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

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2021 and 2020

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

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Report of Independent Auditor

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

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, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2021 and 2020, 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.

Cherry Bekaert LLP

Nashville, Tennessee
October 20, 2021

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

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 580,021	$ 680,215
Investments	1,401,672	932,440
Accounts receivable, net	214,362	156,912
Prepaid expenses	20,821	19,294
Total Current Assets	2,216,876	1,788,861
Property and equipment, net	1,459,419	1,503,822
Beneficial Interest in property and trust	668,300	-
Investments, net of amounts shown as current	971,092	971,958
Total Assets	$ 5,315,687	$ 4,264,641
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 175,362	$ 113,526
Accrued expenses	105,073	86,241
Current portion of annuities payable	-	794
Current portion of note payable	9,284	8,872
Deferred grant revenue	-	362,510
Total Current Liabilities	289,719	571,943
Liability under split-interest agreement	138,538	
Note payable, net of current portion	166,595	171,916
Total Liabilities	594,852	743,859
Net Assets:		
Without donor restrictions	3,055,324	2,438,910
With donor restrictions	1,665,511	1,081,872
Total Net Assets	4,720,835	3,520,782
Total Liabilities and Net Assets	$ 5,315,687	$ 4,264,641

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, 2021 AND 2020

	2021	2020
Changes in Net Assets Without Donor Restrictions:		
Public Support:		
Individual support (in-kind of $25,126 and $38,803, respectively)	$ 1,170,714	$ 922,071
Government grants (in-kind of $36,825 and $36,825, respectively)	1,238,085	726,347
Corporate support	49,029	193,565
Congregational support	156,054	251,835
Memorial gifts	82,513	70,159
Estate gifts	126,682	206,436
Total Public Support	2,823,077	2,370,413
Service Revenue:		
Counseling fees	716,032	586,048
Adoption fees	35,300	12,502
Foster care service fees	1,217,856	672,354
Total Service Revenue	1,969,188	1,270,904
Other Revenue:		
Investment income (loss), net	216,218	(10,204)
Miscellaneous income	6,990	9,955
Total Other Revenue (Expenses)	223,208	(249)
Net assets released from restrictions	215,626	175,828
Total Public Support, Service, and Other Revenue	5,231,099	3,816,896
Expenses:		
Program services	3,904,790	3,207,145
Supporting services	709,895	690,758
Total Expenses	4,614,685	3,897,903
Changes in Net Assets from Operations Without Donor Restrictions	616,414	(81,007)
Changes in Net Assets With Donor Restrictions:		
Contributions	169,421	121,325
Estate gifts	405,262	-
Investment income, net	224,582	(2,704)
Net assets released from restrictions	(215,626)	(175,828)
Changes in Net Assets With Donor Restrictions	583,639	(57,207)
Changes in net assets	1,200,053	(138,214)
Net assets, beginning of year	3,520,782	3,658,996
Net assets, end of year	$ 4,720,835	$ 3,520,782

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, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 1,200,053	$ (138,214)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	94,400	90,133
Donated property and equipment	-	(13,500)
Net (gain) loss on investments	(425,512)	31,607
Change in liability under split-interest agreement	138,538	-
Beneficial interest in property and trust	(668,300)	-
Changes in operating assets and liabilities:		
Accounts receivable	(57,450)	9,563
Prepaid expenses	(1,527)	(1,035)
Accounts payable	61,836	56,441
Accrued expenses	18,832	27,800
Annuities payable	(794)	(8,197)
Deferred grant revenue	(362,510)	362,510
Net cash flows from operating activities	(2,434)	417,108
Cash flows from investing activities:		
Purchases of property and equipment	(49,997)	(70,548)
Proceeds from sale of investments	2,048,190	1,804,391
Purchases of investments	(2,091,044)	(1,625,167)
Net cash flows from investing activities	(92,851)	108,676
Cash flows from financing activities		
Repayments on notes payable	(4,909)	(4,018)
Net cash flows from financing activities	(4,909)	(4,018)
Net change in cash and cash equivalents	(100,194)	521,766
Cash and cash equivalents, beginning of year	680,215	158,449
Cash and cash equivalents, end of year	$ 580,021	$ 680,215

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

YEAR ENDED JUNE 30, 2021

	Program Services					Support Services			
	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	Grand Total
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
Total Expenses	$ 1,233,921	$ 1,106,936	$ 1,496,005	$ 67,928	$ 3,904,790	$ 266,531	$ 443,364	$ 709,895	$ 4,614,685

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

YEAR ENDED JUNE 30, 2020

	Program Services					Support Services			
	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	Grand Total
Salaries and related expenses	$ 856,460	$ 592,328	$ 370,386	$ 76,937	$ 1,896,111	$ 192,880	$ 220,398	$ 413,278	$ 2,309,389
Foster care support	-	-	449,104	150	449,254	-	-	-	449,254
Clinical expenses	9,045	269,822	-	-	278,867	-	-	-	278,867
Equipment repairs and maintenance (in-kind of $21,577)	37,547	55,824	9,130	4,283	106,784	13,735	10,224	23,959	130,743
Depreciation	-	47,459	11,979	11,979	71,417	12,729	5,987	18,716	90,133
Professional and legal	23,360	5,940	4,173	2,542	36,015	1,980	41,580	43,560	79,575
Insurance	26,226	26,418	6,823	3,633	63,100	6,198	2,864	9,062	72,162
Golf tournament (in-kind $800)	-	-	-	-	-	-	58,480	58,480	58,480
Building repairs and maintenance	29,476	12,173	3,950	2,535	48,134	4,268	1,739	6,007	54,141
Payroll and bank fees	25,054	13,455	3,160	3,717	45,386	6,545	2,185	8,730	54,116
Utilities	20,545	11,534	2,911	2,911	37,901	3,087	1,445	4,532	42,433
Travel	8,989	3,625	18,089	2,660	33,363	4,328	4,422	8,750	42,113
Annual dinner	-	-	-	-	-	-	37,791	37,791	37,791
Advertising and marketing	-	-	-	-	-	355	36,877	37,232	37,232
Office space (in-kind of $36,825)	36,825	-	-	-	36,825	-	-	-	36,825
Office supplies	6,997	7,619	2,985	1,524	19,125	2,607	854	3,461	22,586
Contract labor	-	-	21,800	-	21,800	-	-	-	21,800
Telephone	5,207	6,921	3,830	1,120	17,078	2,788	1,327	4,115	21,193
Resident assistance	18,264	-	-	-	18,264	-	-	-	18,264
Dues and subscriptions	1,279	1,885	197	100	3,461	3,667	6,480	10,147	13,608
Resident supplies (in-kind $2,926)	9,111	-	-	-	9,111	-	-	-	9,111
Interest expense	8,465	-	-	-	8,465	3	-	3	8,468
Postage	238	3,344	585	502	4,669	477	650	1,127	5,796
Miscellaneous	202	43	1,235	535	2,015	1,498	310	1,808	3,823
Total Expenses	$ 1,123,290	$ 1,058,390	$ 910,337	$ 115,128	$ 3,207,145	$ 257,145	$ 433,613	$ 690,758	$ 3,897,903

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, and 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.

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.

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, 2021 and 2020, the Association maintained deposits in financial institutions which, at times, exceeded federally insured limits. The Association has not experienced any losses in such accounts. At June 30, 2021 and 2020, the Association had balances in excess of federally insured limits of $304,306 and $427,225, respectively.

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.

Note 2—Summary of significant accounting policies (continued)

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 $138,538 on June 30, 2021. 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 in the following fiscal year. The fair value of the property, net of the liability for the life interest, along with the contributed value of the beneficial interest in Trust is included in contributions of that statement of activities for the year ended June 30, 2021.

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	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.

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.

Adoption of New Accounting Pronouncement – In May 2014, FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (ASC 606)*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for the fiscal year ended June 30, 2021. AGAPE adopted the provisions of ASU 2014-09 and the related ASUs as of July 1, 2020 using a modified retrospective approach, which resulted in no cumulative effect adjustment to net assets as of July 1, 2020. There was no change in the timing and amount of revenue recognition as a result of the adoption of these ASUs. Certain categories of revenue are not encompassed within the scope of the new ASU including contributions and grants revenue. See Note 3 for additional information related to revenue recognition.

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 14 for disclosure regarding the Association’s current operating leases.

Subsequent Events – The Association evaluated subsequent events through October 20, 2021, when these financial statements were available to be issued.

Note 3—Revenue

As described in note 2, The Association accounts for revenue under ASC 606. *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 $214,362 and $156,912 at June 30, 2021 and 2020, respectively.

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.

	2021	2020
Financial assets:		
Cash and cash equivalents	$ 580,021	$ 680,215
Investments	1,401,672	932,440
Accounts receivable	214,362	156,912
Total financial assets, at year-end	2,196,055	1,769,567
Less amounts unavailable for general expenditures within one year, due to:		
Contributions restricted for specific programs	(65,732)	(25,780)
Contributions restricted for future year operations	(90,000)	(85,000)
Justiss earnings	(133,425)	-
Board designations	(329,156)	(268,324)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,577,742	$ 1,390,463

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.

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:

	2021	2020
Marketable equity securities	$ 1,550,494	$ 1,149,726
Mutual funds	407,883	388,472
Government securities	202,270	215,194
Corporate bonds	101,971	94,933
Cash and short-term investments	110,146	56,073
Total investments	2,372,764	1,904,398
Less amounts shown as current	(1,401,672)	(932,440)
Investments, net of amounts shown as current	$ 971,092	$ 971,958

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

	2021	2020
Dividend income	$ 34,910	$ 37,139
Interest income	7,612	9,042
Net gain (loss) on investments	425,512	(31,607)
Investment expenses	(27,234)	(27,482)
Investment income (loss), net	$ 440,800	$ (12,908)

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

	2021	2020
Unrestricted gain (loss) on investments	$ 216,218	$ (10,204)
Donor restricted gain (loss) on investments	224,582	(2,704)
Investment income (loss), net	$ 440,800	$ (12,908)

Note 7—Property and equipment

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

	2021	2020
Land	$ 557,590	$ 557,590
Buildings and improvements	1,512,080	1,507,165
Furniture and equipment	295,264	291,911
Transportation equipment	4,676	10,085
	2,369,610	2,366,751
Accumulated depreciation	(910,191)	(862,929)
Property and equipment, net	$ 1,459,419	$ 1,503,822

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 requires monthly payments of $1,445 and bears interest at 4.875% per annum. The note is secured by a deed of trust and assignment of rents.

Scheduled principal maturities are as follows:

Years Ending June 30,	
2022	$ 9,284
2023	166,595
Total principal maturities	175,879
Less current portion	(9,284)
Long-term portion	$ 166,595

Note 9—Deferred 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.

Note 10—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:

	2021	2020
Board designated:		
Heffington	$ 211,569	$ 172,823
Kresge Foundation	117,587	95,501
	329,156	268,324
Undesignated	2,726,168	2,170,586
Total net assets without donor restrictions	$ 3,055,324	$ 2,438,910

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

	2021	2020
Justiss endowment	$ 971,092	$ 971,092
Beneficial interest in property, net	405,262	$ -
Justiss earnings	133,425	-
Subsequent year operations	90,000	85,000
Veterans counseling	25,019	7,725
Morning Star housing	15,092	-
Hispanic counseling	13,480	15,000
Domestic violence assistance	7,141	3,055
Children's Counseling	5,000	-
Total net assets with donor restrictions	$ 1,665,511	$ 1,081,872

Note 11—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.

Note 11—Donor restricted endowment (continued)

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, 2021 or 2020.

The following is a schedule of the activity of the endowment funds for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions, Investment Gains	With Donor Restrictions in Perpetuity	Total
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

Note 11—Donor restricted endowment (continued)

The following is a schedule of the activity of the endowment funds for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions, Investment Gains	With Donor Restrictions in Perpetuity	Total
Endowment net assets, July 1, 2019	$ -	$ 2,704	$ 971,092	$ 973,796
Investment return:				
Investment income	-	9,597	-	9,597
Net appreciation (realized and unrealized)	-	(12,301)	-	(12,301)
Net investment return	-	(2,704)	-	(2,704)
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, June 30, 2020	$ -	$ -	$ 971,092	$ 971,092

Note 12—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 $75,712 and $68,276 for the years ended June 30, 2021 and 2020, respectively, are included in salary and related expenses in the accompanying statements of functional expenses.

Note 13—Advertising expenses

The Association's advertising efforts involve social media, printed marketing materials, booth sponsorships, outdoor, and magazine advertisements to the general public. Costs associated with the advertising totaled $53,043 and $37,232 for the years ended June 30, 2021 and 2020, respectively.

Note 14—Lease commitments

The Association leases certain equipment under noncancelable operating leases. Future minimum lease payments under the noncancelable leases at June 30, 2021 are as follows:

Years Ending June 30,	
2022	$ 24,572
2023	15,150
2024	9,205
2025	5,350
	$ 54,277

Total rental expense for the years ended June 30, 2021 and 2020 totaled $32,313 and $14,120, respectively.

Note 15—Supplemental cash flow information

The following is supplemental cash flow information required by U.S. GAAP.

	2021	2020
Interest paid	$ 8,893	$ 8,468
Donated property and equipment	$ -	$ 13,500

Note 16—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak has caused a material, adverse impact on the economic and market conditions. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Association, its performance, and its financial results.

Note 17—Subsequent events

The Association has evaluated subsequent events through October 20, 2021, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued. The Association has been named in a lawsuit subsequent to June 30,2021. The Association is unable to predict the ultimate outcome but does not believe any liability with respect to the lawsuit will be material to the operating results or financial position of the Association.