

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Financial Statements
For the Years Ended June 30, 2023 and 2022

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Financial Statements

For the Years Ended June 30, 2023 and 2022

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Independent Auditor's Report

Board of Directors

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Opinion

We have audited the financial statements of The Association for Guidance, Aid, Placement, and Empathy (AGAPE) (the Association), which comprise the statement of financial position as of June 30, 2023, 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 Association as of June 30, 2023, 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). 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 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 Association, as of and for the year ended June 30, 2022, were audited by other auditors, whose report, dated September 26, 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 Association'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 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, 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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Nashville, Tennessee
October 23, 2023

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 526,605	\$ 480,687
Accounts receivable, net	245,785	258,404
Prepaid expenses	31,736	24,076
Investments	2,672,644	2,510,820
Property and equipment, net	1,922,169	1,415,486
Beneficial interest in property	543,800	543,800
Cash surrender value of life insurance policy	37,294	35,880
Total assets	<u>\$ 5,980,033</u>	<u>\$ 5,269,153</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 189,802	\$ 169,057
Accrued expenses	110,564	109,459
Liability under split-interest agreement	126,173	132,296
Total liabilities	<u>426,539</u>	<u>410,812</u>
Net assets		
Without donor restrictions	3,874,017	3,271,330
With donor restrictions	1,679,477	1,587,011
Total net assets	<u>5,553,494</u>	<u>4,858,341</u>
Total liabilities and net assets	<u>\$ 5,980,033</u>	<u>\$ 5,269,153</u>

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Statement of Activities For the Year Ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Public support			
Contributions of cash and other financial assets			
General contributions	\$ 1,693,713	\$ 101,181	\$ 1,794,894
Foundation grants and other	699,100	120,000	819,100
Government grants	649,593	-	649,593
Contributions of nonfinancial assets	84,173	-	84,173
Total public support	<u>3,126,579</u>	<u>221,181</u>	<u>3,347,760</u>
Service revenue			
Foster care service fees	1,591,815	-	1,591,815
Counseling fees	650,900	-	650,900
Adoption fees	2,300	-	2,300
Total service revenue	<u>2,245,015</u>	<u>-</u>	<u>2,245,015</u>
Net assets released from restrictions	205,047	(205,047)	-
Total support and revenues	<u>5,576,641</u>	<u>16,134</u>	<u>5,592,775</u>
Expenses			
Program services	4,106,558	-	4,106,558
Management and general	568,693	-	568,693
Fundraising	403,652	-	403,652
Total expenses	<u>5,078,903</u>	<u>-</u>	<u>5,078,903</u>
Other revenues (expenses)			
Investment income (loss), net	97,510	76,332	173,842
Miscellaneous income	7,439	-	7,439
Loss on disposal of property and equipment	-	-	-
Total other revenues (expenses)	<u>104,949</u>	<u>76,332</u>	<u>181,281</u>
Change in net assets	602,687	92,466	695,153
Net assets, beginning of year	3,271,330	1,587,011	4,858,341
Net assets, end of year	<u>\$ 3,874,017</u>	<u>\$ 1,679,477</u>	<u>\$ 5,553,494</u>

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Statement of Activities For the Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Public support			
Contributions of cash and other financial assets			
General contributions	\$ 1,980,813	\$ 68,429	\$ 2,049,242
Government grants	694,503	-	694,503
Foundation grants and other	61,771	139,560	201,331
Contributions of nonfinancial assets	<u>87,559</u>	<u>-</u>	<u>87,559</u>
Total public support	<u>2,824,646</u>	<u>207,989</u>	<u>3,032,635</u>
Service revenue			
Foster care service fees	1,523,729	-	1,523,729
Counseling fees	742,151	-	742,151
Adoption fees	<u>18,544</u>	<u>-</u>	<u>18,544</u>
Total service revenue	<u>2,284,424</u>	<u>-</u>	<u>2,284,424</u>
Net assets released from restrictions	<u>169,358</u>	<u>(169,358)</u>	<u>-</u>
Total support and revenues	<u>5,278,428</u>	<u>38,631</u>	<u>5,317,059</u>
Expenses			
Program services	4,095,707	-	4,095,707
Management and general	446,785	-	446,785
Fundraising	<u>407,773</u>	<u>-</u>	<u>407,773</u>
Total expenses	<u>4,950,265</u>	<u>-</u>	<u>4,950,265</u>
Other revenues (expenses)			
Investment income (loss), net	(115,900)	(117,131)	(233,031)
Miscellaneous income	5,691	-	5,691
Loss on disposal of property and equipment	<u>(1,948)</u>	<u>-</u>	<u>(1,948)</u>
Total other revenues (expenses)	<u>(112,157)</u>	<u>(117,131)</u>	<u>(229,288)</u>
Change in net assets	216,006	(78,500)	137,506
Net assets, beginning of year	<u>3,055,324</u>	<u>1,665,511</u>	<u>4,720,835</u>
Net assets, end of year	<u>\$ 3,271,330</u>	<u>\$ 1,587,011</u>	<u>\$ 4,858,341</u>

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program Services				Supporting Services			Total
	Domestic Violence Support and Advocacy	Counseling	Foster Care and Parental Education	Maternity Care and Adoption	Total program services	Management and general	Fundraising	
Salaries and related expenses	\$ 925,702	\$ 570,727	\$ 712,678	\$ 38,019	\$ 2,247,126	\$ 392,051	\$ 184,372	\$ 2,823,549
Foster care support	-	-	890,178	875	891,053	-	-	891,053
Advertising and marketing	-	155	-	-	155	-	29,465	29,620
Annual dinner	-	-	-	-	-	-	28,474	28,474
Annuity payments	-	-	-	-	-	-	7,300	7,300
Building repairs and maintenance	53,611	9,198	9,012	-	71,821	8,728	1,196	81,745
Clinical expenses	-	286,835	-	-	286,835	-	-	286,835
Contract labor	27,830	-	10,125	-	37,955	-	735	38,690
Depreciation	42,997	19,645	17,028	459	80,129	15,025	2,584	97,738
Donated office space	36,825	-	-	-	36,825	-	-	36,825
Dues and subscriptions	15,009	31,427	3,099	1,450	50,985	4,725	9,421	65,131
Equipment repairs and maintenance	28,167	36,983	18,420	1,505	85,075	18,830	3,986	107,891
Golf tournament	-	-	-	-	-	-	57,814	57,814
Insurance	36,085	30,900	16,054	2,017	85,056	12,545	3,034	100,635
Miscellaneous	203	446	1,634	282	2,565	2,199	796	5,560
Office supplies	3,084	4,275	4,555	255	12,169	4,949	1,678	18,796
Payroll and bank fees	14,750	17,083	7,158	1,231	40,222	7,182	15,252	62,656
Postage	234	3,483	1,347	122	5,186	2,222	404	7,812
Professional and legal	-	-	4,598	3,888	8,486	77,300	51,600	137,386
Resident assistance	36,812	-	3,633	-	40,445	-	-	40,445
Resident supplies	11,232	-	-	-	11,232	-	-	11,232
Telephone	9,063	8,792	7,314	874	26,043	4,755	1,283	32,081
Travel, training, and conferences	5,231	5,758	39,836	1,440	52,265	9,869	2,996	65,130
Utilities	18,730	8,835	7,365	-	34,930	8,313	1,262	44,505
	<u>\$ 1,265,565</u>	<u>\$ 1,034,542</u>	<u>\$ 1,754,034</u>	<u>\$ 52,417</u>	<u>\$ 4,106,558</u>	<u>\$ 568,693</u>	<u>\$ 403,652</u>	<u>\$ 5,078,903</u>

See notes to financial statements

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Statement of Functional Expenses

For the Year Ended June 30, 2022

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

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Statements of Cash Flows For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash and cash equivalents, beginning of year	\$ 480,687	\$ 580,021
Cash flows from operating activities		
Change in net assets	695,153	137,506
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	97,738	96,267
Donated property and equipment	(2,300)	(8,344)
Donated securities	(34,963)	(379,671)
Unrealized (gain) loss on investments	(90,692)	251,648
Loss on disposal of property and equipment	-	1,948
Change in liability under split-interest agreement	(6,123)	(6,242)
Change in:		
Accounts receivable, net	12,619	(44,042)
Prepaid expenses	(7,660)	(3,255)
Cash surrender value of life insurance policy	(1,414)	(35,880)
Accounts payable	20,745	(6,305)
Accrued expenses	1,105	4,386
Net cash provided (used) by operating activities	<u>684,208</u>	<u>8,016</u>
Cash flows from investing activities		
Purchases of property and equipment	(602,121)	(45,938)
Proceeds from sale of investments	1,133,665	1,167,828
Purchases of investments	(1,169,834)	(1,177,861)
Distributions from beneficial interest in trust	-	124,500
Net cash provided (used) by investing activities	<u>(638,290)</u>	<u>68,529</u>
Cash flows from financing activities		
Payments on notes payable	-	(175,879)
Net change in cash and cash equivalents	<u>45,918</u>	<u>(99,334)</u>
Cash and cash equivalents, end of year	<u>\$ 526,605</u>	<u>\$ 480,687</u>
Supplemental disclosures of cash flow information		
Interest paid	<u>\$ -</u>	<u>\$ 5,914</u>

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

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

Accounting Principles

The Association's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

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.

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. Actual results could differ from those estimates.

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.

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 2. Summary of Significant Accounting Policies

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.

Investments

According to the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board (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.

The Association uses net asset value (NAV) per share, or its equivalent, as a practical expedient to estimate the fair values of investments in alternative investments that hold investments in a variety of investment instruments including commodity pools, private equity funds, private debt funds, and hedge funds, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy. The net asset value is determined by the funds' manager at the end of each month. Units are issued and redeemed only at the month-end asset value.

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 (US 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 Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 2. Summary of Significant Accounting Policies

Fair Value Measurements

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.

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.

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:

Building 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.

Beneficial Interest in Property

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 \$126,173 and \$132,296 as of June 30, 2023 and 2022, respectively.

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

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

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.

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 statements of financial position 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 Association adopted Topic 842 on July 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 Association has applied Topic 842 to reporting periods beginning on July 1, 2022. Leases are not material to the Association's financial statements and, therefore, separate line-item presentation and additional disclosures are not presented.

Income Taxes

The Association 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 Association'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 Association's management to evaluate tax positions taken by the Association and recognize a tax liability (or an asset) if the Association 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 Association and had concluded that as of June 30, 2023 and 2022, 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.

Advertising Expenses

The Association's advertising efforts involve social media, printed marketing materials, booth sponsorships, radio, and magazine advertisements to the general public and are expensed as incurred.

Reclassifications

Certain reclassifications have been made to 2022 financial statements to conform with the 2023 presentation.

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 3. Revenue

Contributions of Cash and Other Financial Assets

Contributions of cash and other financial assets 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.

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.

Contributions of Nonfinancial Assets

Contributed services are reflected in the financial statements at the estimated fair value of the services received only when those services either (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Service Revenue

Service 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 \$245,785 and \$258,404 net of an allowance for doubtful accounts totaling \$1,136 at June 30, 2023 and 2022, respectively.

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 4. Liquidity and Availability

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:

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 526,605	\$ 480,687
Accounts receivable	245,785	258,404
Investments	<u>2,672,644</u>	<u>2,510,820</u>
Total financial assets at year-end	3,445,034	3,249,911
Less amounts not available to be used within one year		
Net assets with board designations	(1,662,532)	(1,523,434)
Net assets with donor restrictions	<u>(1,589,477)</u>	<u>(1,497,011)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 193,025</u>	<u>\$ 229,466</u>

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.

Board designated investments of \$1,662,532 and \$1,523,424 as of June 30, 2023 and 2022, respectively, are designated for long-term purposes. The Association does not intend to use these investments for operating purposes; however, these amounts could be made available for operations if necessary.

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Notes to Financial Statements For the Years Ended June 30, 2023 and 2022

Note 5. Investments

The classification of the Association's investment securities are as follows at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investments at fair value				
Cash and short-term investments	\$ 337,279	\$ -	\$ -	\$ 337,279
Certificates of deposit	359,872	-	-	359,872
Corporate bonds	-	74,931	-	74,931
Government securities	233,710	-	-	233,710
Marketable equity securities	1,271,103	-	-	1,271,103
Mutual funds	<u>142,562</u>	<u>-</u>	<u>-</u>	<u>142,562</u>
	2,344,526	74,931	-	2,419,457
Investments at NAV				
Alternative investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,187</u>
Total investments	<u>\$ 2,344,526</u>	<u>\$ 74,931</u>	<u>\$ -</u>	<u>\$ 2,672,644</u>

The classification of the Association's investment securities are as follows at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Investments at fair value				
Cash and short-term investments	\$ 267,734	\$ -	\$ -	\$ 267,734
Corporate bonds	-	83,857	-	83,857
Government securities	228,145	-	-	228,145
Marketable equity securities	1,349,497	-	-	1,349,497
Mutual funds	<u>361,937</u>	<u>-</u>	<u>-</u>	<u>361,937</u>
	2,207,313	83,857	-	2,291,170
Investments at NAV				
Alternative investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,650</u>
Total assets at fair value	<u>\$ 2,207,313</u>	<u>\$ 83,857</u>	<u>\$ -</u>	<u>\$ 2,510,820</u>

The following schedule summarizes the net investment income in the statements of activities for 2023 and 2022:

	2023	2022
Dividend income	\$ 45,997	\$ 40,532
Interest income	24,996	6,401
Net gain (loss) on investments	124,865	(251,648)
Investment expenses	<u>(22,016)</u>	<u>(28,316)</u>
Investment income (loss), net	<u>\$ 173,842</u>	<u>\$ (233,031)</u>

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 6. **Property and Equipment**

A summary of property and equipment is as follows:

	2023	2022
Land	\$ 703,090	\$ 557,590
Building and improvements	1,995,169	1,552,142
Furniture and equipment	308,079	296,218
Transportation equipment	12,377	8,344
Less: accumulated depreciation	<u>(1,096,546)</u>	<u>(998,808)</u>
Property and equipment, net	<u>\$ 1,922,169</u>	<u>\$ 1,415,486</u>

Depreciation expense totaled \$97,738 and \$96,267 for the 2023 and 2022, respectively.

Note 7. **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 8. **Net Assets with Donor Restrictions**

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

	2023	2022
Justiss endowment	\$ 971,092	\$ 971,092
Interest in life estate, net and life insurance	454,787	447,250
Subsequent year operations	90,000	90,000
Maternity care	50,000	-
Trauma counseling	45,828	36,604
Justiss earnings	39,020	16,294
Specific assistance	17,922	-
Hispanic counseling	4,710	16,950
Foster care events	2,000	5,321
Ministers' retreat	2,000	2,000
Morning Star housing	1,500	1,500
Domestic violence assistance	<u>618</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 1,679,477</u>	<u>\$ 1,587,011</u>

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 9. Endowment Funds

The Association's endowment funds consist of board-designated and donor-restricted net assets which are held in investment accounts. 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 June 30, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Justiss Endowment	\$ -	\$ 971,092	\$ 971,092
Justiss Endowment earnings	-	39,020	39,020
Other funds held as investments	1,348,923	-	1,348,923
Heffington Fund	200,366	-	200,366
Kresge Fund	113,243	-	113,243
Total endowment	<u>\$ 1,662,532</u>	<u>\$ 1,010,112</u>	<u>\$ 2,672,644</u>

Changes in endowment net assets for the year ended June 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,523,434	\$ 987,386	\$ 2,510,820
Investment return	97,510	76,332	173,842
Additions	54,181	-	54,181
Distributions, net	(12,593)	(53,606)	(66,199)
Endowment net assets, end of year	<u>\$ 1,662,532</u>	<u>\$ 1,010,112</u>	<u>\$ 2,672,644</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Justiss Endowment	\$ -	\$ 971,092	\$ 971,092
Justiss Endowment earnings	-	16,294	16,294
Other funds held as investments	1,226,651	-	1,226,651
Heffington Fund	190,761	-	190,761
Kresge Fund	106,022	-	106,022
Total endowment	<u>\$ 1,523,434</u>	<u>\$ 987,386</u>	<u>\$ 2,510,820</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,268,247	\$ 1,104,517	\$ 2,372,764
Investment return	(115,900)	(117,131)	(233,031)
Additions	371,087	-	371,087
Distributions, net	-	-	-
Endowment net assets, end of year	<u>\$ 1,523,434</u>	<u>\$ 987,386</u>	<u>\$ 2,510,820</u>

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 9. **Endowment Funds**

Endowment Investment Policy and Risk Parameters

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,

Strategies Employed for Achieving Investment Objectives

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

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, 2023 and 2022.

The Association for Guidance, Aid, Placement, and Empathy (AGAPE)

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 10. Contributions of Nonfinancial Assets

A summary of contributions of nonfinancial assets received and included as contributions and expenses in the statements of activities is as follows:

	2023	2022
Office space	\$ 36,825	\$ 36,825
IT services	19,008	18,806
Household items	11,253	9,850
Newsletter printing	11,182	7,896
Kids Classic	3,605	4,938
Shelter flooring	2,300	-
Vehicles	-	8,344
Video recording services	-	900
	<u>\$ 84,173</u>	<u>\$ 87,559</u>

Unless otherwise noted, the Association did not recognize any contributions of 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.

The Association 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.

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.

Donated shelter flooring was installed at the domestic violence shelter and is valued based upon the current costs to purchase similar items.

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.

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 Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 10. Contributed Nonfinancial Assets

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.

Note 11. 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 \$87,463 and \$76,935 for 2023 and 2022, respectively, are included in salary and related expenses in the accompanying statements of functional expenses.

Note 12. Concentrations

During the years ended June 30, 2023 and 2022, 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 \$290,000 and \$263,000 as of June 30, 2023 and 2022, respectively.

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.

Note 13. Subsequent Events

Management has evaluated subsequent events through October 23, 2023, the date on which the financial statements were available for issuance.