

**THE ASSOCIATION FOR GUIDANCE, AID,  
PLACEMENT, AND EMPATHY (AGAPE)**

**FINANCIAL STATEMENTS**

*As of and for the Years Ended June 30, 2022 and 2021*

*And Report of Independent Auditor*

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)**  
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## Report of Independent Auditor

To the Board of Directors  
The Association for Guidance, Aid, Placement, and Empathy (AGAPE)  
Nashville, Tennessee

### Opinion

We have audited the accompanying financial statements of The Association for Guidance, Aid, Placement and Empathy (AGAPE) (a nonprofit organization) (the "Association"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years 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 Association as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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 Association'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 Association'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.

*Cherry Bekaert LLP*

Nashville, Tennessee  
September 26, 2022

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)**  
**STATEMENTS OF FINANCIAL POSITION**

*JUNE 30, 2022 AND 2021*

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 480,687	\$ 580,021
Investments	1,539,728	1,401,672
Accounts receivable, net	258,404	214,362
Prepaid expenses	24,076	20,821
Total Current Assets	2,302,895	2,216,876
Property and equipment, net	1,415,486	1,459,419
Investments, net of amounts shown as current	971,092	971,092
Beneficial Interest in property and trust	543,800	668,300
Cash surrender value of life insurance policy	35,880	-
<b>Total Assets</b>	<b>\$ 5,269,153</b>	<b>\$ 5,315,687</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 169,057	\$ 175,362
Accrued expenses	109,459	105,073
Current portion of note payable	-	9,284
Total Current Liabilities	278,516	289,719
Liability under split-interest agreement	132,296	138,538
Note payable, net of current portion	-	166,595
Total Liabilities	410,812	594,852
Net Assets:		
Without donor restrictions	3,271,330	3,055,324
With donor restrictions	1,587,011	1,665,511
Total Net Assets	4,858,341	4,720,835
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,269,153</b>	<b>\$ 5,315,687</b>

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

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)**  
**STATEMENTS OF ACTIVITIES**

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Changes in Net Assets Without Donor Restrictions:		
Public Support:		
Individual support	\$ 1,627,494	\$ 1,145,588
Government grants	694,503	1,057,510
Congregational support	164,384	156,054
Memorial gifts	91,812	82,513
Contributions of nonfinancial assets	87,559	61,951
Corporate support	88,638	187,029
Foundation grants and other	61,771	5,750
Estate gifts	8,485	126,682
Total Public Support	<u>2,824,646</u>	<u>2,823,077</u>
Service Revenue:		
Counseling fees	742,151	716,032
Adoption fees	18,544	35,300
Foster care service fees	1,523,729	1,217,856
Total Service Revenue	<u>2,284,424</u>	<u>1,969,188</u>
Other Revenue (Expenses):		
Investment (loss) income, net	(115,900)	216,218
Miscellaneous income	5,691	7,917
Loss on disposal of property and equipment	(1,948)	(927)
Total Other (Expenses) Revenue	<u>(112,157)</u>	<u>223,208</u>
Net assets released from restrictions	169,358	215,626
Total Public Support, Service, and Other Revenue	<u>5,166,271</u>	<u>5,231,099</u>
Expenses:		
Program services	4,095,707	3,904,790
Supporting services	854,558	709,895
Total Expenses	<u>4,950,265</u>	<u>4,614,685</u>
Changes in Net Assets from Operations Without Donor Restrictions	<u>216,006</u>	<u>616,414</u>
Changes in Net Assets With Donor Restrictions:		
Foundation grants and other	139,560	138,000
Contributions	62,321	31,421
Estate gifts	6,108	405,262
Investment income, net	(117,131)	224,582
Net assets released from restrictions	(169,358)	(215,626)
Changes in Net Assets With Donor Restrictions	<u>(78,500)</u>	<u>583,639</u>
Changes in net assets	137,506	1,200,053
Net assets, beginning of year	4,720,835	3,520,782
Net assets, end of year	<u>\$ 4,858,341</u>	<u>\$ 4,720,835</u>

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

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)**  
**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 137,506	\$ 1,200,053
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	96,267	94,400
Donated property and equipment	(8,344)	-
Donated securities	(379,671)	(81,332)
Net loss (gain) on investments	251,648	(425,512)
Loss on disposal of property and equipment	1,948	927
Change in liability under split-interest agreement	(6,242)	138,538
Beneficial interest in property and trust	-	(668,300)
Changes in operating assets and liabilities:		
Accounts receivable	(44,042)	(57,450)
Prepaid expenses	(3,255)	(1,527)
Cash surrender value of life insurance policy	(35,880)	-
Accounts payable	(6,305)	61,836
Accrued expenses	4,386	18,832
Annuities payable	-	(794)
Deferred grant revenue	-	(362,510)
Net cash flows from operating activities	<u>8,016</u>	<u>(82,839)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(45,938)	(50,924)
Proceeds from sale of investments	1,167,828	2,048,190
Purchases of investments	(1,177,861)	(2,009,712)
Distributions from beneficial Interest in property and trust	124,500	-
Net cash flows from investing activities	<u>68,529</u>	<u>(12,446)</u>
<b>Cash flows from financing activities</b>		
Repayments on notes payable	(175,879)	(4,909)
Net cash flows from financing activities	<u>(175,879)</u>	<u>(4,909)</u>
Net change in cash and cash equivalents	(99,334)	(100,194)
Cash and cash equivalents, beginning of year	580,021	680,215
Cash and cash equivalents, end of year	<u>\$ 480,687</u>	<u>\$ 580,021</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	<u>\$ 5,914</u>	<u>\$ 8,893</u>
<b>Supplemental schedule of noncash investing and financing activities:</b>		
Donated property and equipment	<u>\$ 8,344</u>	<u>\$ -</u>
Donated securities	<u>\$ 379,671</u>	<u>\$ 81,332</u>

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

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)**  
**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2022

	Program Services					Support Services			Grand Total
	Domestic Violence Support and Advocacy	Counseling	Foster Care and Parental Education	Maternity Care and Adoption	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related expenses	\$ 897,770	\$ 551,502	\$ 599,467	\$ 35,732	\$ 2,084,471	\$ 340,967	\$ 160,393	\$ 501,360	\$ 2,585,831
Foster care support (in-kind of \$2,000)	-	-	1,017,585	201	1,017,786	-	-	-	1,017,786
Clinical expenses	1,160	326,754	-	-	327,914	-	-	-	327,914
Equipment repairs and maintenance (in-kind of \$18,806)	30,766	37,507	18,202	2,519	88,994	18,002	4,414	22,416	111,410
Depreciation	39,494	30,260	15,415	-	85,169	7,672	3,426	11,098	96,267
Insurance	39,262	27,204	13,977	1,788	82,231	10,880	2,400	13,280	95,511
Professional and legal	-	-	662	3,816	4,478	21,520	51,600	73,120	77,598
Building repairs and maintenance (in-kind of \$4,000)	35,050	19,614	8,843	446	63,953	7,489	2,417	9,906	73,859
Dues and subscriptions	18,136	31,511	5,695	150	55,492	4,036	9,513	13,549	69,041
Golf tournament (in-kind of \$4,938)	-	-	-	-	-	-	67,989	67,989	67,989
Advertising and marketing (in-kind of \$7,896)	-	1,108	-	-	1,108	-	63,005	63,005	64,113
Travel, training and conferences	6,630	7,701	36,743	1,351	52,425	7,353	2,319	9,672	62,097
Payroll and bank fees	18,576	18,828	6,504	1,475	45,383	6,203	10,037	16,240	61,623
Utilities	16,805	11,133	5,660	-	33,598	2,953	1,277	4,230	37,828
Office space (in-kind of \$36,825)	36,825	-	-	-	36,825	-	-	-	36,825
Resident assistance (in-kind of \$2,400)	30,551	-	-	-	30,551	-	-	-	30,551
Contract labor	6,538	-	20,506	1,600	28,644	-	-	-	28,644
Telephone	8,821	6,922	6,254	865	22,862	4,125	1,070	5,195	28,057
Office supplies	7,317	5,426	3,818	88	16,649	2,031	1,603	3,634	20,283
Annual dinner (in-kind of \$900)	-	-	-	-	-	-	16,605	16,605	16,605
Resident supplies (in-kind of \$1,450)	10,510	-	-	-	10,510	-	-	-	10,510
Miscellaneous	1,053	168	945	7	2,173	5,690	694	6,384	8,557
Annuity payments	-	-	-	-	-	-	8,250	8,250	8,250
Postage	205	2,903	1,265	118	4,491	1,950	761	2,711	7,202
Interest expense	-	-	-	-	-	5,914	-	5,914	5,914
<b>Total Expenses</b>	<b>\$ 1,205,469</b>	<b>\$ 1,078,541</b>	<b>\$ 1,761,541</b>	<b>\$ 50,156</b>	<b>\$ 4,095,707</b>	<b>\$ 446,785</b>	<b>\$ 407,773</b>	<b>\$ 854,558</b>	<b>\$ 4,950,265</b>

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



**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)**  
**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2021

	Program Services				Support Services				Grand Total
	Domestic Violence Support and Advocacy	Counseling	Foster Care and Parental Education	Maternity Care and Adoption	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related expenses	\$ 940,148	\$ 603,253	\$ 546,920	\$ 36,821	\$ 2,127,142	\$ 193,464	\$ 225,462	\$ 418,926	\$ 2,546,068
Foster care support	-	-	814,909	-	814,909	-	-	-	814,909
Clinical expenses	539	306,112	-	-	306,651	-	-	-	306,651
Equipment repairs and maintenance (in-kind of \$22,066)	31,460	35,169	15,760	2,461	84,850	17,441	5,480	22,921	107,771
Depreciation	29,767	34,255	12,927	4,524	81,473	9,049	3,878	12,927	94,400
Professional and legal	18,902	4,140	9,613	10,128	42,783	3,105	43,740	46,845	89,628
Insurance	33,355	24,264	10,576	1,627	69,822	8,681	4,210	12,891	82,713
Dues and subscriptions	19,455	35,887	1,401	-	56,743	6,028	9,140	15,168	71,911
Golf tournament	-	-	-	-	-	-	69,101	69,101	69,101
Payroll and bank fees	18,852	19,670	5,366	1,635	45,523	5,391	10,088	15,479	61,002
Building repairs and maintenance	34,995	12,491	4,384	2,107	53,977	4,972	1,820	6,792	60,769
Advertising and marketing (in-kind of \$2,810)	-	700	-	-	700	-	52,342	52,342	53,042
Travel, training and conferences	4,442	3,597	33,069	914	42,022	3,962	4,415	8,377	50,399
Office space (in-kind of \$36,825)	36,825	-	-	-	36,825	-	-	-	36,825
Utilities	16,927	9,623	3,654	1,177	31,381	2,568	1,218	3,786	35,167
Telephone	7,439	7,919	4,857	1,109	21,324	3,795	2,096	5,891	27,215
Contract labor	252	-	24,500	995	25,747	-	-	-	25,747
Office supplies	5,110	7,404	3,731	509	16,754	4,077	1,472	5,549	22,303
Resident assistance	16,233	-	-	-	16,233	-	-	-	16,233
Miscellaneous	1,504	44	3,874	3,637	9,059	1,635	514	2,149	11,208
Interest expense	8,828	-	-	-	8,828	65	-	65	8,893
Resident supplies (in-kind of \$250)	8,717	-	-	-	8,717	-	-	-	8,717
Annuity payments	-	-	-	-	-	-	7,456	7,456	7,456
Postage	171	2,408	464	284	3,327	2,298	588	2,886	6,213
Annual dinner	-	-	-	-	-	-	344	344	344
<b>Total Expenses</b>	<b>\$ 1,233,921</b>	<b>\$ 1,106,936</b>	<b>\$ 1,496,005</b>	<b>\$ 67,928</b>	<b>\$ 3,904,790</b>	<b>\$ 266,531</b>	<b>\$ 443,364</b>	<b>\$ 709,895</b>	<b>\$ 4,614,685</b>

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

# THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE) NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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## Note 1—Nature of operations

The Association for Guidance, Aid, Placement, and Empathy (AGAPE) (“AGAPE” or the “Association”) is a licensed, independent, nonprofit, family service agency providing (1) an educational program for teaching good family life and mental health; (2) counseling services for troubled marriages, family systems, and individuals; (3) children’s services through foster care, placing children for adoption, and group experiences for children; and (4) refuge for victims of domestic violence and their children who have fled abusive situations. The Association is supported primarily by contributions from individuals, corporations, churches and government grants.

The financial statements reflect only the activities for which the Association is directly involved in the receipt and expending of funds and do not include indirect assistance to the Association’s clients through other programs.

## Note 2—Summary of significant accounting policies

The financial statements of the Association are presented on the accrual basis. The significant accounting policies followed are described below:

*Basis of Presentation* – Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and 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 Association. These net assets may be used at the discretion of the Association’s management and the Board of Directors.

*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 Association 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 specific programs.

*Contributions* – All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions. However, if a donor-imposed restriction is fulfilled in the same time period in which the contribution is received, the Association reports the support as without donor restrictions.

In September 2020, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, certain additional disclosures are required. This standard is effective for the year ending June 30, 2022. See Note 10 for the disclosure related to the adoption of this standard.

*Cash and Cash Equivalents* – For purposes of the statements of cash flows, the Association considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents. During the years ended June 30, 2022 and 2021, the Association maintained deposits in financial institutions which, at times, exceeded federally insured limits. The Association has not experienced any losses in such accounts. The Association had balances in excess of federally insured limits of approximately \$263,000 and \$304,000 during the years ending June 30, 2022 and 2021, respectively.

# THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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### Note 2—Summary of significant accounting policies (continued)

*Investments* – According to the *Not-for-Profit Entities* topic of the FASB Accounting Standards Codification (“ASC”), investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are recognized in the statements of activities. Fair values are based on quoted market prices on the last business day of the year.

Gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets and ordinary income from investments are accounted for as without donor restrictions unless restricted by the donor.

*Fair Value Measurements* – The Association has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure financial instruments are recorded at fair value. Furthermore, while the Association 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 estimate of fair value at the reporting date. Accounting principles generally accepted in the United States of America (“U.S. GAAP”) have a three-level valuation hierarchy for fair value measurements. A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

*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.

*Receivables and Credit Policy* – Accounts receivable for counseling services, foster care and adoption contracts, and government grants for the support of victims of domestic violence are uncollateralized obligations due at the time the service is provided. Certain counseling clients have been granted extended payment terms. Late fees or interest charges are not assessed on delinquent accounts. The carrying amount of accounts receivable is reduced by a valuation allowance, if necessary, which reflects management’s best estimate of the amounts that will not be collected.

*Beneficial Interest in Property and Trust* – The beneficial interest in property represents the estimated fair value of property bequeathed to the Association. Such property will be transferred to the Association upon the death of the donor’s widow. The donor’s widow retained a life interest in the property with a value of \$132,296 and \$138,538 on June 30, 2022 and 2021, respectively. The beneficial interest in trust represents the Association’s interest in a charitable unitrust. The Association expects to receive the entirety of their interest in the trust upon the dissolution of the trust. The fair value of the property, net of the liability for the life interest, along with the contributed value of the beneficial interest in the trust is included in contributions of that statement of activities for the year ended June 30, 2021.

# THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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### Note 2—Summary of significant accounting policies (continued)

*Property and Equipment* – Property and equipment are stated at cost. Donated assets are recorded at their estimated fair value at the date of the gift. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Estimated useful lives for the various classes of assets are as follows:

Buildings and improvements	4 – 40 years
Furniture and equipment	3 – 7 years
Transportation equipment	3 – 5 years

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the statements of activities.

*Income Taxes* – The Association is exempt from federal income taxes under the provisions of Internal Revenue Code (“IRC”) Section 501(c)(3) and, accordingly, no provision for income taxes is included in the financial statements.

*Revenue Recognition* – Cash contributions are recognized as revenue when received. Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

The discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Service revenue is recognized at the time the services are provided. In-kind contributions are recorded at estimated fair value at the date of donation.

*Valuation of Long-Lived Assets* – The carrying values of long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

*Use of Estimates* – The preparation of financial statements in conformity with U.S. 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. Actual results could differ from those estimates.

*Functional Allocation of 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.

# THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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### Note 2—Summary of significant accounting policies (continued)

*Endowment Funds* – The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. The *Not-for-Profit Entities* topic of FASB ASC provides guidance on the net asset classification of donor restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It requires that the amount of net assets with donor restrictions cannot be reduced by losses on investments of funds or by an organization’s expenditures from the fund unless the donor required the gift to be held in specific investments. 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.

*Reclassifications* – Certain reclassifications have been made to 2021 balances to conform with the 2022 presentation.

*Forthcoming Accounting Pronouncement* – In February 2016, FASB issued ASU 2016-02, *Leases*. This guidance introduces a lessee model that brings substantially all leases to be recorded on the statements of financial position. This guidance is effective for the year ending June 30, 2023. AGAPE is evaluating the impact this guidance may have on its financial statements. See Note 15 for disclosure regarding the Association’s current operating leases.

*Subsequent Events* – The Association has evaluated subsequent events through September 26, 2022, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued and have determined there are no subsequent events that require disclosure.

### Note 3—Revenue

Revenue is recognized when the Association transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

*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 is recognized as revenue when, or as, each performance obligation is satisfied. The Association’s revenue within the scope of ASC 606 consists primarily of revenue from counseling services, adoptions fees, and foster care services. The contract performance obligation for these activities is generally satisfied at the time the services are provided.

*Accounts Receivable* – Accounts receivable relating to counseling, adoption, and foster care services totaled \$258,404 and \$214,362 at June 30, 2022 and 2021, respectively.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 4—Liquidity and availability of resources**

The Association 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 Association considers all expenditures related to its ongoing activities of domestic violence support and advocacy, counseling, foster care and parental education, and maternity care and adoption, as well as the conduct of services undertaken to support those activities to be general expenditures. As a part of the Association’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30.

	<b>2022</b>	<b>2021</b>
Financial assets:		
Cash and cash equivalents	\$ 480,687	\$ 580,021
Investments	1,539,728	1,401,672
Accounts receivable	258,404	214,362
Total financial assets, at year-end	<u>2,278,819</u>	<u>2,196,055</u>
Less amounts unavailable for general expenditures within one year, due to:		
Contributions restricted for specific programs	(62,375)	(65,732)
Justiss earnings	(16,294)	(133,425)
Board designations	(296,783)	(329,156)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,903,367</u>	<u>\$ 1,667,742</u>

**Note 5—Credit risk and other concentrations**

The Association utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2022 AND 2021*

**Note 6—Investments**

Investments are stated at fair value with fair value determined based on active markets (Level 1) and consist of the following at June 30:

	<b>2022</b>	<b>2021</b>
Marketable equity securities	\$ 1,349,497	\$ 1,550,494
Mutual funds	361,937	407,883
Cash and short-term investments	267,734	110,146
Government securities	228,145	202,270
Alternative investment	219,650	-
Corporate bonds	83,857	101,971
Total investments	2,510,820	2,372,764
Less amounts shown as current	<u>(1,539,728)</u>	<u>(1,401,672)</u>
Investments, net of amounts shown as current	<u>\$ 971,092</u>	<u>\$ 971,092</u>

The following schedule summarizes the net investment income in the statements of activities for the years ended June 30:

	<b>2022</b>	<b>2021</b>
Dividend income	\$ 40,532	\$ 34,910
Interest income	6,401	7,612
Net (loss) gain on investments	(251,648)	425,512
Investment expenses	<u>(28,316)</u>	<u>(27,234)</u>
Investment (loss) income, net	<u>\$ (233,031)</u>	<u>\$ 440,800</u>

Net (loss) gain on investments is presented in the accompanying statements of activities as follows:

	<b>2022</b>	<b>2021</b>
Unrestricted (loss) gain on investments	\$ (115,900)	\$ 216,218
Donor restricted (loss) gain on investments	<u>(117,131)</u>	<u>224,582</u>
Investment (loss) gain, net	<u>\$ (233,031)</u>	<u>\$ 440,800</u>

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 7—Property and equipment**

A summary of property and equipment is as follows at June 30:

	<b>2022</b>	<b>2021</b>
Land	\$ 557,590	\$ 557,590
Buildings and improvements	1,552,142	1,512,080
Furniture and equipment	296,218	295,264
Transportation equipment	8,344	4,676
	<u>2,414,294</u>	<u>2,369,610</u>
Accumulated depreciation	(998,808)	(910,191)
Property and equipment, net	<u>\$ 1,415,486</u>	<u>\$ 1,459,419</u>

Depreciation expense totaled \$96,267 and \$94,400 for the years ended June 30, 2022 and 2021, respectively.

**Note 8—Note payable**

On July 1, 2018, the Association assumed a note payable of \$183,346 as part of the Morning Star Sanctuary combination in fiscal year 2019. On September 18, 2019, the Association entered into an agreement with the financial institution to refinance the existing debt and extend the maturity date by three years to September 12, 2022. The note required monthly payments of \$1,445 with interest at 4.875% per annum. The note was secured by a deed of trust and assignment of rents. The Association repaid the remaining balance on the note payable in the year ending June 30, 2022.

**Note 9—Government grant revenue**

The Association received a Paycheck Protection Program (“PPP”) loan in the amount of \$362,510 during the year ended June 30, 2020. The PPP loan was granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (the “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 Association 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. The Association completed the forgiveness application process upon completion of the applicable 24-week period and reflected the original loan amounts as revenue from the government grants on the statement of activities for the year ended June 30, 2021.



**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 10—Contributed nonfinancial assets**

For the years ending June 30, contributed nonfinancial assets recognized within the statements of activities included:

	<b>2022</b>	<b>2021</b>
Office space	\$ 36,825	\$ 36,825
IT services	18,806	18,316
Household items	9,850	250
Vehicles	8,344	-
Newsletter printing	7,896	2,810
Kids Classic	4,938	-
Video recording services	900	-
Furniture	-	2,450
Household appliances	-	1,300
	<u>\$ 87,559</u>	<u>\$ 61,951</u>

The Association recognized nonfinancial assets within revenue, including contributed office space, IT services, household items, vehicles, newsletter printing, Kids Classic prizes, video recording services, furniture, and household appliances. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The Family Safety Center donated office space for AGAPE’s domestic violence support and advocacy program. AGAPE’s court advocates use this space to meet with persons affected by domestic violence and assist them with orders of protection or direct them to other resources. The Association valued the contribution based upon its estimate of current lease rates for comparable space.

AGAPE recognizes the discount given by its IT management provider as an in-kind donation. Services include maintenance of computer equipment and networks along with backup and security services. These services are utilized ratably across all programs/activities and were valued based upon information supplied from its service provider.

Household items are items such as toiletries and paper goods that were donated to the domestic violence shelter. These items were used by participants residing at the shelter and have been valued based upon current costs to purchase.

Donated vehicles are being used to transport foster children to parental visits and to medical, court, and other appointments. A vehicle is also used for the transportation needs at the domestic violence shelter. Donated vehicles are valued based upon prices for similar vehicles listed on public websites.

Printed materials that were donated were used to inform donors and the community of AGAPE's services and events and are recorded in fundraising expense. Printed materials are valued based on current prices obtained from the supplier.

AGAPE received donations of golf packages at various golf courses that were given to winners of the Kids Classic fundraising golf tournament, and are recorded in fundraising expense. These packages are recorded at the cost to purchase.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 10—Contributed nonfinancial assets (continued)**

The in-kind video recording service is the discount of the fee for recording the speaker for the virtual annual dinner. The video was broadcast to those who registered for the event and also to those on AGAPE's email list, and is recorded in fundraising expense. The contribution was recorded based upon information supplied by the service provider.

Tables, chairs, and a washer and dryer set were donated to the domestic violence shelter. These furniture and appliances are being used by the participants in the domestic violence program who reside at the shelter, and is recorded in domestic violence and advisory in the statement of functional expense. These items were recorded based upon the cost if purchased.

**Note 11—Net assets**

The Board of Directors has designated that certain types of support received not be used for current operating purposes. Such designation may be terminated at the discretion of the board and does not represent donor restrictions. A summary of net assets without donor restrictions at June 30 is as follows:

	<u>2022</u>	<u>2021</u>
Board designated:		
Heffington	\$ 190,761	\$ 211,569
Kresge Foundation	106,022	117,587
	<u>296,783</u>	<u>329,156</u>
Undesignated	<u>2,974,547</u>	<u>2,726,168</u>
Total net assets without donor restrictions	<u>\$ 3,271,330</u>	<u>\$ 3,055,324</u>

Net assets with donor restrictions consist of contributions with donor-imposed restrictions for the following purposes at June 30:

	<u>2022</u>	<u>2021</u>
Justiss endowment	\$ 971,092	\$ 971,092
Interest in life estate, net and life insurance	447,250	405,262
Subsequent year operations	90,000	90,000
Veterans counseling	36,604	25,019
Hispanic counseling	16,950	13,480
Justiss earnings	16,294	133,425
Foster care events	5,321	4,000
Ministers' retreat	2,000	-
Morning Star housing	1,500	11,092
Domestic violence assistance	-	7,141
Children's Counseling	-	5,000
Total net assets with donor restrictions	<u>\$ 1,587,011</u>	<u>\$ 1,665,511</u>

# THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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### **Note 12—Donor restricted endowment**

The Association's endowment consists of donor restricted gifts held in investment accounts. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Board of Directors of the Association 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 Association classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the permanent 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 in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Association 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. Endowment assets include those assets of donor restricted funds that the Association must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed inflation by 4% while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Association 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 Association 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.

The Association has a policy of appropriating for distribution each year 5% or less of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Association considered the long-term expected return on its endowment. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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 Association to retain as a fund of perpetual duration. However, there were no such deficiencies as of June 30, 2022 or 2021.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2022 AND 2021*

**Note 12—Donor restricted endowment (continued)**

The following is a schedule of the activity of the endowment funds for the years ended June 30:

	<b>With Donor Restrictions</b>	<b>With Donor Restrictions, Investment Gains</b>	<b>With Donor Restrictions in Perpetuity</b>	<b>Total</b>
Endowment net assets, July 1, 2021	\$ -	\$ 133,425	\$ 971,092	\$ 1,104,517
Investment return:				
Investment income	-	-	-	-
Net depreciation (realized and unrealized)	-	(117,131)	-	(117,131)
Net investment return	-	(117,131)	-	(117,131)
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, June 30, 2022	\$ -	\$ 16,294	\$ 971,092	\$ 987,386

	<b>With Donor Restrictions</b>	<b>With Donor Restrictions, Investment Gains</b>	<b>With Donor Restrictions in Perpetuity</b>	<b>Total</b>
Endowment net assets, July 1, 2020	\$ -	\$ -	\$ 971,092	\$ 971,092
Investment return:				
Investment income	-	7,630	-	7,630
Net appreciation (realized and unrealized)	-	216,952	-	216,952
Net investment return	-	224,582	-	224,582
Appropriation of endowment assets for expenditure	-	(91,157)	-	(91,157)
Endowment net assets, June 30, 2021	\$ -	\$ 133,425	\$ 971,092	\$ 1,104,517

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT, AND EMPATHY (AGAPE)**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2022 AND 2021*

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**Note 13—Retirement plan**

The Association sponsors a defined contribution retirement plan for its employees, which was established under the provisions of IRC Section 403(b). Employees may begin participation upon inception of employment. Employee contributions of up to 5% of wages are matched by the Association. The Association's matching contributions of \$76,935 and \$75,712 for the years ended June 30, 2022 and 2021, respectively, are included in salary and related expenses in the accompanying statements of functional expenses.

**Note 14—Advertising expenses**

The Association's advertising efforts involve social media, printed marketing materials, booth sponsorships, radio, and magazine advertisements to the general public. Costs associated with the advertising totaled \$64,113 and \$53,042 for the years ended June 30, 2022 and 2021, respectively.

**Note 15—Lease commitments**

The Association leases certain equipment under noncancelable operating leases. Future minimum lease payments under the noncancelable leases at June 30, 2022 are as follows:

**Years Ending June 30,**

2023	\$	13,900
2024		9,205
2025		5,350
		<hr/>
	\$	<u>28,455</u>

Total rental expense for the years ended June 30, 2022 and 2021 totaled \$19,198 and \$32,313, respectively.