MONROE HARDING, INC.

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2021

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Monroe Harding, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Monroe Harding, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit 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 Monroe Harding, Inc. as of June 30, 2021, 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.

Cherry Bekaert LLP

Nashville, Tennessee
December 21, 2021

MONROE HARDING, INC.
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

ASSETS		
Cash and cash equivalents, including deposits held for others of $1,371	$	778,649
Investments		9,921,494
Pooled investments		27,138
Accounts and pledges receivable		345,304
Prepaid expenses and other assets		64,940
Beneficial interests in perpetual trusts		987,736
Land, buildings, and equipment, net		52,599
Total Assets	$	12,177,860
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$	27,066
Accrued expenses		185,093
Deferred revenue		6,500
Funds held for others		1,347
Total Liabilities		220,006
Net Assets:		
Without Donor Restrictions:		
Board-designated endowment		9,810,450
Undesignated		864,453
Total Without Donor Restrictions		10,674,903
With donor restrictions		1,282,951
Total Net Assets		11,957,854
Total Liabilities and Net Assets	$	12,177,860

MONROE HARDING, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Public Support and Revenue:			
Public Support:			
Governmental contracts and sub-contracts	$ 2,784,037	$ 149,392	$ 2,933,429
Contributions	773,045	114,450	887,495
Gifts in-kind	57,285	-	57,285
Miscellaneous	6,782	-	6,782
Net assets released from restriction	314,014	(314,014)	-
Total Public Support	3,935,163	(50,172)	3,884,991
Revenue:			
Net gain on investments	1,923,091	222,234	2,145,325
Interest and dividend income, net of fees	149,417	24,012	173,429
Loss on sale of property and equipment	(6,192)	-	(6,192)
Total Revenue	2,066,316	246,246	2,312,562
Total Public Support and Revenue	6,001,479	196,074	6,197,553
Expenses:			
Program Services:			
Foster care	1,352,603	-	1,352,603
Supportive housing	981,616	-	981,616
Youth Connections	627,759	-	627,759
Opportunity Now Reengagement Hub	280,390	-	280,390
Mental health	53,345	-	53,345
SNAP employment and training	76,683	-	76,683
Total Program Services	3,372,396	-	3,372,396
Supporting Services:			
General and administrative	284,160	-	284,160
Fundraising	336,860	-	336,860
Total Supporting Services	621,020	-	621,020
Total Expenses	3,993,416	-	3,993,416
Change in net assets	2,008,063	196,074	2,204,137
Net assets, beginning of year	8,666,840	1,086,877	9,753,717
Net assets, end of year	$ 10,674,903	$ 1,282,951	$ 11,957,854

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

MONROE HARDING, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

Cash flows from operating activities:	
Change in net assets	$ 2,204,137
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	19,870
Loss on disposal of property and equipment	6,192
Change in beneficial interests in perpetual trusts	(222,234)
Change in pooled investments	(4,121)
Net realized and unrealized gain on investments	(1,918,209)
Changes in operating assets and liabilities:	
Accounts and pledges receivable	(41,372)
Prepaid expenses and other assets	(6,900)
Accounts payable	(14,084)
Accrued expenses	17,519
Deferred revenue	(58,000)
Net cash flows from operating activities	(17,202)
Cash flows from investing activities:	
Purchases of investments	(3,078,397)
Proceeds from sale of investments	3,219,825
Net cash flows from investing activities	141,428
Net change in cash and cash equivalents	124,226
Cash and cash equivalents, beginning of year	654,423
Cash and cash equivalents, end of year	$ 778,649

MONROE HARDING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services							Supporting Services			
	Foster Care	Supportive Housing	Youth Connections	Opportunity Now Reengagement Hub	Mental Health	SNAP Employment & Training	Total	General and Administrative	Fundraising	Total	Total Expenses
Salaries and related expenses	$ 641,746	$ 563,446	$ 421,381	$ 213,022	$ 25,986	$ 71,327	$ 1,936,908	$ 125,033	$ 222,514	$ 347,547	$ 2,284,455
Foster care expenses	498,169	5,367	-	-	-	-	503,536	-	-	-	503,536
Rent	69,201	170,638	27,661	14,322	2,222	1,617	285,661	16,317	22,613	38,930	324,591
Equipment and software	37,194	55,293	38,447	20,853	641	3,130	155,558	16,278	10,122	26,400	181,958
Youth expenses	22,867	68,241	81,526	1,071	-	-	173,705	-	-	-	173,705
Contracted services	22,432	14,267	15,421	2,169	23,245	81	77,615	(135)	11,981	11,846	89,461
Other (including $57,285 in-kind)	2,653	28,417	14,058	1,200	-	-	46,328	13,868	22,295	36,163	82,491
Investment management fees	-	-	-	-	-	-	-	62,007	-	62,007	62,007
Professional expenses	6,741	912	2,012	599	395	144	10,803	34,364	751	35,115	45,918
Insurance	13,437	8,809	2,948	4,540	223	-	29,957	6,116	3,478	9,594	39,551
Phone and internet	6,962	18,301	4,693	3,223	186	149	33,514	460	669	1,129	34,643
Travel and transportation	3,035	6,342	11,079	8,136	-	-	28,592	109	196	305	28,897
Special events	56	-	-	-	-	-	56	-	27,804	27,804	27,860
Training and education	6,814	6,179	3,220	2,922	131	72	19,338	4,959	2,371	7,330	26,668
Maintenance	2,555	17,015	49	1,026	-	-	20,645	-	-	-	20,645
Promotional efforts	4,833	1,914	1,076	2,436	126	52	10,437	928	1,724	2,652	13,089
Office supplies	2,345	2,884	1,603	2,101	69	37	9,039	1,799	1,784	3,583	12,622
Recognition gifts and awards	4,587	525	250	100	-	50	5,512	1,094	272	1,366	6,878
Food and beverages	241	671	-	23	-	-	935	195	5,035	5,230	6,165
Printing	1,175	369	480	271	37	24	2,356	262	2,385	2,647	5,003
Utilities	-	3,403	-	-	-	-	3,403	-	-	-	3,403
	1,347,043	972,993	625,904	278,014	53,261	76,683	3,353,898	283,654	335,994	619,648	3,973,546
Depreciation	5,560	8,623	1,855	2,376	84	-	18,498	506	866	1,372	19,870
Total Expenses	$ 1,352,603	$ 981,616	$ 627,759	$ 280,390	$ 53,345	$ 76,683	$ 3,372,396	$ 284,160	$ 336,860	$ 621,020	$ 3,993,416

Note 1—Nature of operations

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

Note 2—Summary of significant accounting policies

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Financial statement presentation is in accordance with standards of accounting and financial reporting prescribed for not-for-profit organizations. Accordingly, net assets of the Organization 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 Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
>
> *Net Assets with Donor Restrictions* – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Fiscal Year – The Organization changed its fiscal year end from December 31 to June 30 effective for the period ended June 30, 2020. As a result, the audited financial statements for the period ended June 30, 2020 were for an 18-month period. The accompanying financial statements are presented as a single year presentation because of the change in fiscal year-end during the previous audit period.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents other than cash and short-term investments held in investment funds.

Contributions – Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. The expiration of a donor-imposed restriction is recognized in the period in which the restriction expires and at the time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions whose restrictions are met in the same reporting period are shown as increases in net assets without donor restrictions.

The Organization reports gifts of land, buildings, and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Note 2—Summary of significant accounting policies (continued)

Investments – All gains and losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Land, Buildings, and Equipment – Land, buildings, and equipment are stated at cost at date of purchase or at estimated fair market value at date of gift. The fair value of donated labor services associated with fixed assets is added to the cost of the asset. Repairs and maintenance are charged to expense as incurred. Purchases with a cost of $2,000 or more and an estimated useful life greater than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 25 years.

Income Taxes – The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code ("IRC") Section 501(c)(3). Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. The Organization had no uncertain tax positions at June 30, 2021.

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 Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consist primarily of salaries and wages which are allocated based on time and effort.

Fair Value Measurements – The Organization follows the provisions of the *Fair Value Measurement* topic of FASB ASC. This guidance establishes a framework for measuring fair value for financial assets and liabilities. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices (Level 1). However, in some instances, there are no quoted market prices for financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques (Level 3). Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments.

Note 2—Summary of significant accounting policies (continued)

The three levels of the fair value hierarchy are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

Revenue Recognition / Recently Adopted Accounting Pronouncements – In May 2014, FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. 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. ASU 2014-09 is effective for the Organization for the year ending June 30, 2021. Management evaluated the impact of this standard on the financial statements of the Organization and determined the accounting standard did not require a change to the Organization's practice of recognizing revenues. The Organization recognizes revenue at the point in time services are rendered.

Foster Care and Independent Living Service Revenue Recognition – Foster care and independent living service revenue is recognized at the point in time in which the related services are rendered. Foster care and independent living revenue amounted to $1,444,915 and $429,620, respectively, for the year ended June 30, 2021.

Contract Balances – Accounts receivable related to foster care and independent living services were $172,032 as of June 30, 2021.

Accounts receivable consist of amounts due from services rendered and are presented net of an allowance for doubtful accounts. Management's estimate of uncollectible amounts is based on historical collection experience and a review of the current status of the account. It is reasonably possible that management's estimate of the allowance for uncollectible accounts could change. There was no allowance for uncollectible amounts at June 30, 2021. All balances outstanding at June 30, 2021 are deemed to be fully collectible.

Performance Obligations and Revenue Recognition – 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 ASU 2014-09. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization's revenue within the scope of ASU 2014-09 principally consists of foster care and independent living contracts. The contract obligations related to these services are satisfied at the point in time the services are rendered.

Note 2—Summary of significant accounting policies (continued)

Revenues from non-exchange transactions (contributions and government grants) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional, non-exchange transactions are recognized when the barrier is satisfied.

Accounting Policies for Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. The ASU requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This ASU will be effective for the fiscal year ending June 30, 2023. The Organization is currently evaluating the effect of the implementation of this new standard.

Subsequent Events – The Organization has evaluated subsequent events for potential recognition and disclosure through December 21, 2021, the date the financial statements were available to be issued.

Note 3—Liquidity and availability of resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is without donor restrictions or other restrictions limiting their use. within one year of the statement of financial position comprise the following at June 30, 2021:

Financial assets at June 30:	
Cash and cash equivalents	$ 778,649
Investments	9,921,494
Pooled investments	27,138
Accounts and pledges receivable	345,304
Beneficial interests in perpetual trusts	987,736
Total financial assets	12,060,321
Less amounts not available to be used for general expenditures within one year:	
Cash held for others	1,347
Net assets restricted for specific programs	101,518
Board-designated endowment	9,810,450
Donor restricted endowment funds	1,127,483
Total amounts not available to be used for general expenditures within one year	11,040,798
Financial assets available to meet cash needs for general expenditures within one year	$ 1,019,523

Board-designated endowment funds are available to be spent at the discretion of the board. The board spending policy currently allows an annual distribution of up to 4% of a three-year moving average of the board-designated endowment market value (See note 13).

Note 4—Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Equity funds	$ 3,002,308	$ 4,111,181 *	$ -	$ 7,113,489
Fixed income funds	638,625	2,049,243 *	-	2,687,868
Cash and short-term investments	120,137	-	-	120,137
Pooled accounts	-	27,138 *	-	27,138
	$ 3,761,070	$ 6,187,562	$ -	$ 9,948,632

Investments identified above by asterisk (*) include units of ownership in certain common trust funds owned by the Diversified Trust Company ("DTC"). The Organization values these investments as Level 2 because specific units held do not have quoted prices and are not traded on an active market.

Note 5—Land, buildings, and equipment

A summary of land, buildings, and equipment consists of the following as of June 30, 2021:

Buildings and land improvements	$ 40,313
Leasehold improvements	6,504
Furniture, fixtures, and appliances	191,914
	238,731
Less accumulated depreciation	(186,132)
Land, buildings, and equipment, net	$ 52,599

Note 6—Beneficial interests in perpetual trusts

The Organization is the beneficiary of two perpetual trusts. The Plummer Trust is held by First Presbyterian Church of Clarksville, Tennessee. The Organization is a 25% beneficiary of the trust and receives periodic distributions from the trust. At June 30, 2021, the trust had a fair market value of $3,617,689, of which $904,423 was for the benefit of the Organization.

The Stanley Trust was initially held by Westminster Presbyterian Church of Nashville, Tennessee ("Westminster"). During 2015, Westminster, transferred the funds to a designated account to be held and managed by the Organization. Distributions from the Stanley Trust are made annually at an amount equal to 5.5% of the three-year average annual value of the trust. At June 30, 2021, the trust had a fair market value of $83,313.

Note 6—Beneficial interests in perpetual trusts (continued)

The trusts' assets are invested in money markets and publicly traded mutual funds. Investments identified below by asterisk (*) include units of ownerships in certain common trust funds owned by DTC. The Organization values these investments as Level 2 because specific units held do not have quoted prices and are not traded on an active market.

The following table sets forth by level, within the fair value hierarchy, the trusts' assets at fair value at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Equity funds	$ 928,101	$ 32,725 *	$ -	$ 960,826
Fixed income funds	5,076	16,048 *	-	21,124
Cash and short term investments	5,786	-	-	5,786
	$ 938,963	$ 48,773	$ -	$ 987,736

Note 7—Net assets with donor restrictions

Net assets with donor restrictions consist of the following at June 30, 2021:

Donor-restricted endowment funds	$ 1,127,483
Foster care	57,414
SNAP	18,110
Youth Connections programs	16,338
Music program	5,649
Independent living program	4,007
Time restricted	53,950
	$ 1,282,951

Note 8—Gifts in-kind

Gifts in-kind received by the Organization are recorded based on their estimated value on the date of receipt. During the year ended June 30, 2021, the Organization recorded donated materials and services with an estimated value of $57,285. In addition, unpaid volunteers have made significant contributions of their time to assist the Organization in carrying out its programs, operations, and events. During the year ended June 30, 2021, volunteers provided approximately 360 hours of service. The value of contributed time is not reflected in these statements since it does not meet the recording requirements specified by U.S. GAAP.

Note 9—Retirement plan

The Organization has a retirement plan in accordance with IRC Section 401. The plan is a defined contribution plan that covers full-time employees who have a minimum of 1,000 annual hours and one year of service with the Organization or another nonprofit organization. During the year ended June 30, 2021, the Organization contributed matching contributions up to 4% of the participants' compensation. Employer contributions are fully vested after four years of service with the Organization or any other nonprofit health or social service organization. Total retirement plan expenses incurred during the year ended June 30, 2021 was $22,805.

Note 10—Commitments and contingencies

The Organization has entered into noncancelable operating lease agreements for office space, equipment, and independent living units. The Organization has also entered into leases for independent living units with required monthly rent payments totaling approximately $17,000. These leases are generally short term and are renewed at the end of each period. Rent expense for all leases for the year ended June 30, 2021 totaled $324,591.

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

2022	$ 249,679
2023	179,424
2024	159,190
2025	75,033
	$ 663,326

Late in December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen which could potentially impact revenue and operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time. It is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact.

Note 11—Board-designated net assets

The Board of Directors have elected to set aside funds for a designated endowment. One of the common uses of board-designated funds is for periodic distributions to cover operating expenses that cannot be met with available cash from operations. At June 30, 2021, the board-designated balance was as follows:

Endowment	$ 9,810,450
Total board-designated net assets	$ 9,810,450

Note 12—Concentrations

The Organization maintains its cash and cash equivalents in financial institutions with balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk related to cash. Cash and cash equivalent balances in excess of federally insured limits amounted to approximately $608,651 at June 30, 2021.

The Organization received $2,933,429 for the year ended June 30, 2021, from contracts with governmental entities. A significant reduction in this support could have an adverse effect on the Organization's activities. Accounts receivable related to these contracts amounted to $77,532 at June 30, 2021.

Note 13—Endowment and net assets held in perpetuity

The Organization's endowment consists of individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions. Net assets held in perpetuity endowment funds are predominantly beneficial interests in perpetual trusts described in Note 7.

Interpretation of Relevant Law – The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted 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 held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the State Prudent Management of Institutional Funds Act ("SPMIFA"). In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- The investment policies of the Organization

Endowment Investment Policy and Risk Parameters – The Organization has adopted investment spending policies which allow up to 4% to be drawn per fiscal year 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 the Organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. 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 the price and yield results of selected market and comparative indices while assuming a moderate level of investment risk. Actual returns will vary in any given year.

Strategies Employed for Achieving Investment Objectives – To satisfy its long-term rate-of-return objectives, the Organization 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 Organization 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 Organization has a policy which provides for the Board of Directors to identify distribution amounts, as needed, to fund the Organization's programs. In establishing this policy, the Organization considers the long-term expected return on its endowment. This is consistent with the Organization'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.

Note 13—Endowment and net assets held in perpetuity (continued)

Endowment net asset composition by type of fund as of June 30, 2021:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 1,127,483	$ 1,127,483
Board-designated endowment funds	9,810,450	-	9,810,450
Total funds	$ 9,810,450	$ 1,127,483	$ 10,937,933

Changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 8,006,284	$ 928,172	$ 8,934,456
Investment return:			
Investment income	106,538	24,012	130,550
Net (depreciation) appreciation (realized and unrealized)	1,923,090	202,868	2,125,958
Total investment return	2,029,628	226,880	2,256,508
Board-designated transfers to endowment	-	-	-
Appropriation of endowment assets for expenditure	(225,462)	(27,569)	(253,031)
Endowment net assets, end of year	$ 9,810,450	$ 1,127,483	$ 10,937,933