment	5,834	-	-	5,834
Scholarships and awards	5,850	-	-	5,850
Session reunion, meetings, registration & training	49,043	-	-	49,043
Women's health services	12,487	-	-	12,487
Office supplies	7,525	1,505	1,003	10,033
Postage and shipping	-	-	-	-
Telephone/internet	4,281	856	571	5,708
Depreciation	9,977	1,995	1,330	13,302
Facilities	11,020	2,204	1,469	14,693
Professional fees	23,401	4,680	3,120	31,201
Insurance	6,758	1,352	901	9,011
Vehicle repair and maintenance	765	-	-	765
Board expense	515	102	69	686
Event expense	-	-	620	620
Public relations	13,294	134	-	13,428
Miscellaneous	119	2,294	-	2,413
Total expenses	$ 399,498	$ 41,833	$ 55,680	$ 497,011

The accompanying notes are an integral part of the financial statements.

NEW OPPORTUNITY SCHOOL FOR WOMEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

Expenses:	Program Services	Management and General	Fund Raising	Total
Salaries	$ 166,399	$ 19,888	$ 34,694	$ 220,981
Payroll tax expense	13,845	1,655	2,887	18,387
Employee benefits	19,950	2,384	4,160	26,494
Room and board session	-	-	-	-
Contract labor	3,200	-	-	3,200
Outreach workshops/recruitment	1,121	-	-	1,121
Scholarships and awards	5,600	-	-	5,600
Session reunion, meetings, registration & training	12,739	-	-	12,739
Women's health services	5,514	-	-	5,514
Office supplies	7,658	1,532	1,021	10,211
Postage and shipping	314	63	42	419
Telephone/internet	5,140	1,028	685	6,853
Depreciation	10,257	2,051	1,368	13,676
Facilities	9,929	1,986	1,324	13,239
Professional fees	13,086	1,131	2,287	16,504
Insurance	8,093	1,619	1,079	10,791
Vehicle repair and maintenance	1,373	-	-	1,373
Board expense	511	102	68	681
Event expense	-	-	-	-
Public relations	12,909	166	-	13,075
Miscellaneous	49	901	-	950
Total expenses	$ 297,687	$ 34,506	$ 49,615	$ 381,808

The accompanying notes are an integral
part of the financial statements.

NEW OPPORTUNITY SCHOOL FOR WOMEN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (290,668)	$ 284,630
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,302	13,676
Unrealized (gain)/loss on investments	193,541	(152,467)
Loss on disposal of assets	-	23,815
(Increase) decrease in operating activities:		
Pledges and grant receivables	5,126	14,071
Employee rentention credit receivable	-	(113,807)
Other receivables	157	680
Prepaid expenses	2,719	(5,813)
Other current assets	4,081	(4,081)
Increase (decrease) in operating liabilities:		
Accounts payable	125	12,250
Accrued expenses	(3,524)	7,173
Net cash provided/(used) by operating activities	(75,141)	80,127
Cash flows from investing activities:		
Long term investments (net)	55,315	(10,934)
Purchase of fixed assets	(1,922)	(3,123)
Net cash provided/(used) by investing activities	53,393	(14,057)
Net increase/(decrease) in cash and cash equivalents	(21,748)	66,070
Cash and cash equivalents at beginning of year	174,629	108,559
Cash and cash equivalents at end of year	$ 152,881	$ 174,629

The accompanying notes are an integral
part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

New Opportunity School for Women, Inc. (the "Organization") is a not-for-profit organization, located in Berea, Kentucky, whose mission is to improve the educational, financial, and personal circumstances of under-resourced women in the Appalachian region. The Organization is supported through donor contributions, grants, and charges for materials.

Basis of Accounting

The financial statements have been prepared in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, support and revenue are recognized when earned, and expenses and losses are recognized when the obligation is incurred.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets are classified as without donor restrictions and with donor restrictions and are detailed as follows:

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed restrictions or stipulations as to purpose or use.

Net Assets With Donor Restrictions – Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and expire by the passage of time or by the actions of the Organization. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in debt and equity securities with readily determinable fair values are reported at their fair value based on quoted market prices in the statement of financial position. Realized and unrealized gains and losses are included in investment return, along with interest and dividends and investment fees, in the statement of activities.

Receivables

Receivables represent amounts due from various grants and contributions for the outreach programs. The Organization's policy is to charge off uncollectible receivables when management determines the receivable will not be collected. Management has determined that all receivables are collectible, and there is no need for an allowance as of December 31, 2022 and 2021.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of $1,000. Property and equipment are depreciated over the estimated useful life of the asset using

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the straight-line method. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

The useful lives of assets for depreciation purposes are summarized as follows:

Asset	Life in Years
Office equipment, furniture and fixtures	5-10

Equipment is reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements for the years ending December 31, 2022 and 2021.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences is attributable to services already rendered, is not contingent on a specific event that is outside the control of the Organization and its employees and is accrued as employees earn the rights to benefits. Compensated absences that related to future services or that are contingent on a specific event that is outside the control of the Organization and its employees are accounted for in the period in which such services are rendered or in which such events take place.

Contributions and Grants

Contributions, including unconditional promises to give and bequests, are recognized in the period they are received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants of contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that if costs are disallowed, it would not materially affect the financial position of the Organization.

Contributed Nonfinancial Assets

The Organization periodically receives contributions in a form other than cash or investments. If the Organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy. Contributed nonfinancial assets other than land, buildings, or equipment are recorded as revenue and program or operating expense at its estimated fair value as of the date of the gift. Donated services of specialized skills are recognized as contributions as the Organization believes such services require specialized skills that would otherwise be purchased.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

Preparation of the Organization's financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Accordingly, actual results could differ from these estimates.

Income Taxes

The Organization is incorporated and exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the Organization are tax deductible to donors under section 170 of the IRC. The Organization is classified as "other than a private foundation." In accordance with the provision of ASC 740-10, *Accounting for Uncertainty in Income Taxes*, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Organization's management believes there are no material uncertain tax positions and have not recognized any liability for unrecognized tax benefits. For the year ended December 31, 2022 and 2021, the Organization did not recognize any interest or penalties.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

Expense	Allocation Method
Personnel	Job description
Contract services	Time and effort
Travel	Time and effort
Depreciation	Square footage
Telephone	Time and effort
Office expenses	Time and effort
Occupancy	Square footage
Information Technology	Time and effort
Other	Time and effort

Recently Adopted Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* FASB ASC 842 supersedes the lease requirements in FASB 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the statement of financial position for most leases and provide enhanced disclosures. The Organization adopted FASB ASC 842, with a date of initial application of January 1, 2022. The Organization applied the modified retrospective transition approach and using the additional transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. The right-of-use asset and related liabilities are measured at the present value of the future lease payments using the Company's incremental borrowing rate or a risk-free rate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASC Topic 842 includes various other practical expedients that can be elected for new leases that are executed after the adoption of the new requirements. The Organization elected the practical expedient to not separate lease and non-lease components. The Organization also elected to apply the short-term lease recognition exemption which eliminates the requirement to present on the statement of financial position leases with a term of twelve months or less. These two practical expedients were elected for all classes of underlying assets.

Because the Organization has only a building lease, which is short term, the adoption of this standard did not result in an adjustment to the financial statements for the year ended December 31, 2022.

Subsequent Events

The Organization has evaluated subsequent events through June 23, 2023, the date which these consolidated financial statements were available to be issued. Subsequent events past this date, as they pertain to the years ended December 31, 2022 and 2021, have not been evaluated by the Organization.

2. LIQUIDITY AND AVAILABILITY

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations as of December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	$ 152,881	$ 174,629
Pledges, grants and other receivables	129,694	134,977
Prepaid expenses	7,577	10,296
Investments	1,234,412	1,483,268
Less: assets with donor restrictions	(20,500)	(20,500)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,504,064	$ 1,782,670

In addition to financial assets available to meet general expenditures within one year, the Organization operates with a balanced budget with sufficient revenue to cover general expenditures anticipated.

3. INVESTMENTS

Investments consist of the following at December 31, 2022 and 2021:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 70,842	$ 70,842	$ 120,709	$ 120,709
Corporate Bonds	29,909	26,459	29,750	29,231
Domestic common stocks	13,591	11,618	13,591	14,054
Equity mutual funds	664,368	915,501	626,821	1,042,957
Exchange traded funds	132,944	209,992	180,052	276,317
	$ 911,654	$ 1,234,412	$ 970,923	$ 1,483,268

NEW OPPORTUNITY SCHOOL FOR WOMEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2022	2021
Office equipment, furniture and fixtures	$ 99,045	$ 97,122
Less: accumulated depreciation	(62,656)	(49,353)
Net property and equipment	$ 36,389	$ 47,769

Depreciation expense for the years ended December 31, 2022 and 2021 was $13,302 and $13,676, respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2022 and 2021:

	2022	2021
Subject to the passage of time:		
Program support	$ 20,500	$ 20,500

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2022:

	2022	2021
Subject to expendiutre for specified purpose		
Scholarships and awards	$ -	$ -
Subject to the passage of time		
Program support	20,500	55,000
	$ 20,500	$ 55,000

6. FAIR VALUE MEASUREMENT

Investments are measured at fair value using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, stabled by GAAP, requires that entities maximize the use of

observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Measurement based upon quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Measurement based on the Organization's assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

6. FAIR VALUE MEASUREMENT (CONTINUED)

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for many of the assets and liabilities that the Organization is required to measure at fair value. The level of the fair value hierarchy within which a fair value measurement in its entirety falls, is based on the lowest level input that is significant to the fair value measurement in its entirety.

The primary uses of fair value measures in the Organization's financial statement are the initial measurement of non-cash gifts, including gifts of investment assets and unconditional promises to give and recurring measurement of short-term and long-term investments.

The following table sets forth by level, within the fair value hierarchy, the Organization's financial instruments at fair value as of December 31, 2022:

Investment	Level 1	Level 2	Level 3	Total
Money market funds	$ 70,842	$ -	$ -	$ 70,842
Equities	11,618	-	-	11,618
Mutual funds	915,501	-	-	915,501
Corporate bonds	-	26,459	-	26,459
Exchange traded funds	209,992	-	-	209,992
	$ 1,207,953	$ 26,459	$ -	$ 1,234,412

The following table sets forth by level, within the fair value hierarchy, the Organization's financial instruments at fair value as of December 31, 2021:

Investment	Level 1	Level 2	Level 3	Total
Money market funds	$ 120,709	$ -	$ -	$ 120,709
Equities	14,054	-	-	14,054
Mutual funds	1,042,957	-	-	1,042,957
Corporate bonds	-	29,231	-	29,231
Exchange traded funds	276,317	-	-	276,317
	$ 1,454,037	$ 29,231	$ -	$ 1,483,268

Investments in stock, mutual funds and corporate bonds are carried at fair value based on quoted prices in active markets.

7. CONTRIBUTED NONFINANCIAL ASSETS

During the year ended December 31, 2022, the Organization recognized nonfinancial assets within revenue, including items for program and administrative supplies.

Program supplies are used to benefit the participants of the programs and administrative supplies are used within the operations of the Organization.

8. EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC) was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020. Changes were made to the ERC program by the Consolidated Appropriations Act enacted on December 27, 2020, allowing the Center to qualify for the program based on the quarterly decrease in revenue outlined in the legislature as well as a government mandated shut down. The Organization determined that it qualified for a credit totaling $113,807, and

8. EMPLOYEE RETENTION CREDIT (CONTINUED)

the Organization filed the appropriate forms to claim the credit in 2022, and the credit was received subsequent to yearend.

The Organization follows the provisions of FASB ASU 958-605 *"Not for Profit Entities: Revenue Recognition."* To record the income from the ERC, FASB ASC 958-605 clarifies the accounting for government grants to record income when the Organization has incurred qualifying expenses and has met the barrier of eligibility. The ERC has been recorded as a receivable in the statement of financial position and the income has been recorded in the statement of activities as of December 31, 2021.

Laws and regulations concerning government programs, including the Employee Retention Credit established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC and it is not possible to determine the impact (if any) this would have on the Organization.

9. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts maintained at a financial institution. Cash and cash equivalents did not exceed federally insured limits for the years ended December 31, 2022 and 2021. Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation limits. The Organization deposits its cash with high quality financial institutions, and management believes the Organization is not exposed to significant credit risk on those amounts.

10. BOARD-DESIGNATED FOR QUASI-ENDOWMENT

The Organization established a board-designated Endowment fund as a long-term reserve to be used to further or carry out the charitable purposes of the Organization and to encourage gifts and bequests for endowments for the Organization's use. The endowment is reported as a component of net assets without donor restrictions in the accompanying financial statements. The Board of Directors may, at any time, vote to use the principal and/or interest earned on investments of the Fund.

The Organization has adopted the provisions of "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." This standard provides guidance on classifying the net assets associated with donor restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), passed by the state of Kentucky, and also requires additional disclosures about endowments for both donor-restricted funds and board-designated funds.

Interpretation of relevant law

The Organization has interpreted the Kentucky UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds, explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original 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.

10. BOARD-DESIGNATED FOR QUASI-ENDOWMENT (CONTINUED)

The remaining portion of the endowment fund, not classified in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence 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:

1) The duration and preservation of the fund.
2) The purposes of the organization and the donor-restricted endowment fund.
3) General economic conditions.
4) The possible effect of inflation and deflation.
5) The expected total return from income and the appreciation of investments.
6) Other resources of the organization.
7) The investment policies of the organization.

Return objectives and risk parameters

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4 percent, while growing the fund if possible. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy and how the investment objectives related to spending policy

The Organization has a spending policy of appropriating for distribution each year 5 percent of its board designated endowment funds through the calendar year-end. The Organization considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its general endowment fund to grow at an average of 8 percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return. To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk.

Composition of and changes in endowment net assets for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Board-designated quasi-endowment net assets, beginning of year	$ 1,158,638	$ 1,035,715
Contributions	-	-
Investment income, net	39,928	102,019
Gain (loss) on invesments	28,039	97,904
Transfers, net	(100,250)	(77,000)
Board-designated quasi-endowment net assets, end of year	$ 1,126,355	$ 1,158,638

11. OPERATING LEASES

The Organization leases its office facilities. Rental expense, including utilities for the years ended December 31, 2022 and 2021 was $13,200. The Organization entered into a lease on January 1, 2017 with First Christian Church. The initial lease term is for a period of two years and renewable annually. Future minimum annual rent expense including utilities are estimated at $13,200 per year.

12. RETIREMENT PLAN

The Organization provides a Simple IRA plan administered through Meridian Wealth Management, for all full-time employees who meet certain defined eligibility requirements. Employees may elect to contribute a percentage of their compensation each year up to the amount allowable by law into the Plan. The Organization makes a 3 percent contributions based on the salary of each eligible employee. The Organization’s contribution to the plan was $6,277 and $4,416 for the years ended December 31, 2022 and 2021, respectively.