

MONROE HARDING, INC.
AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2022

MONROE HARDING, INC.

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Monroe Harding, Inc.

We have audited the accompanying financial statements of Monroe Harding, Inc. (the Organization), a not-for-profit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 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 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, followed by "LLP" in a smaller, simpler font.

Nashville, Tennessee
March 23, 2023

MONROE HARDING, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS

Cash and cash equivalents, including deposits held for others of \$1,489	\$ 1,038,340
Investments	8,071,016
Accounts and pledges receivable	372,960
Prepaid expenses and other assets	58,179
Beneficial interests in perpetual trusts	830,929
Property and equipment, net	<u>38,504</u>
Total Assets	<u>\$ 10,409,928</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 72,625
Accrued expenses	129,258
Contract liabilities	29,500
Other liabilities	28,437
Funds held for others	<u>1,489</u>
Total Liabilities	<u>261,309</u>
Net assets	
Without donor restrictions	
Board-designated endowment	8,447,958
Undesignated	<u>648,755</u>
	9,096,713
With donor restrictions	<u>1,051,906</u>
Total net assets	<u>10,148,619</u>
Total Liabilities and Net Assets	<u>\$ 10,409,928</u>

See notes to financial statements.

MONROE HARDING, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Public support:			
Governmental contracts and sub-contracts	\$ 2,523,174	\$ -	\$ 2,523,174
Contributions	711,081	94,500	805,581
Contributed nonfinancial assets	55,815	-	55,815
Net assets released from restrictions	<u>168,736</u>	<u>(168,736)</u>	<u>-</u>
Total public support	<u>3,458,806</u>	<u>(74,236)</u>	<u>3,384,570</u>
Revenue:			
Net investment return	(1,326,746)	(156,809)	(1,483,555)
Gain on sale of property and equipment	<u>4,300</u>	<u>-</u>	<u>4,300</u>
Total revenue	<u>(1,322,446)</u>	<u>(156,809)</u>	<u>(1,479,255)</u>
Total revenues and support	<u>2,136,360</u>	<u>(231,045)</u>	<u>1,905,315</u>
EXPENSES			
Program services	<u>3,298,185</u>	<u>-</u>	<u>3,298,185</u>
Supporting Services		-	-
General and administrative	162,140	-	162,140
Fundraising	<u>254,225</u>	<u>-</u>	<u>254,225</u>
Total supporting services	<u>416,365</u>	<u>-</u>	<u>416,365</u>
Total expenses	<u>3,714,550</u>	<u>-</u>	<u>3,714,550</u>
CHANGE IN NET ASSETS	(1,578,190)	(231,045)	(1,809,235)
NET ASSETS - Beginning of year	<u>10,674,903</u>	<u>1,282,951</u>	<u>11,957,854</u>
NET ASSETS - End of year	<u>\$ 9,096,713</u>	<u>\$ 1,051,906</u>	<u>\$ 10,148,619</u>

See notes to financial statements.

MONROE HARDING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Foster Care	Supportive Housing	Youth Connections	Opportunity Now Reengagement Hub	Mental Health	Total Program Services	General and Administrative	Fundraising	Total
Salaries & wages	\$ 503,235	\$ 418,356	\$ 454,954	\$ 184,584	\$ 22,338	\$ 1,583,467	\$ 70,370	\$ 166,150	\$ 1,819,987
Foster care expenses	485,448	-	-	-	-	485,448	-	-	485,448
Rent	69,364	193,502	45,899	12,964	2,146	323,875	11,124	18,145	353,144
Employee benefits	82,559	64,950	68,460	31,288	3,173	250,430	6,229	17,841	274,500
Youth expenses	46,702	91,707	61,855	553	288	201,105	-	-	201,105
Payroll taxes	37,436	30,234	34,919	14,773	1,585	118,947	5,326	11,653	135,926
Equipment and software	26,508	26,550	24,107	13,371	644	91,180	553	7,479	99,212
Professional fees	6,315	543	9,365	647	8	16,878	58,662	438	75,978
Contracted services	5,246	8,064	6,192	2,866	30,124	52,492	2,653	9,294	64,439
Insurance	15,516	10,158	3,705	5,249	281	34,909	7,016	4,029	45,954
Phone and internet	7,252	21,550	7,502	3,225	176	39,705	480	1,443	41,628
Training and education	5,532	3,636	5,049	1,737	84	16,038	2,878	1,538	20,454
Other	11,609	3,701	3,456	2,280	-	21,046	(6,980)	6,516	20,582
Travel and transportation	4,137	2,533	6,662	2,903	-	16,235	74	34	16,343
Maintenance	2,777	7,247	-	1,317	-	11,341	-	-	11,341
Promotional efforts	3,958	480	423	423	12	5,296	215	2,096	7,607
Office supplies	1,491	859	1,515	397	43	4,305	1,436	1,749	7,490
Special events	-	-	-	-	-	-	-	4,792	4,792
Recognition gifts and awards	3,675	202	50	-	-	3,927	377	61	4,365
Printing	1,071	315	782	221	33	2,422	588	377	3,387
Utilities	-	2,873	-	-	-	2,873	-	-	2,873
Recruitment	2,163	9	8	4	-	2,184	37	3	2,224
Recreation and special occasions	491	-	-	-	-	491	435	-	926
Food and beverages	-	327	18	80	-	425	324	-	749
	<u>1,322,485</u>	<u>887,796</u>	<u>734,921</u>	<u>278,882</u>	<u>60,935</u>	<u>3,285,019</u>	<u>161,797</u>	<u>253,638</u>	<u>3,700,454</u>
Depreciation and amortization	<u>1,873</u>	<u>8,132</u>	<u>1,172</u>	<u>1,930</u>	<u>59</u>	<u>13,166</u>	<u>343</u>	<u>587</u>	<u>14,096</u>
Total Expenses	<u>\$ 1,324,358</u>	<u>\$ 895,928</u>	<u>\$ 736,093</u>	<u>\$ 280,812</u>	<u>\$ 60,994</u>	<u>\$ 3,298,185</u>	<u>\$ 162,140</u>	<u>\$ 254,225</u>	<u>\$ 3,714,550</u>

MONROE HARDING, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2022

OPERATING ACTIVITIES

Change in net assets	\$ (1,809,235)
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	14,096
Gain on disposal of property and equipment	-
Change in beneficial interests in perpetual trusts	153,066
Change in pooled investments	3,681
Realized loss on sale of investments	113,830
Unrealized loss from investments	1,367,301
Gain on sale of property and equipment	(4,300)
Changes in:	
Accounts and pledges receivable	(27,656)
Prepaid expense and other assets	6,761
Accounts payable	45,559
Accrued expenses	(55,834)
Contract liabilities	23,000
Other liabilities	28,437
Funds held for others	141
Net cash used in operating activities	<u>(141,153)</u>

INVESTING ACTIVITIES

Proceeds from sale of investments	4,697,189
Purchase of investments	(4,300,644)
Proceeds from sale of property and equipment	<u>4,300</u>
Net cash provided by investing activities	<u>400,845</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

259,692

CASH AND CASH EQUIVALENTS, Beginning

778,649

CASH AND CASH EQUIVALENTS, Ending

\$ 1,038,341

See notes to financial statements.

MONROE HARDING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Founded in 1893, Monroe Harding, Inc. (the “Organization”) is a nonprofit foster care organization dedicated to making meaningful changes in the lives of children and youth in Middle Tennessee. The Organization supports children, from birth to 26, in the ways they need it most – by providing safe, healthy, and nurturing environments. That could be in the home of one of the Organization’s foster families, or for older youth aging out, their own apartment in the Organization’s supportive housing programs or participating in education and job programs through the Organization’s Resource Center in downtown Nashville. The Organization knows that one caring adult can make an enormous difference in the lives of children who have been separated from their birth families. Homes, healing, and opportunities are what the Organization strives to provide daily.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applied consistently which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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 the Organization’s management and the Board of Directors. Restrictions fulfilled in the same accounting period in which are received are reported in the Statement of Activities as without donor restrictions.

Net assets with donor restrictions: Net assets 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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Fair Value Measurements

The fair value of financial instruments including cash and cash equivalents, accounts and pledges receivable, prepaid expenses and other assets, accounts payable, accrued expenses, contract liabilities, and other liabilities approximate carrying value due to the short-term nature of these accounts.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its financial instruments based on the fair value hierarchy established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1: financial instruments are valued based on quoted prices in active markets for identical assets or liabilities.
- Level 2: financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.

MONROE HARDING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Level 3: financial instruments are valued using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

There were no triggering events that required fair value measurements of the Organization's non-financial assets and liabilities at June 30, 2022.

Cash and Cash Equivalents

All unrestricted cash and investment instruments with original maturities of three months or less are considered cash and cash equivalents. The Organization maintains cash and cash equivalents accounts at financial institutions with strong credit ratings. Cash is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. At times, the Organization may have balances in excess of FDIC coverage. Management has deemed this a normal business risk.

Investments

Investments are reported at fair value based on quoted prices in active markets. Net Investment return, which consists of interest and dividend income earned, realized gains (losses) and unrealized appreciation (depreciation) on those investments, is included in the statements of activities, net of investment expenses. Gains (losses) on sales of investments are generally determined on a specific cost identification basis.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with various types of investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Accounts and Pledges Receivable

Accounts receivable consist of amounts due from services rendered and are presented net of an allowance for doubtful accounts. Legally enforceable pledges are recorded as receivables in the year made. Management's estimate of uncollectible amounts is based on historical collection experience and a review of the current status of the account. It is reasonably possible that management's estimate of the allowance for uncollectible accounts could change. There was no allowance for uncollectible amounts at June 30, 2022. All balances outstanding at June 30, 2022, are deemed to be fully collectible. Accounts receivable related to foster care and independent living services (state contracts) amounted to \$137,278 and \$172,032 as of June 30, 2022 and 2021, respectively.

Property and Equipment

Property and equipment are stated at cost at date of purchase or at estimated fair market value at date of gift. Repairs and maintenance are charged to expense as incurred. Purchases with a cost of \$2,000 or more and an estimated useful life greater than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 25 years.

Contributions and Grants

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets

MONROE HARDING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition for Contracts with Customers

The Organization's derives its revenue primarily from contributions and government contracts for out-of-home care and treatment.

Revenue recognition is subject to the completion of performance obligations. A performance obligation is a promise to transfer a distinct good or service to the customer. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization contracts typically have one performance obligation that is based on the good or service specifically described in the contracts.

The Organization's performance obligations are satisfied at a point and time, and it is then that revenue is recognized.

Contributed Nonfinancial Assets

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by the Organization if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

Functional Allocation of Expenses

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses for the year ended June 30, 2022 present the natural classification detail of expenses by function. Expenses that can be directly attributed to one function are charged to that function. Certain costs have been allocated among more than one program or activity based on 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 incurred.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is classified as an organization that is not a private foundation as defined in Section 509(a) of the IRC. Therefore, no provision for federal income taxes is included in the accompanying financial statements. Management believes there are no uncertain tax positions for the year ended June 30, 2022. The Organization files tax returns in the U.S. federal jurisdiction. Returns prior to 2019 are closed.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

MONROE HARDING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopting Accounting Standard

In fiscal year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities and increases the disclosure requirements. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

NOTE 2 — LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is without donor restrictions or other restrictions limiting their use within one year of the statement of financial position comprise the following at June 30, 2022:

Cash and cash equivalents *	\$	1,036,851
Investments *		139,748
Accounts and pledges receivable		372,960
Upcoming fiscal year endowment appropriation		316,919
		<hr/>
Financial assets available within one year	\$	1,866,478
		<hr/>

* Excludes cash held for others and the board - designated portion of the endowment.

Board-designated endowment funds are available to be spent at the discretion of the board. The board spending policy currently allows an annual distribution of up to 4% of a three-year moving average of the board-designated endowment market value (See note 11).

NOTE 3 — INVESTMENTS

The fair value of assets measured on a recurring basis at June 30, 2022 is as follows:

	Level 1	Level 2	Level 3	Total
Equity funds	\$ 1,818,904	\$ 3,412,368	\$ -	\$ 5,231,272
Fixed income funds	831,884	1,243,503	-	2,075,387
Pooled accounts	-	22,606	-	22,606
Diversifiers	-	741,751	-	741,751
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 2,650,788	\$ 5,420,228	\$ -	\$ 8,071,016
	<hr/>	<hr/>	<hr/>	<hr/>

The total cost basis of these investments amounted to \$7,187,675 at June 30, 2022.

MONROE HARDING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 — INVESTMENTS (Continued)

Valuation methodologies used for assets measured at fair value are as follows:

Level 1 - Investments consist of mutual funds that are traded daily and therefore have observable inputs by which to measure fair value.

Level 2 - Certain fixed income funds, equity funds, and diversifiers are classified as Level 2 due to the common trust fund (CTF) "wrapper" associated with each. Within the equity and diversifier CTFs, 100% of the underlying holdings are publicly-traded stocks, exchange-traded funds (ETFs), and mutual funds (plus cash), for which market data is active and observable. For fixed income CTFs, underlying holdings are separately managed accounts with individual bonds (plus cash and in some cases publicly-traded ETFs) which are publicly traded. Some bonds are not actively traded and are priced based on other observable inputs, including recent transactions, current bid/ask quotes, time since the last transaction, etc. Investment cash has been reclassified to cash on the statement of financial position.

Net investment return for the year ended June 30, 2022:

Realized loss on sale of investments	\$ (113,830)
Unrealized loss from investments	(1,367,176)
Change in pooled investments	(3,681)
Change in beneficial interests in perpetual trusts	(153,066)
Dividend income	170,871
Interest income	48,637
Investment fees	<u>(65,310)</u>
Net investment return	<u>\$ (1,483,555)</u>

NOTE 4 — BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Organization is the beneficiary of two perpetual trusts. The Plummer Trust is held by First Presbyterian Church of Clarksville, Tennessee. The Organization is a 25% beneficiary of the trust and receives periodic distributions from the trust. At June 30, 2022, the trust had a fair market value of \$3,052,089, of which \$763,022 was for the benefit of the Organization.

The Stanley Trust was initially held by Westminster Presbyterian Church of Nashville, Tennessee ("Westminster"). During 2015, Westminster, transferred the funds to be managed and governed by an independent trust company, Diversified Trust. Distributions from the Stanley Trust are made annually at an amount equal to 5.5% of the three-year average annual value of the trust. At June 30, 2022, the trust had a fair market value of \$67,907.

MONROE HARDING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 — BENEFICIAL INTERESTS IN PERPETUAL TRUSTS (Continued)

	Level 1	Level 2	Level 3	Total
Equity funds	\$ 778,233	\$ 26,192	\$ -	\$ 804,425
Fixed income funds	6,545	9,577	-	16,122
Cash and Cash equivalents	5,043	-	-	5,043
Diversifiers	-	5,339	-	5,339
	<u>\$ 789,821</u>	<u>\$ 41,108</u>	<u>\$ -</u>	<u>\$ 830,929</u>

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2022:

Buildings and land improvements	\$ 40,313
Leasehold improvements	6,504
Furniture, fixtures, and appliances	176,004
	<u>222,821</u>
Less accumulated depreciation	<u>(184,317)</u>
	<u>\$ 38,504</u>

Depreciation expense for the year ended June 30, 2022 was \$14,096.

NOTE 6 — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2022:

Donor-restricted endowment funds	\$ 970,677
Foster care	6,400
Youth Connections programs	15,586
Music program	5,649
Other	3,044
Time restricted	50,550
	<u>\$ 1,051,906</u>

NOTE 7 – CONTRIBUTED NONFINANCIAL ASSETS

During the year ended June 30, 2022, the Organization recorded donated materials and services for youth program service with an estimated value of \$55,815. In addition, unpaid volunteers have made significant contributions of their time to assist the Organization in carrying out its programs, operations, and events. During the year ended June 30, 2022, volunteers provided approximately 360 hours of service. The value of contributed time is not reflected in these statements since it does not meet the recording requirements specified by accounting principles generally accepted by U.S. GAAP. Items are valued at fair market value based on what the related items would sell for on the active market. These donations are without any restrictions.

MONROE HARDING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 — RETIREMENT PLAN

The Organization has a defined contribution retirement plan that covers full-time employees. During the year ended June 30, 2022, matching contributions up to 4% of the participants' compensation were made. Employer contributions are fully vested after four years of service. Total retirement plan expense for the year ended June 30, 2022, was \$28,736.

NOTE 9 — COMMITMENTS AND CONTINGENCIES

The Organization has entered into noncancelable operating lease agreements for office space, equipment, and independent living units through 2024. Rent expense for all leases for the year ended June 30, 2022 totaled \$353,143.

The future minimum lease payments under noncancelable operating lease arrangements are as follows for the years ending June 30:

2023	\$ 169,651
2024	<u>145,151</u>
	<u>\$ 314,802</u>

NOTE 10 — CONCENTRATIONS

The Organization receives a significant amount of its public support and revenue from government grants. A significant reduction in the level of this support, if this were to occur, could have an adverse impact on the Organization's programs and services. At June 30, 2022, 10% of the Organizations receivable were from one grantor.

NOTE 11 — ENDOWMENT NET ASSETS

Endowment net assets consist of donor-restricted funds and funds designated by the Board to function as endowments.

Interpretation of Relevant Law

The Organization's Board has interpreted the Uniform Prudent Management of Institutional Funds Act (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. The endowment fund is classified as board-designated 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 board-designated endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the board-designated 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

MONROE HARDING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 — ENDOWMENT NET ASSETS (Continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results, over time, to out-perform a weighted, blended market index based on the target allocations established for the portfolio after adjusting for an estimated rate of inflation and net of investment management and custody fees while assuming a moderate level of investment risk.

Spending Policy

The Organization has a policy of appropriating for distribution. Each year, a percent of its endowment fund's average fair value over the prior six quarters at six months preceding the fiscal year end in which the distribution is planned. In the year ended June 30, 2022, the spend formula was based on 4% of the average fair value. In establishing this policy, the Organization considered the long-term expected return on its endowment.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the endowment relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The endowment targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment net asset composition by type of fund as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 970,677	\$ 970,677
Board-designated endowment funds	8,447,958	-	8,447,958
Total Funds	\$ 8,447,958	\$ 970,677	\$ 9,418,635

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 9,808,884	\$ 1,127,483	\$ 10,936,367
Investment return:			
Investment income	125,252	28,947	154,199
Net depreciation realized and unrealized	(1,484,812)	(153,067)	(1,637,879)
Net investment return	(1,359,560)	(124,120)	(1,483,680)
Appropriation of endowment assets to expenditure	(1,366)	(32,686)	(34,052)
Endowment net assets, end of year	\$ 8,447,958	\$ 970,677	\$ 9,418,635

MONROE HARDING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 12 — SUBSEQUENT EVENTS

The Organization has performed a review of events subsequent to the statement of financial position date through March 23, 2023, the date the financial statements were available to be issued.