St. Luke's Community House (Episcopal), Inc.

Financial Statements
For the Years Ended December 31, 2022 and 2021

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Contents

Independent Auditor's Report

Board of Directors
St. Luke's Community House (Episcopal), Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of St. Luke's Community House (Episcopal), Inc. (the Organization), which comprise the statement of financial position as of December 31, 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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 (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Organization, as of and for the year ended December 31, 2021, were audited by other auditors, whose report, dated August 24, 2022, expressed an unmodified opinion on those statements.

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 and *Government 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 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 and *Government 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 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.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 *US Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Nashville, Tennessee
September 5, 2023

St. Luke's Community House (Episcopal), Inc.

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 2,871,972	$ 1,725,483
Contributions and grants receivable, net	226,634	468,236
Prepaid expenses	25,341	32,181
Total current assets	3,123,947	2,225,900
Land, buildings and equipment, net	2,824,900	2,853,550
Beneficial interest in trust	-	11,089
Investments, at fair value	1,201,020	1,499,258
Total assets	**$ 7,149,867**	**$ 6,589,797**
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 130,593	$ 137,945
Net assets		
Without donor restrictions		
Undesignated	5,169,175	4,480,334
Board designated	730,343	1,039,721
Total without donor restrictions	5,899,518	5,520,055
With donor restrictions	1,119,756	931,797
Total net assets	7,019,274	6,451,852
Total liabilities and net assets	**$ 7,149,867**	**$ 6,589,797**

St. Luke's Community House (Episcopal), Inc.

Statement of Activities

For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues			
Public support			
Contributions of cash and other financial assets	$ 787,699	$ 644,309	$ 1,432,008
Contributions of cash and other financial assets, thrift shop	303,587	-	303,587
Grants	1,607,960	-	1,607,960
Net assets released from restrictions	456,350	(456,350)	-
Total public support	3,155,596	187,959	3,343,555
Revenues			
Program services	1,251,332	-	1,251,332
Investment loss, net	(234,256)	-	(234,256)
Miscellaneous	32,008	-	32,008
Total revenues	1,049,084	-	1,049,084
Total public support and revenues	4,204,680	187,959	4,392,639
Expenses			
Program services			
Preschool childcare	2,183,803	-	2,183,803
Community support services	917,372	-	917,372
Total program services	3,101,175	-	3,101,175
Management and general	459,634	-	459,634
Fundraising	264,408	-	264,408
Total expenses	3,825,217	-	3,825,217
Change in net assets	379,463	187,959	567,422
Net assets, beginning of year	5,520,055	931,797	6,451,852
Net assets, end of year	**$ 5,899,518**	**$ 1,119,756**	**$ 7,019,274**

St. Luke's Community House (Episcopal), Inc.
Statement of Activities
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues			
Public support			
Contributions of cash and other financial assets	$ 803,580	$ 455,404	$ 1,258,984
Contributions of cash and other financial assets, thrift shop	210,991	-	210,991
Grants	1,109,485	-	1,109,485
Net assets released from restrictions	202,279	(202,279)	-
Total public support	2,326,335	253,125	2,579,460
Revenues			
Program services	853,106	-	853,106
Investment gain, net	182,836	-	182,836
Miscellaneous	32,682	-	32,682
Total revenues	1,068,624	-	1,068,624
Total public support and revenues	3,394,959	253,125	3,648,084
Expenses			
Program services			
Preschool childcare	1,700,291	-	1,700,291
Community support services	624,931	-	624,931
Total program services	2,325,222	-	2,325,222
Management and general	429,072	-	429,072
Fundraising	256,013	-	256,013
Total expenses	3,010,307	-	3,010,307
Change in net assets	384,652	253,125	637,777
Net assets, beginning of year	5,135,403	678,672	5,814,075
Net assets, end of year	**$ 5,520,055**	**$ 931,797**	**$ 6,451,852**

St. Luke's Community House (Episcopal), Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2022

	Program Services			Supporting Services		
	Preschool Childcare	Community Support Services	Total program services	Management and General	Fundraising	Total
Salaries	$ 1,340,784	$ 309,327	$ 1,650,111	$ 317,215	$ 151,287	$ 2,118,613
Benefits	230,228	44,123	274,351	43,832	29,415	347,598
Conferences	1,984	299	2,283	251	-	2,534
Depreciation	102,902	62,548	165,450	20,177	16,142	201,769
Equipment	8,331	-	8,331	-	-	8,331
Equipment rental and maintenance	43,668	20,264	63,932	14,256	4,147	82,335
Food	146,272	-	146,272	797	7,775	154,844
Insurance	26,820	12,988	39,808	4,976	3,763	48,547
Licenses	6,640	-	6,640	3,736	8,457	18,833
Occupancy	69,189	48,956	118,145	12,039	12,781	142,965
Office supplies	1,551	976	2,527	1,823	238	4,588
Postage	24	141	165	311	1,859	2,335
Printing	37	2,004	2,041	218	6,533	8,792
Professional fees	54,957	19,836	74,793	19,115	7,937	101,845
Program supplies	56,041	91,529	147,570	1,128	2,591	151,289
Specific assistance	-	243,759	243,759	-	-	243,759
Staff expense	10,149	1,570	11,719	1,500	628	13,847
Telephone	9,152	2,864	12,016	2,520	1,137	15,673
Transportation	958	5,995	6,953	1,389	5	8,347
Utilities	40,226	39,210	79,436	7,227	5,638	92,301
Miscellaneous	33,890	10,983	44,873	7,124	4,075	56,072
	$ 2,183,803	**$ 917,372**	**$ 3,101,175**	**$ 459,634**	**$ 264,408**	**$ 3,825,217**

St. Luke's Community House (Episcopal), Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2021

	Program Services			Supporting Services		
	Preschool Childcare	Community Support Services	Total program services	Management and General	Fundraising	Total
Salaries	$ 971,139	$ 210,090	$ 1,181,229	$ 291,984	$ 141,332	$ 1,614,545
Benefits	178,159	44,430	222,589	51,044	29,013	302,646
Conferences	4,282	400	4,682	1,500	140	6,322
Depreciation	93,340	56,736	150,076	18,302	14,642	183,020
Equipment	10,956	-	10,956	-	4,576	15,532
Equipment rental and maintenance	46,221	14,910	61,131	9,687	4,888	75,706
Food	112,317	-	112,317	159	4,241	116,717
Insurance	23,879	12,282	36,161	4,446	3,374	43,981
Licenses	6,139	-	6,139	1,718	10,219	18,076
Occupancy	68,661	43,002	111,663	14,054	10,800	136,517
Office supplies	1,580	336	1,916	922	164	3,002
Postage	178	441	619	654	2,381	3,654
Printing	155	354	509	249	4,953	5,711
Professional fees	48,834	11,241	60,075	16,487	13,660	90,222
Program supplies	61,132	76,885	138,017	89	1,262	139,368
Specific assistance	-	104,984	104,984	-	-	104,984
Staff expense	3,315	700	4,015	747	255	5,017
Telephone	8,485	2,854	11,339	3,303	1,362	16,004
Transportation	-	2,584	2,584	112	-	2,696
Utilities	39,973	37,438	77,411	7,257	5,705	90,373
Miscellaneous	21,546	5,264	26,810	6,358	3,046	36,214
	$ 1,700,291	**$ 624,931**	**$ 2,325,222**	**$ 429,072**	**$ 256,013**	**$ 3,010,307**

St. Luke's Community House (Episcopal), Inc.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash and cash equivalents, beginning of year	$ 1,725,483	$ 1,804,448
Cash flows from operating activities		
Change in net assets	567,422	637,777
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	201,769	183,020
Unrealized (gain) loss on investments	257,093	(172,696)
Change in:		
Contributions and grants receivable, net	241,602	(338,150)
Prepaid expenses	6,840	(5,570)
Accounts payable and accrued expenses	(7,352)	79,209
Deferred grant revenue	-	(275,011)
Net cash provided (used) by operating activities	1,267,374	108,579
Cash flows from investing activities		
Purchases of land, buildings and equipment	(173,119)	(236,850)
Distribution from beneficial interest in trust	11,089	11,580
Purchases of investments	(12,651)	(11,581)
Proceeds from sales of investments	53,796	49,307
Net cash provided (used) by investing activities	(120,885)	(187,544)
Net change in cash and cash equivalents	1,146,489	(78,965)
Cash and cash equivalents, end of year	**$ 2,871,972**	**$ 1,725,483**

Note 1. **Nature of Operations**

St. Luke's Community House (Episcopal), Inc. (the Organization), was founded in 1913 by the Daughters of the King, an order of the Episcopal Church. The Organization offers a diversity of services to the community, enabling people to maintain their lives in a more healthy and stable environment. The Organization concerns itself with the welfare and dignity of individuals and seeks to strengthen and support the family unit. The Organization is supported primarily through donor contributions, the United Way, private and public grants, and program service fees.

The following program services are offered by the Organization:

Preschool Childcare – The Organization offers a licensed preschool program with focus on kindergarten readiness, for children from six weeks of age through five years (pre-kindergarten).

Community Support Services – The Organization conducts the following as part of its community support efforts:

Senior Services – The Organization provides free lunches Monday through Friday to low-income seniors, as well as sponsors social and recreational activities for West Nashville seniors.

Family Resource Center – The Organization provides various services to the community, including food boxes, counseling services, tax return preparation, and emergency financial assistance.

Note 2. **Summary of Significant Accounting Policies**

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization's management and the Board of Directors. The Organization has chosen to provide further classification information about net assets without donor restrictions on the statements of financial position. The subclassifications are as follows:

Undesignated – Represents the cumulative net assets without donor restriction excluding those net assets designated for specific activities by the Board of Directors.

Board designated – Represents resources set aside by the Board of Directors to be used for specific activities within guidelines established by the Board of Directors which includes amounts designated for investment as an endowment.

Note 2. **Summary of Significant Accounting Policies**

Basis of Presentation

Net assets with donor restrictions – Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions represent contributions receivable and amounts available for programs as well as certain amounts to be held in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly-liquid investments with original maturities of three months or less to be cash and cash equivalents.

Contributions and Grants Receivable

The Organization accounts for contributions and grants receivable in accordance with standards of accounting and reporting prescribed for not-for-profit organizations. In accordance with these standards, contributions and grants received are recorded as support with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Under these standards, time or purpose restricted contributions are required to be reported as support with donor restrictions and are then reclassified to net assets without donor restrictions upon expiration of the donor restrictions. Allowances for uncollectible contributions and grants receivable are based on management's estimates based on prior collection history.

Investments

Investments are stated 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 as of the measurement date. Realized gains and losses, as well as appreciation or depreciation in market value, and interest and dividends are reflected in the change in net assets in the statements of activities.

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. This hierarchy consists of three broad levels:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note 2. **Summary of Significant Accounting Policies**

The asset 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 relevant observable inputs and minimize the use of unobservable inputs.

The Organization's investments in units of the Episcopal Endowment Corporation Common Trust Fund (the Fund) and are valued at net asset value (NAV) of units of the Fund. The NAV, as provided by the Fund's trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the Fund will sell the investment for an amount different than the reported NAV. Transactions (purchases and sales) may occur daily.

The Organization's investments in the beneficial interest in trust is valued using information from third party sources, including financial statements and other information from detailed listing of holdings from the trust. These valuations are typically performed annually, based on the present value of the estimated future distributions the Organization expects to receive over the term of the trust.

The preceding methods described 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. There have been no changes in methodologies used at December 31, 2022 and 2021.

Restricted Endowment Funds

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted in Tennessee effective July 1, 2007. The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) provides guidance on the net asset classification of donor-restricted endowment funds for a non-profit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the Organization's net asset classification of donor-restricted endowment funds, a description of the Organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the Organization's endowment investment policies, and additional disclosures not previously required.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated in the accompanying statements of financial position at cost, or if contributed, at estimated fair market value at date of gift. Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments above $5,000 are capitalized. Depreciation is calculated using the straight-line basis with estimated useful lives ranging as follows:

Building and improvements	5 – 39 years
Equipment and furniture	3 – 10 years

Note 2. **Summary of Significant Accounting Policies**

Revenue Recognition

The Organization follows the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize revenue when it transfers the promised goods or services to a customer in an amount that reflects consideration to which the entity expects to be entitled to in exchange for those goods and services. The Organization recognizes revenue for services in accordance with the following five steps outlined in Accounting Standards Codification (ASC) 606:

- Identification of the contract or contracts with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction prices
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when or as the Organization satisfies a performance obligation

The Organization has analyzed the provisions of ASC 606 and has concluded the following:

Preschool Tuition Fees – The Organization operates a daycare and preschool for newborns through five years. Such revenue is included in program service revenue in the statements of activities. Revenue is recognized over time as the customer receives the benefit of the Organization's services and when collectability is reasonably assured.

Performance Obligations – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization's contracts with customers do not typically include multiple performance obligations.

Payment Terms – The Organization's payment terms vary by the type of products offered. The time between invoicing and when payment is due is not significant. The Organization's contracts with customers do not generally result in significant obligations associated with returns, refunds, or warranties.

Disaggregation of Revenue – The table below depicts the disaggregation of revenue by service, and is consistent with how the Organization evaluates financial performance:

	2022	**2021**
Preschool program fees, general	$ 900,225	$ 476,141
Preschool program fees, DHS subsidy	341,545	366,131
Family Resource Center program fees	9,562	10,834
Total program services	**$ 1,251,332**	**$ 853,106**

Note 2. **Summary of Significant Accounting Policies**

Donated Services

Donated services are recognized if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by persons possessing those skills and would be purchased if not donated. Amounts have not been reported in the financial statements for certain donated services because they do not meet the criteria for recognition. However, a substantial number of volunteers have donated approximately 2,600 and 4,500 volunteer hours to the Organization's programs during the years ended December 31, 2022 and 2021, respectively.

Leases (New Accounting Standard Adopted in 2022)

In February 2016, the FASB Issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under Topic 840, *Leases*. The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. The adoption of Topic 842 had no material effect on the financial statements.

Employee Retention Credits

The Organization recognized $114,820 in employee retention credits to be applied as a payroll tax credit in accordance with Employee Retention Credit provision of the CARES Act. The Organization has elected to treat these credits as conditional contributions and has recorded them as grant revenue on the statement of activities.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Accordingly, no provision for income tax has been made. US GAAP requires the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or an asset) if the Organization has taken an uncertain position that more likely than not would not be sustained under examination by the Internal Revenue Service. Management has analyzed the tax positions of the Organization and had concluded that as of December 31, 2022 and 2021, no uncertain tax positions have been taken or are expected to be taken that would require recognition of a liability (or an asset) or disclosure in the financial statements. The Organization is no longer subject to US federal examinations for the years prior to December 31, 2019.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time and effort.

Note 2. **Summary of Significant Accounting Policies**

Reclassifications

Certain reclassifications were made to 2021 balances to conform with 2022 presentation.

Note 3. **Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor restriction or other restrictions limiting their use within one year of the statement of financial position comprise the following:

	2022	2021
Financial assets		
Cash and cash equivalents	$ 2,871,972	$ 1,725,483
Contributions and grants receivable	226,634	468,236
Investments, at fair value	1,201,020	1,499,258
Beneficial interest in trust	-	11,089
Total financial assets at year-end	4,299,626	3,704,066
Less amounts not available to be used within one year		
Net assets restricted for specific purposes	(649,130)	(208,046)
Net assets to be retained in perpetuity	(470,626)	(470,626)
Net assets subject to designation	(730,343)	(1,039,721)
Financial assets available to meet cash needs for general expenditures within one year	**$ 2,449,527**	**$ 1,985,673**

Note 4. **Contributions and Grants Receivable**

Contributions and grants receivable are summarized below:

	2022	2021
Receipts expected within one year	$ 229,634	$ 471,236
Less allowance for estimated uncollectible amounts	(3,000)	(3,000)
	$ 226,634	**$ 468,236**

Note 5. **Land, Buildings, and Equipment**

Land, buildings, and equipment consist of the following:

	2022	2021
Land	$ 211,746	$ 211,746
Building and improvements	5,296,146	5,050,561
Equipment and furniture	635,773	635,773
Construction in progress	51,098	123,564
Less: accumulated depreciation	(3,369,863)	(3,168,094)
Land, buildings and equipment, net	**$ 2,824,900**	**$ 2,853,550**

Note 5. **Land, Buildings, and Equipment**

Depreciation expense amounted to $201,769 and $183,020 for 2022 and 2021, respectively.

Note 6. **Beneficial Interest in Trust**

A donor has established a trust held by a third party naming the Organization as a beneficiary of a charitable lead trust. Under terms of the split-interest agreement, the Organization is to receive 3% of the net fair market value of the trust principal for a period of 10 years. Upon termination of the trust, the remaining trust assets are to be distributed to others. Based upon earnings at an estimated rate of 3% over the life of the trust and a 3.04% discount rate, the present value of future benefits expected to be received by the Organization totaled approximately $0 and $11,089 at December 31, 2022 and 2021, respectively. This asset is deemed to be a Level 3 asset within the fair value measurement hierarchy (see note 1). The summary of change in the fair value of Level 3 assets is as follows for the years ended December 31:

		2022		2021
Balance, beginning of year	$	11,089	$	22,669
Distribution		(11,089)		(11,580)
Balance, end of year	**$**	**-**	**$**	**11,089**

Note 7. **Investments, at Fair Value**

Investments, at fair value (Level 2) consist of the following:

		2022		2021
In perpetuity fund	$	684,554	$	862,988
Board-designated fund		235,291		296,621
Magruder family endowment fund		281,175		339,649
	$	**1,201,020**	**$**	**1,499,258**

The pooled investment funds are invested with other Episcopal churches and institutions at the Episcopal Endowment Corporation Common Trust Fund (the Fund). The Fund primarily invests in mutual funds and common stocks. The Organization may withdraw its fund at any time. Investment income recognized by the Organization includes the Organization's share of any gains or losses on such pooled funds. The Organization values these funds as Level 2 because the valuation methodology includes quoted prices for similar assets in active markets.

Investment income is comprised of the following:

		2022		2021
Interest and dividends	$	18,949	$	24,237
Realized and unrealized gain (loss), net		(253,205)		158,599
	$	**(234,256)**	**$**	**182,836**

Note 8. **Net Assets with Donor Restrictions**

The Organization receives specific contributions for expenses associated with the mission of the Organization. These contributions are classified as net assets with donor restrictions until the restricted purpose has been fulfilled.

The following table represents a summary of net assets with donor restrictions:

	2022	2021
Donor-restricted endowment funds	$ 470,626	$ 470,626
Unconditional promise to give due in future periods, net	208,309	455,404
Capital improvements	435,054	-
Living room project	5,767	5,767
	$ 1,119,756	**$ 931,797**

Note 9. **Endowment**

The Organization's endowment consists of donor-restricted gifts as well as assets designated by the board which are held in investment accounts. As required by US GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 730,343	$ -	$ 730,343
Donor-restricted endowment funds	-	470,626	470,626
	$ 730,343	**$ 470,626**	**$ 1,200,969**

Endowment net asset composition by type of fund as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 1,039,671	$ -	$ 1,039,671
Donor-restricted endowment funds	-	470,626	470,626
	$ 1,039,671	**$ 470,626**	**$ 1,510,297**

Changes in endowment net assets for the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,039,671	$ 470,626	$ 1,510,297
Additions	12,650	-	12,650
Investment return	(268,181)	-	(268,181)
Distributions, net	(53,797)	-	(53,797)
Endowment net assets, end of year	**$ 730,343**	**$ 470,626**	**$ 1,200,969**

Note 9. **Endowment**

Changes in endowment net assets for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 916,331	$ 470,626	$ 1,386,957
Additions	11,580	-	11,580
Investment return	161,067	-	161,067
Distributions, net	(49,307)	-	(49,307)
Endowment net assets, end of year	**$ 1,039,671**	**$ 470,626**	**$ 1,510,297**

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the UPMIFA as requiring the preservation of the fair 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 donor-restricted endowment (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets with time or purpose restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. To the extent unrealized losses exceed original net assets in perpetuity plus gains earned in prior periods and earnings for which donor restrictions have not been met, such losses are recognized as losses in the net asset with donor restriction class. As of December 31, 2022 and 2021, there were no donor-restricted endowment funds that had a market value below the original contribution value.

Endowment Investment Policy and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets to support the Organization and to enable it to more completely fulfill its mission by providing funds for (a) capital needs, (b) operating expenses, (c) programs and special projects, and (d) such other purposes as specifically designated by donors. Endowment assets include those assets of donor-restricted funds the Organization must hold in perpetuity or for a donor-specified period as well as amounts designated by the Board of Directors to be held in perpetuity. Under this policy, as approved by the Board of Directors, the primary objective is to achieve a reasonable return on the assets, while limiting the risk exposure to ensure the preservation of capital. Investment funds are to be maintained as cash or as publicly traded securities.

Strategies Employed for Achieving Investment Objectives

To satisfy its long term objectives, the Organization relies on a strategy meant to preserve the corpus while providing a reasonable return on assets. The Organization has established a long-term investment goal of earning a minimum real rate of return equal to 5% per annum in excess of the rate of inflation, as measured by the greater of the Consumer Price Index or the GNP Deflator. This goal is measured over 5 to 10-year time periods.

Note 9. **Endowment**

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization determines expendable funds on the basis of a total return principle. The funds available for distribution during any one year shall be determined at the beginning of such year and are limited to 4% of the average value of the corpus. The average value is determined by computing a three-year rolling average of the 12 end-of-quarter market values. Any expended funds from those available for distribution for a given year are accrued and continue to be considered available for distribution in subsequent years, unless otherwise designated by the action of the Board of Directors.

Note 10. **CARES Act Funding**

During 2020, the Organization received a Paycheck Protection Program loan (PPP) in the amount of $275,011. The PPP loan was granted by the Small Business Administration under the Coronavirus Aid Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions under ASC 958-605, Not-for-Profit Entities – Revenue Recognition. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount; spend up to 60% of the loan proceeds on certain payroll and employee benefits; and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. In January 2021, the Organization determined it had met the aforementioned requirements. The PPP loan of $275,011, and accrued interest, was fully forgiven by the SBA and has been reflected in grants revenue in the statement of activities for the year ended December 31, 2021.

In addition, the Organization was awarded $613,602 and $237,982 for 2022 and 2021, respectively, under the American Rescue Plan Act childcare stabilization program related to the negative economic impacts caused by COVID-19. This award was based on the Organization's childcare center licensed capacity and staff headcount. The Organization determined it had met the requirements for the grant award for 2022 and 2021, and, as such, this award is included in grants revenue in the statement of activities.

Note 11. **Contributions – Thrift Shop and Associated Organizations**

The Organization receives support from income generated by a local thrift shop. Such contributions totaled $303,587 and $210,991 for 2022 and 2021, respectively. The thrift shop's board chair or their designee serves as a voting, ex officio member of the Organization's Board of Directors.

In addition, the Organization receives contributions from churches and other organizations associated with the Episcopal Church. Contributions from these organizations totaled $203,670 and $174,483 for 2022 and 2021, respectively.

Note 12. **Benefit Plan**

The Organization provides a 401(k) Retirement Savings Plan covering substantially all employees fulfilling minimum age and service requirements. Under the plan, the Organization may make a discretionary match contribution. The Organization matched up to 6% of employees' contributions to the plan for 2022 and 2021. Retirement plan contributions totaled $47,155 and $45,478 for 2022 and 2021, respectively.

Note 13. **Concentrations**

The Organization maintains its deposits at financial institutions with accounts insured by the Federal Deposit Insurance Corporation up to $250,000. The Organization's balances, at times, may exceed federally insured limits. Amounts in excess of federally insured limits at December 31, 2022 and 2021 were approximately $2,350,000 and $1,276,000, respectively.

Note 14. **Commitments**

The Organization has entered into an agreement with a third party to provide meal services for its preschool and mobile meals programs through December 31, 2023. Under this arrangement, the Organization is obligated to pay the third party for the meals provided. The maximum obligation for years 2022 and 2021 is $221,000 and $170,000, respectively. This agreement also allows the third party to rent a portion of the Organization's facility for the preparation of such meals for a monthly fee of $575.

The Organization has also entered into certain other arrangements with third parties to allow for use of part of the Organization's facility for other purposes, which serve the community. One such arrangement extends through March 2023.

Note 15. **Subsequent Events**

Management has evaluated subsequent events through September 5, 2023, the date on which the financial statements were available for issuance.

Compliance Information

St. Luke's Community House
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Grantor / Pass-through Grantor	Program name	Assistance Listing	Contract number	Expenditures
Federal Awards				
U.S. Department of Agriculture				
Tennessee Department of Human Services	Child and Adult Care Food Program	10.558	n/a	$ 75,417
U.S. Department of the Treasury /				
United Way of Greater Nashville	Voluneer Income Tax Assistance (VITA) Matching Grant Program	21.009	n/a	10,000
Metropolitan Government of Nashville and Davidson County /				
United Way of Greater Nashville	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	271,812
U.S. Department Health & Human Services /				
Tennessee Department of Human Services /				
United Way of Greater Nashville (FEP)	Temporary Assistance for Needy Families	93.558	n/a	567,463
U.S. Department of Homeland Security /				
United Way Worldwide	Emergency Food and Shelter National Board Program	97.024	n/a	3,283
United Way Worldwide	COVID-19 - Emergency Food and Shelter National Board Program	97.024	n/a	18,375
Total expenditures of federal awards				**$ 946,350**

Notes to Schedule of Expenditures of Federal Awards

Note 1. **Basis of Presentation**

This schedule of expenditures of federal awards summarizes the expenditures of the Organization under programs of the federal and state governments for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 *US Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Oragization it is not intended to and does not present the financial position, change in net assets, or cash flows of the Organization. Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2. **Indirect Cost Rate**

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
St. Luke's Community House (Episcopal), Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of St. Luke's Community House (Episcopal), Inc. (a not-for-profit organization, the Organization), which comprise the statement of financial position as of December 31, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements as listed in the table of contents, and have issued our report thereon dated September 5, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Nashville, Tennessee
September 5, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
St. Luke's Community House (Episcopal), Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited St. Luke's Community House (Episcopal), Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 *US Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Nashville, Tennessee
September 5, 2023

St. Luke's Community House (Episcopal), Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Section I . **Summary of Auditor's Results**

Financial Statements	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with US GAAP	Unmodified
Internal control over financial reporting	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major federal programs	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs (Assistance Listing and name of federal program or cluster)	
93.558 Temporary Assistance for Needy Families	
Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	No

Section II . **Financial Statement Findings**

None

Section III . **Federal Award Findings and Questioned Costs**

None

St. Luke's Community House (Episcopal), Inc.
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2022

Section I. **Financial Statement Findings**

There were no prior year findings reported.

Section II. **Federal Award Findings and Questioned Costs**

There were no prior year findings or questioned costs reported.