

**THE CABBAGE PATCH SETTLEMENT  
HOUSE, INCORPORATED  
LOUISVILLE, KENTUCKY**

**FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2020**

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**

**CONTENTS**

	<b>Page</b>
Independent Auditor's Report .....	<b>3</b>
STATEMENT OF FINANCIAL POSITION .....	<b>4</b>
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS .....	<b>5</b>
STATEMENT OF CASH FLOWS .....	<b>6</b>
STATEMENT OF FUNCTIONAL EXPENSES .....	<b>7</b>
NOTES TO FINANCIAL STATEMENTS .....	<b>8-21</b>



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## Independent Auditor's Report

Board of Directors

**The Cabbage Patch Settlement House, Incorporated**

Louisville, Kentucky

We have audited the accompanying financial statements of **The Cabbage Patch Settlement House, Incorporated** (a nonprofit organization), which comprise the statement of financial position as of April 30, 2020, and the related statements of activities and changes in net assets, cash flows and statement of 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 that 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 Cabbage Patch Settlement House, Incorporated** as of April 30, 2020, 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.

Louisville, Kentucky

July 20, 2021

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**STATEMENT OF FINANCIAL POSITION**  
**APRIL 30, 2020**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 552,957
Pledges receivable	108,888
Interest receivable	14,537
Prepaid program costs	5,250
<b>Total Current Assets</b>	<b>681,632</b>

**NON-CURRENT ASSETS**

Pledges receivable, net of current portion	264,327
Property and equipment, net	4,959,240
Investments	12,489,497
Beneficial interest in annuity trust	265,616
Beneficial interest in perpetual trusts	6,730,763
<b>Total Non-Current Assets</b>	<b>24,709,443</b>

<b>TOTAL ASSETS</b>	<b>\$ 25,391,075</b>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 47,947
Paycheck Protection Program loan	307,600
Accrued payroll and employee related expenses	47,413
Deferred revenue	33,300
<b>Total Liabilities</b>	<b>436,260</b>

**NET ASSETS**

Without donor restrictions	7,401,573
With donor restrictions	17,553,242
<b>Total Net Assets</b>	<b>24,954,815</b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 25,391,075</b>
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See notes to financial statements.

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED APRIL 30, 2020**

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
<b>Revenues and Other Support</b>			
Contributions	\$ 854,081	\$ 840,375	\$ 1,694,456
Contributions in kind - operations	71,553	-	71,553
Other revenues	15,885	-	15,885
Special events, Golf			
Contributions in kind	\$ -		
Special events income	135,875		
Less: expenses	<u>(55,589)</u>	80,286	-
Special events, Auction			
Contributions in kind	\$ 1,525		
Special events income	214,355		
Less: expenses	<u>(69,837)</u>	146,043	-
Special events, Putting Event			
Contributions in kind	\$ 5,648		
Special events income	-		
Less: expenses	<u>(29,009)</u>	(23,361)	-
Distributions from perpetual trusts:			
Marshall Trust	178,395	-	178,395
Milton Trusts	139,657	-	139,657
Chandler Trust	6,267	-	6,267
Net investment return	6,458	(1,107,855)	(1,101,397)
Rental income - 1421 South 6th Street	12,000	-	12,000
Net assets released from restrictions	573,721	(573,721)	-
<b>Total Revenues and Other Support</b>	<u>2,060,985</u>	<u>(841,201)</u>	<u>1,219,784</u>
<b>Expenses</b>			
Program services	1,850,488	-	1,850,488
General and administrative expenses	299,514	-	299,514
Fundraising	272,308	-	272,308
<b>Total Expenses</b>	<u>2,422,310</u>	<u>-</u>	<u>2,422,310</u>
<b>Change in Net Assets</b>	\$ (361,325)	\$ (841,201)	\$ (1,202,526)
Net assets, beginning of year	<u>7,762,898</u>	<u>18,394,443</u>	<u>26,157,341</u>
<b>Net Assets, End of Year</b>	<u>\$ 7,401,573</u>	<u>\$ 17,553,242</u>	<u>\$ 24,954,815</u>

See notes to financial statements.

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED APRIL 30, 2020**

**OPERATING ACTIVITIES**

Changes in net assets	\$ (1,202,526)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	248,938
Net realized and unrealized losses on investments	2,002,428
Decrease in value of funds held in trust by others	(702,901)
(Increase) decrease in:	
Pledges receivable	(201,315)
Interest receivable	487
Prepaid program costs	(4,550)
Increase (decrease) in:	
Accounts payable	12,357
Accrued payroll and employee related expenses	(44,407)
Deferred revenue - programs and special events	9,800
<b>Net Cash Provided By Operating Activities</b>	<u>118,311</u>

**INVESTING ACTIVITIES**

Purchases of property and equipment	(73,653)
Purchases of marketable investments	(3,222,778)
Sales of marketable investments	3,050,044
<b>Net Cash Used In Investing Activities</b>	<u>(246,387)</u>

**FINANCING ACTIVITIES**

Proceeds from Paycheck Protection Program loan program	<u>307,600</u>
<b>Net Cash Provided by Financing Activities</b>	307,600

<b>Increase in Cash</b>	179,524
Cash at beginning of year	<u>373,433</u>
<b>Cash at End of Year</b>	<u><u>\$ 552,957</u></u>

See notes to financial statements.

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED APRIL 30, 2020**

**Program Services**

	<u><b>Youth</b></u>			<u><b>Total</b></u>
	<u><b>Development</b></u>	<u><b>Family Services</b></u>	<u><b>Educational</b></u>	<u><b>Program</b></u>
	<u><b>and Recreation</b></u>	<u><b>and Counseling</b></u>	<u><b>Opportunities</b></u>	<u><b>Services</b></u>
Association dues and fees	\$ 89	\$ 36	\$ 40	\$ 165
Audit fees	-	-	-	-
Auction, putting and golf direct expenses	-	-	-	-
Auction, putting and golf direct expenses (donated)	-	-	-	-
Advertising and marketing	3,663	185	603	4,451
Advertising, promotion and printing (donated)	-	-	-	-
Board meetings	-	-	-	-
Depreciation	194,172	14,936	27,383	236,491
Friends luncheons	-	-	-	-
Insurance	36,867	2,724	5,745	45,336
Miscellaneous	145	-	-	145
Occupancy	34,328	2,537	5,350	42,215
Occupancy (donated)	-	-	-	-
Office expense	6,593	3,510	5,543	15,646
Payroll services	2,530	290	497	3,317
Payroll taxes	33,795	16,625	20,058	70,478
Printing, publications and postage	2,071	1,473	1,473	5,017
Professional fees	383	383	383	1,149
Program costs and special projects	20,013	39,430	106,171	165,614
Program costs and special projects (donated)	46,511	8,043	14,264	68,818
Repairs and maintenance	16,857	2,120	2,627	21,604
Retirement contribution	19,571	20,233	13,608	53,412
Salaries and benefits	493,569	258,474	336,550	1,088,593
Staff development	3,006	2,065	2,570	7,641
Strategic planning	-	-	-	-
Telephone	9,697	717	1,511	11,925
Transportation	6,413	474	999	7,886
Volunteer cost	476	33	76	585
<b>Total expenses</b>	<b>930,749</b>	<b>374,288</b>	<b>545,451</b>	<b>1,850,488</b>
Less expenses included with revenues on the statement of activities	-	-	-	-
Total expenses included in the expense section of the statement of activities	<b>\$ 930,749</b>	<b>\$ 374,288</b>	<b>\$ 545,451</b>	<b>\$ 1,850,488</b>

See notes to financial statements.

**General and Administrative Expenses**

**Special Events**

**Fund Raising Expenses**

<u>General and Administrative</u>	<u>Property Fund Expenses</u>	<u>Golf</u>	<u>Auction</u>	<u>Putting</u>	<u>Total Special Events</u>	<u>Fund Raising</u>	<u>Comprehensive Campaign Expenses</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 3,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,293	\$ 3,458
16,200	-	-	-	-	-	-	-	16,200	16,200
-	-	40,282	45,999	13,301	99,582	-	-	-	99,582
-	-	-	1,639	-	1,639	-	-	-	1,639
752	-	-	-	(54)	(54)	4,221	-	4,973	9,370
-	-	-	-	-	-	-	-	-	-
5,709	-	50	-	-	50	-	-	5,709	5,759
7,468	-	-	-	-	-	4,979	-	12,447	248,938
-	-	-	-	-	-	625	-	625	625
3,932	-	-	-	-	-	-	-	3,932	49,268
5,797	-	-	4,311	16	4,327	-	-	5,797	10,269
2,229	-	-	-	-	-	-	-	2,229	44,444
-	5,496	-	-	-	-	-	-	5,496	5,496
4,162	-	-	-	-	-	-	-	4,162	19,808
2,327	-	-	-	-	-	-	-	2,327	5,644
12,057	-	861	1,020	867	2,748	7,039	5,836	24,932	98,158
1,437	-	-	120	-	120	26,912	-	28,349	33,486
2,423	-	-	-	-	-	-	-	2,423	3,572
3,120	-	-	-	-	-	7,187	-	10,307	175,921
-	-	-	-	-	-	-	-	-	68,818
1,095	-	-	-	-	-	-	-	1,095	22,699
12,476	-	266	274	272	812	6,973	9,044	28,493	82,717
184,305	-	14,130	16,474	14,607	45,211	106,400	78,447	369,152	1,502,956
5,681	-	-	-	-	-	-	-	5,681	13,322
18,114	-	-	-	-	-	-	14,228	32,342	32,342
630	-	-	-	-	-	-	-	630	12,555
810	-	-	-	-	-	417	-	1,227	9,113
1	-	-	-	-	-	-	-	1	586
294,018	5,496	55,589	69,837	29,009	154,435	164,753	107,555	571,822	2,576,745
-	-	(55,589)	(69,837)	(29,009)	(154,435)	-	-	-	(154,435)
\$ 294,018	\$ 5,496	\$ -	\$ -	\$ -	\$ -	\$ 164,753	\$ 107,555	\$ 571,822	\$ 2,422,310



**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2020**

(1) **NATURE OF OPERATIONS**

The Cabbage Patch Settlement House, Incorporated (the “Organization”) is a local, non-profit Christian Organization established in 1910, which serves the Louisville metropolitan area. The stated purpose of the Organization is to do generally what is known as social settlement work, including conducting religious services, training of the mind and body, assisting parents in the care of their children, and whatever pertains to the uplifting of people who may be brought into contact with the Organization’s work (from original Articles of Incorporation).

The mission of the Organization is to equip and empower at-risk children, youth and their families, to be self-sufficient by helping them maximize their economic, educational, emotional, moral, physical, social and spiritual potential.

The Organization’s program services include youth development and recreation, family services and counseling providing assistance to inner-city families and educational opportunities providing scholarships and educational assistance.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies are described below.

**Basis of Presentation**

The Organization reports information regarding its financial position and activities in two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Contributions whose restrictions are met in the same period are treated as net assets without donor restrictions. The terms are defined below:

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions.

Net assets without donor restrictions – Net assets not subject to donor imposed restrictions.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimated.

**Concentration of Credit Risk**

The Organization maintains its cash at financial institutions. At April 30, 2020, the Organization had \$35,120 in excess of the amounts insured by the FDIC.

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2020**

(2 – continued)

**Donations**

The Organization records and reports its assets, liabilities, net assets, revenues, gains, and losses, and other support based on the existence or absence of donor-imposed restrictions. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restrictions.

The Organization reports gifts as 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 recorded as restricted support. 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.

**Contributions**

All unconditional promises to give (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 restricted support that increases net assets with donor restrictions.

Contributions that are expected to be collected within one year are recorded at their net realizable value. Contributions 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 a risk adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contributions.

**Property and Equipment**

The Organization records property and equipment at cost if purchased and at the estimated fair value at the date of acquisition if donated. The Organization typically capitalizes items costing or valued over \$1,000 with a useful life of at least five years. Repairs and maintenance are expensed as incurred. Depreciation is provided on the basis of the estimated useful lives of the assets ranging from 3 to 40 years, using the straight-line method. Depreciation expense of \$248,938 was recognized in the year ended April 30, 2020.

**Investments**

Investments are recorded at fair market value. Unrealized gains and losses are included in the change in net assets. Donated investments are recorded at the fair market value as of the date received.

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2020**

(2 – continued)

**Advertising and Marketing Costs**

Advertising and marketing cost are expensed as incurred. These expenses amounted to \$9,370 for the year ended April 30, 2020.

**Income Taxes**

The Organization has received a determination letter from the Internal Revenue Service indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly no income taxes have been provided in the accompanying financial statement.

The Organization implemented the accounting guidance for uncertainty in income taxes. Using that guidance, tax positions initially need to be recognized in the financial statement when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. As of April 30, 2020 the Organization has no uncertain tax positions that qualify for either recognition or disclosures in the financial statements.

**Functional Allocation of Expenses**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

(3) **LIQUIDITY**

The Organization’s financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash	\$ 552,957
Pledges receivable	373,215
Interest receivable	14,537
Investments	<u>12,489,497</u>
	13,430,206
Less those unavailable for general expenditures within one year:	
Contractual or donor-imposed restrictions	(10,913,679)
Board designated:	
Capital expenditures	(240,289)
Quasi-endowment funds, primarily for operating reserve	<u>(2,032,415)</u>
Total	<u><u>\$ 243,823</u></u>

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2020**

(3 – continued)

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments such as cash equivalents. The Organization has two quasi-endowment funds that have been designated by the Board of Directors as an operating reserve. These quasi-endowments, may be drawn upon with approval by the Board, to meet unexpected liquidity needs if necessary.

(4) **PLEDGES RECEIVABLE**

Pledges receivable at April 30, 2020 include the following unconditional promises to give:

Operations	\$ 46,425
Donor restricted	316,840
Educational opportunities	11,000
Gross pledges receivable	374,265
Less unamortized discount on future pledges	1,050
Total	\$ 373,215

Gross pledges receivable are due according to the following schedule:

Less than one year	\$ 108,888
One to five years	264,327
	\$ 373,215

Contributions receivable in future periods were discounted at .16%, the one year U.S. Treasury note rate.

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2020**

(5) **INVESTMENTS**

Fair value of investments, by classification as of April 30, 2020, are as follows:

Cash Equivalents	\$ 354,107
Bonds:	
Government	51,682
Financial	184,289
Corporate	778,590
Limited Partnership Interest in Real Estate	24,441
Mutual Funds:	
Equity	3,849,444
Fixed Income	1,626,065
Exchange Traded Funds:	
Bond	180,151
Equity	726,604
International	325,062
Alternative	2,319
Equities	
Basic Materials	123,602
Consumer Goods	563,441
Energy	12,896
Financial	777,981
Healthcare	455,357
Industrial Goods	288,684
Real Estate	38,135
Services	601,266
Technology	843,353
Telecommunication	81,032
Utilities	53,921
Common Trust Fund	394,554
Pooled Separate Accounts	152,521
	<u>\$ 12,489,497</u>
Investments, board designated	\$ 2,272,705
Investments, restricted to endowments	10,216,792
Total	<u>\$ 12,489,497</u>

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2020**

**(6) ANNUITY TRUST**

During the year ended April 30, 2019, the Organization became a beneficiary of the Kim Hamilton Trust. The trust is neither in the possession nor under the control of the Organization, but is held and administered by outside agents. The Organization receives its share of the net income annually. The Trust is scheduled to distribute 5% of the original trust principal annually for a period of ten years, 10% of the remaining trust principal for five years and 100% of the remaining trust principal thereafter.

At April 30, 2020, the Organization's interest in the trust is valued at the fair value of the trust and recorded as a beneficial interest in annuity trust on the statement of financial position.

**(7) PERPETUAL TRUSTS**

The Organization is a beneficiary of the Louise Marshall Trust, the Milton Trusts and the James W. Chandler Trust. These trusts are neither in the possession nor under the control of the Organization, but are held and administered by outside agents. The Organization receives all of the distributions from the Louise Marshall Trust and a portion of the distributions from the Milton and Chandler trusts to be used for operating expenses.

At April 30, 2020, the Organization's interest in the trusts are valued at the fair value of the trusts and recorded as a beneficial interest in perpetual trusts on the statement of financial position. During the year ended April 30, 2020, after making \$324,319 in distributions from the trusts, the value of the perpetual trusts decreased by \$702,901.

**(8) CONTRIBUTIONS OTHER THAN CASH**

Contributions of marketable investments are recorded at the quoted fair value of the investments on the date they are received. Donated professional services, occupancy and advertising are recorded at their estimated fair value and donated property and equipment at their appraised or estimated fair value. Contributed services and occupancy in the amount of \$78,726 during the year ended April 30, 2020, were recorded as contributions, and program, supporting services and special events expenses.

During the year ended April 30, 2020, approximately 314 volunteers donated 2,542 hours of time to the Organization. This time represents non-professional services and is, therefore, not recorded in the accompanying financial statements.

**(9) PROPERTY AND EQUIPMENT**

Property and equipment consists of the following components at April 30, 2020:

Land	\$ 51,500
Building and improvements	7,480,470
Equipment, furniture, and fixtures	760,854
Vehicles	113,568
	<u>8,406,392</u>
Less: accumulated depreciation	3,447,152
	<u><u>\$ 4,959,240</u></u>

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2020**

**(10) BOARD DESIGNATED NET ASSETS**

At April 30, 2020, board designated net assets consisted of the following:

Board designated for capital expenditures	\$ 240,289
Quasi-endowment funds, primarily for operating reserve	<u>2,032,415</u>
	<u><u>\$ 2,272,704</u></u>

**(11) NET ASSETS WITH DONOR RESTRICTIONS**

At April 30, 2020, net assets with donor restrictions consisted of the following:

General operations - future years	\$ 264,847
Endowment funds:	
Donor restricted	7,706,486
Educational opportunities	2,851,146
Perpetual trusts	<u>6,730,763</u>
	<u><u>\$ 17,553,242</u></u>

**(12) NET ASSET ENDOWMENTS**

The Organization's endowment funds consist of donor-imposed restricted funds, all of which were established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with the endowment funds are classified and reported based on the existence of donor-imposed restrictions.

**Interpretation of Relevant Law**

In August 2008, the Financial Accounting Standards Board (FASB) issued guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This guidance requires additional disclosures about an organization's endowment funds (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

On March 25, 2010, Kentucky enacted UPMIFA, the provisions of which apply to endowment funds existing on or established after that date. The Organization has determined its permanently restricted net assets meet the definition of endowment funds under UPMIFA. Based on the Organization's interpretation of UPMIFA, the Organization has reviewed all of its endowment funds and has determined there are no changes in the classification of the donor-restricted net assets. As a result of this interpretation, the Organization continues to classify, as permanently restricted net assets, the original value of gifts donated to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instruments or, in the absence of such stipulations, that the Board of Directors has determined must be retained permanently.

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2020**

(12 – continued)

Prior to the enactment of UPMIFA, the Board of Directors had interpreted the Uniform Management of Institutional Funds Act (UMIFA), prescribed in Kentucky Revised Statutes sections 273.510 through 273.590, 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. From time to time the fair value of assets associated with individual donor-restricted endowment funds may have fallen below the level that the donor or UMIFA required the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature were reported in unrestricted net assets. There were no such deficiencies as of April 30, 2020.

**Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization 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 the price and yield results to mirror those of major indexes while assuming a moderate level of investment risk.

**Strategies Employed for Achieving 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 Investment Objectives Relate to Spending Policy**

The Organization has a policy of appropriating distributions of 5% of its endowment fund's average fair value over the previous 12 quarters rolling average adjusted on a quarterly basis in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain the fair value of the original gift. 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.



**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2020**

(12 – continued)

The changes in endowment net assets for the year ended April 30, 2020 is as follows:

	<u>Without Donor</u>	
	<u>Restrictions</u>	
	<u>Board</u>	<u>With Donor</u>
	<u>Designated</u>	<u>Restrictions</u>
<b>Balance, Beginning of Year</b>	\$ 2,305,510	\$ 17,981,722
Investment return		
Investment income, net	25,544	167,894
Net appreciation -		
unrealized and realized	(26,966)	(247,846)
Contributions	-	602,856
Amounts appropriated for		
expenditures	(271,673)	(1,303,674)
 <b>Balance, End of Year</b>	 <b>\$ 2,032,415</b>	 <b>\$ 17,200,952</b>

**(13) PAYCHECK PROTECTION PROGRAM LOAN**

The Organization received \$307,600 in funding through a loan under the Small Business Administration’s (SBA’s) Paycheck Protection Program in April 2020. This unsecured loan has a maturity of two years, an interest rate of 1.00%, and loan payments will be deferred for at least six months. The loan is fully guaranteed by the SBA and may be partially or fully forgiven if the funds are used for eligible payroll and other costs.

The Paycheck Protection Program loan was fully forgiven on February 1, 2021.

**(14) RETIREMENT PLAN**

The Organization sponsors a defined contribution pension plan. The plan covers all employees meeting eligibility requirements. Plan contributions are based on a percentage of participants’ salaries. The contributions were \$82,717 for the year ended April 30, 2020.

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2020**

(15) **FAIR VALUE MEASUREMENTS**

The Organization adopted the provisions of FASB ASC 820, *Fair Value Measurements*, for financial assets and financial liabilities. The Organization has no nonfinancial assets and nonfinancial liabilities determined at fair value.

FASB ASC 820 defines fair value as 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. FASB ASC 820 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

- Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted market price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.
- Level 2: Inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; quoted market prices for identical or similar assets or liabilities in markets that are not active; or inputs that are derived principally from or can be corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Organization's financial assets and liabilities carried at fair value.

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2020**

(15 – continued)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of April 30, 2020.

	<b>Carrying Value</b>			
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
	<i>(in thousands)</i>			
<b><i>Assets Measured on a Recurring Basis</i></b>				
Investments:				
Cash Equivalents	\$ 354	\$ -	\$ -	\$ 354
Bonds:				
Government	-	52	-	52
Financial	-	184	-	184
Corporate	-	779	-	779
Mutual Funds:				
Equity:				
Large Cap	1,668	-	-	1,668
Mid Cap	248	-	-	248
Small Cap	527	-	-	527
International	816	-	-	816
Other	591	-	-	591
Fixed Income	1,625	-	-	1,625
Exchange Traded Funds:				
Bond	180	-	-	180
Equity	727	-	-	727
International Equity	325	-	-	325
Other	2	-	-	2
Equities				
Basic Materials	124	-	-	124
Consumer Goods	563	-	-	563
Energy	13	-	-	13
Financial	778	-	-	778
Healthcare	455	-	-	455
Industrial Goods	289	-	-	289
Real Estate	38	-	-	38
Services	601	-	-	601
Technology	843	-	-	843
Telecommunication	81	-	-	81
Utilities	54	-	-	54
Limited Partnership Interest				
in Real Estate	-	-	24	24
Pooled Separate Account	-	-	153	153
Common Trust Fund (A)				395
Total Investments				<u>\$ 12,489</u>

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2020**

(15 – continued)

	<u>Carrying Value</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>(in thousands)</i>			
Beneficial interest in annuity trust:				
Cash Equivalents	\$ 53	\$ -	\$ -	\$ 53
Mutual Funds:				
Equity:				
Large Cap	50	-	-	50
Mid Cap	9	-	-	9
Small Cap	4	-	-	4
International	11	-	-	11
Fixed Income	31	-	-	31
Exchange Traded Funds:				
Bond	19	-	-	19
Equity	68	-	-	68
REIT	21	-	-	21
Other	-	-	-	-
Total Beneficial interest in annuity trust				<u>\$ 266</u>
Beneficial interest in perpetual trusts:				
Cash Equivalents	\$ 169	\$ -	\$ -	\$ 169
Bonds:				
Government	-	153	-	153
Corporate	-	762	-	762
Mutual Funds:				
Equity:				
Large Cap	-	-	-	-
Mid Cap	-	-	-	-
Small Cap	127	-	-	127
International	536	-	-	536
Fixed Income	907	-	-	907
Other	487	-	-	487
Exchange Traded Funds:				
Equity	298	-	-	298
Equities				
Basic Materials	63	-	-	63
Consumer Goods	530	-	-	530
Energy	14	-	-	14
Financial	684	-	-	684
Healthcare	379	-	-	379
Industrial Goods	407	-	-	407
Real Estate	171	-	-	171
Technology	706	-	-	706
Telecommunication	303	-	-	303
Utilities	35	-	-	35
Total Beneficial interest in perpetual trusts				<u>\$ 6,731</u>

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2020**

(15 – continued)

(A) In accordance with FASB ASC Subtopic 820-10, certain investments that were measured at net asset value (“NAV”) per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

In general, fair value is based upon quoted market prices, where available. If quoted market prices are not available, fair value is based on internally developed models or obtained from third parties that primarily use, as inputs, observable market-based parameters or a matrix pricing model that employs the Bond Market Association’s standard calculations for cash flow and price/yield analysis and observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include unobservable parameters. Any such valuation adjustments have been applied consistently over time. The Organization's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Organization's valuation methodologies 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.

*Cash equivalents.* Values at the net asset value of the units held by the Organization at year-end.

*Government and Corporate bonds.* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Mutual Funds and Exchange Traded Funds.* Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

*Equities.* Valued at the quoted market price of the shares held by the Organization at year-end.

*Limited partnership interests.* The Organization has several limited partnerships which are invested in real estate. The fair value is based on recent appraisals.

*Pooled Separate Account.* Valued at the Organization’s allocation of the fair value of the pool’s underlying assets at year-end as provided by the Community Foundation of Louisville’s Fund administrator. The shares of the funds are not publicly traded; redemption can only be made by the fund on the redemption dates and subject to the required notice periods specified in the offering documents of the fund. The rights of the fund to request redemption of its investments in the fund may vary in frequency from weekly to annual redemptions. As a result, the carrying values of the funds may not be indicative of the values ultimately realized on redemption. In addition, the fund may be materially affected by the actions of other investors who have invested in the funds in which the fund has invested.

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2020**

(15 – continued)

*Investments and beneficial interest in trusts.* Investments and beneficial interest in trusts are reported at fair value on a recurring basis. These securities are classified as Level 1 of the valuation hierarchy where quoted market prices from reputable third-party brokers are available in an active market. If quoted market prices are not available, the Organization obtains fair value measurements from independent pricing services. These securities are reported using Level 2 inputs and the fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, U.S. government and agency yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security’s terms and conditions, among other factors.

The changes in Level 3 assets measure at fair value on a recurring basis using significant unobservable inputs during the year ended April 30, 2020 is as follows:

Beginning of year	\$ 198,369
Interest and dividends, net	4,674
Net unrealized and realized appreciation	(18,061)
Sales	-
Distributions	<u>(8,021)</u>
End of year	<u><u>\$ 176,961</u></u>

(16) **SUBSEQUENT EVENTS**

The Organization has evaluated whether any subsequent events that require recognition or disclosure in the accompanying financial statements and related notes thereto have taken place through July 20, 2021, the date these financial statements were issued. Except for the forgiveness of the Paycheck Protection Program loan disclosed in Note 13, the Organization has determined there are no such subsequent events.