

Financial Statements

2023

The Cabbage Patch Settlement House, Incorporated

April 30, 2023



Financial Statements

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

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Independent Auditors' Report

Board of Directors
The Cabbage Patch Settlement House, Incorporated
Louisville, Kentucky

Opinion

We have audited the accompanying financial statements of The Cabbage Patch Settlement House, Incorporated (the "Organization"), which comprise the statement of financial position as of April 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of April 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principles

As discussed in Note B, the Organization adopted the requirements of Financial Accounting Standards Board, Accounting Standards Update No. 2020-07, *Not-for-Profit Entities* (Topic 958) and No. 2016-07, *Leases* (Topic 842). Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.


Louisville, Kentucky
October 5, 2023

Statement of Financial Position

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

Assets

Current Assets

Cash	\$	346,674
Pledges receivable		102,775
Interest receivable		15,855
Prepaid program costs		8,499
Other receivable		7,696

Total Current Assets 481,499

Non-Current Assets

Pledges receivable, net of current portion		32,052
Property and equipment, net		4,436,483
Investments		16,406,596
Beneficial interest in annuity trust		272,584
Beneficial interest in perpetual trusts		7,520,454

Total Non-Current Assets 28,668,169

Total Assets \$ 29,149,668

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	74,977
Accrued payroll and employee related expenses		58,942
Deferred revenue - programs and special events		47,266

Total Liabilities 181,185

Net Assets

Without donor restrictions		8,342,965
With donor restrictions		20,625,518

Total Net Assets 28,968,483

Total Liabilities and Net Assets \$ 29,149,668

See Notes to Financial Statements

Statement of Activities

The Cabbage Patch Settlement House, Incorporated

Year Ended April 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Contributions and Other Support			
Contributions	\$ 798,038	\$ 542,023	\$ 1,340,061
Contributions in-kind - operations	60,152		60,152
Special events, Auction and Golf			
Special events income	\$ 438,527		
Less direct expenses	<u>(132,705)</u>		
	305,822		305,822
Distributions from perpetual trust			
Marshall Trust	201,624		201,624
Milton Trusts	211,310		211,310
Chandler Trust	8,205		8,205
Net investment loss	(1,213)	(99,332)	(100,545)
Rental income - 142 South 6th Street	10,050		10,050
Other income	32,575		32,575
Net assets released from restrictions	<u>975,241</u>	<u>(975,241)</u>	
Total Contributions and Other Support	2,601,804	(532,550)	2,069,254
Expenses			
Program services	2,003,835		2,003,835
General and administrative expenses	258,860		258,860
Fundraising	<u>292,775</u>		<u>292,775</u>
Total Expenses	<u>2,555,470</u>		<u>2,555,470</u>
Change in Net Assets	46,334	(532,550)	(486,216)
Net Assets, Beginning of Year	<u>8,296,631</u>	<u>21,158,068</u>	<u>29,454,699</u>
Net Assets, End of Year	<u>\$ 8,342,965</u>	<u>\$ 20,625,518</u>	<u>\$ 28,968,483</u>

See Notes to Financial Statements

Statement of Functional Expenses

The Cabbage Patch Settlement House, Incorporated

Year Ended April 30, 2023

	Program Services				Special Events			Supporting Services		Total Supporting Services	Total Expenses
	Youth Development and Recreation	Family Services and Counseling	Educational Opportunities	Total Program Services	Golf	Auction	Patch Partners	General and Administrative	Fundraising Expenses		
								General and Administrative	Fundraising		
Association dues and fees	\$ 4,533	\$ 491	\$ 827	\$ 5,851				\$ 9,865	\$ 715	\$ 10,580	\$ 16,431
Audit fees								20,150		20,150	20,150
Auction direct expenses					\$ 8,317	\$ 36,850			260	260	45,427
Advertising and marketing	3,812	293	1,684	5,789				11,091	12,228	23,319	29,108
Board meetings							\$ 32	4,967	893	5,860	5,892
Depreciation	190,406	14,646	26,852	231,904				7,324	4,882	12,206	244,110
In-kind contributions	6,707	15,908	16,518	39,133	4,230	5,600	204	10,813	172	10,985	60,152
Insurance	37,991	2,922	5,358	46,271				1,461	974	2,435	48,706
Miscellaneous	57	5,925		5,982	399	2,748		9,121		9,121	18,250
Occupancy	31,203	2,399	4,398	38,000				3,596	800	4,396	42,396
Office expense	19,380	7,439	13,931	40,750				8,852	3,789	12,641	53,391
Payroll taxes	37,053	18,144	22,273	77,470	1,238	1,177		5,568	13,305	18,873	98,758
Printing, publications and postage	2,039	1,292	1,292	4,623			1,200	1,235	25,791	27,026	32,861
Professional fees	1,387	107	196	1,690				10,723	24,379	35,102	36,792
Program costs and special projects	27,127	45,734	151,217	224,078				1,688	4,800	6,488	230,566
Program costs and special projects (donated)					29,055	5,475					34,530
Repairs and maintenance	16,467	1,387	5,238	23,092				7,183	(4,927)	2,256	25,348
Retirement contribution	24,127	22,139	18,042	64,308	679	707		4,844	15,848	20,692	86,386
Salaries and benefits	532,010	262,356	385,273	1,179,639	17,774	17,008		122,457	188,089	310,546	1,524,967
Staff development	1,461	363	2,079	3,903				15,618	246	15,864	19,767
Telephone	6,118	571	863	7,552				2,202	157	2,359	9,911
Transportation	2,005	148	272	2,425				100	178	278	2,703
Volunteer expenses	987	104	284	1,375				2	196	198	1,573
Total Expenses	944,870	402,368	656,597	2,003,835	61,692	69,577	1,436	258,860	292,775	551,635	2,688,175
Less expenses included with revenues on the statement of activities					(61,692)	(69,577)	(1,436)				(132,705)
Total Expenses Included in the Expenses Section of the Statement of Activities	\$ 944,870	\$ 402,368	\$ 656,597	\$ 2,003,835	\$	\$	\$	\$ 258,860	\$ 292,775	\$ 551,635	\$ 2,555,470

See Notes to Financial Statements

Statement of Cash Flows

The Cabbage Patch Settlement House, Incorporated

Year Ended April 30, 2023

Cash Flows From Operating Activities

Change in net assets	\$ (486,216)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	244,110
Net realized and unrealized losses on investments	421,411
Decrease in value of funds held in trust by others	247,323
Noncash donation of investments	(84,576)
Changes in operating assets and liabilities	
Pledges receivable	77,864
Interest receivable	(1,257)
Prepaid program costs	(4,255)
Other receivable	(7,696)
Accounts payable	30,284
Accrued payroll and employee related expenses	6,475
Deferred revenue - programs and special events	<u>(84)</u>

Net Cash Provided By Operating Activities 443,383

Cash Flows From Financing Activities

Purchases of property and equipment	(81,013)
Purchases of investments	(5,949,343)
Proceeds from sales of investments	<u>5,649,123</u>

Net Cash Used In Financing Activities (381,233)

Net Increase in Cash 62,150

Cash, Beginning of Year 284,524

Cash, End of Year \$ 346,674

See Notes to Financial Statements

Notes to Financial Statements

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

Note A--Nature of Operations

The Cabbage Patch Settlement House, Incorporated (the "Organization") is a local, non-profit empowering children, youth and families to reach their full potential since 1910. The Organization's mission is to provide life-changing academic, recreational, and mentoring opportunities through Christ-centered values. The Organization's vision statement is to empower youth and their families to achieve success and create a better world.

Note B--Summary of Significant Accounting Policies

We follow generally accepted accounting principles as outlined in the Financial Accounting Standards Board's ("FASB") *Accounting Standards Codification* ("ASC"). Significant accounting policies are as follows:

Basis of Accounting--The financial statements of the Organization have been prepared on the accrual basis of accounting.

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 ("GAAP") 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, 2023, the Organization had \$117,198 in excess of the amounts insured by the Federal Deposit Insurance Corporation.

Contributions--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.

Continued

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

Note B--Summary of Significant Accounting Policies--Continued

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.

Pledges Receivable--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 \$244,110 was recognized in the year ended April 30, 2023.

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.

Fair Value of Financial Instruments--The carrying amounts for assets and liabilities approximate their fair value.

Advertising and Marketing Costs--Advertising and marketing costs are expensed as incurred. These expenses amounted to \$29,108 for the year ended April 30, 2023.

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, 2023, the Organization has no uncertain tax positions that qualify for either recognition or disclosures in the financial statements.

Continued

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

Note B--Summary of Significant Accounting Policies--Continued

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.

Adoption of Accounting Principles--The Organization adopted the requirements of the FASB Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842) as of May 1, 2022. This new standard is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with an initial term of 12 months or less are exempt from this ASU. The adoption of this ASU did not materially impact the financial statements of the Organization.

The Organization adopted the requirements of the FASB ASU No. 2020-07, *Not-for-Profit Entities* (Topic 958). This new standard is intended to increase transparency for contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets include property and equipment, use of property or utilities, materials and supplies, services and unconditional promises of those assets. We have adopted the guidance in the ASU as of May 1, 2022, however, adoption did not materially impact the financial statements.

Note C--Liquidity

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash	\$ 346,674
Pledges receivable	102,775
Interest receivable	15,855
Investments	<u>16,406,596</u>
	16,871,900
Less those unavailable for general expenditures within one year	
Contractual or donor-imposed restrictions	(12,976,832)
Board designated	
Capital expenditures	(309,317)
Quasi-endowment funds, primarily for operating reserve	<u>(3,394,596)</u>
Total	\$ <u>191,155</u>

Continued

Notes to Financial Statements--Continued

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

Note C--Liquidity--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.

Note D--Pledges Receivable

Pledges receivable at April 30, 2023 include the following unconditional promises to give:

Cash	\$	346,674
Pledges receivable		102,775
Interest receivable		15,855
Investments		<u>16,406,596</u>
		16,871,900
Less those unavailable for general expenditures within one year		
Contractual or donor-imposed restrictions		(12,976,832)
Board designated		
Capital expenditures		(309,317)
Quasi-endowment funds, primarily for operating reserve		<u>(3,394,596)</u>
	Total	<u><u>\$ 191,155</u></u>

Gross pledges receivable are due according to the following schedule:

Less than one year	\$	102,775
One to five years		<u>33,200</u>
	\$	<u><u>135,975</u></u>

Pledges receivable in future periods were discounted at 4.8%, the one-year U.S. Treasury note rate.

Notes to Financial Statements--Continued

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

Note E--Investments

Fair value of investments, by classification as of April 30, 2023, are as follows:

Cash equivalents	\$	1,029,857
Bonds		710,092
Mutual funds		6,342,935
Exchange traded funds		3,058,105
Equities		4,521,130
Common trust fund		564,288
Pooled separate accounts		<u>180,189</u>
	\$	<u>16,406,596</u>
Investments, board designated	\$	3,394,596
Investments, restricted to endowments		<u>13,012,000</u>
	Total	<u>\$ 16,406,596</u>

Net investment loss for the year ended April 30, 2023 consists of the following:

Investment income	\$	421,002
Realized losses		(162,742)
Unrealized losses		(258,669)
Investment fees		<u>(100,136)</u>
	Net Investment Loss	<u>\$ (100,545)</u>

Note F--Annuity Trust

The Organization became a beneficiary of the Kim Hamilton Trust (the "Trust") in 2019. 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, 2023, 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.

Notes to Financial Statements--Continued

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

Note G--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, 2023, 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, 2023, after making \$421,139 in distributions from the trusts, the value of the perpetual trusts decreased by (\$233,603).

Note H--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 \$60,152 during the year ended April 30, 2023, were recorded as contributions, and program, supporting services and special events expenses.

During the year ended April 30, 2023, approximately 827 volunteers donated 1,956 hours of time to the Organization. This time represents non-professional services and is, therefore, not recorded in the accompanying financial statements.

Note I--Property and Equipment

Property and equipment consist of the following components at April 30, 2023:

Land	\$ 51,500
Building and improvements	7,512,872
Equipment, furniture and fixtures	847,498
Vehicles	<u>115,098</u>
	8,526,968
Less accumulated depreciation	<u>4,090,485</u>
	<u>\$ 4,436,483</u>

Notes to Financial Statements--Continued

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

Note J--Board Designated Net Assets

At April 30, 2023, board designated net assets consisted of the following:

Board designated for capital expenditures	\$ 309,317
Quasi-endowment funds, primarily for operating reserve	<u>3,394,596</u>
	<u>\$ 3,703,913</u>

The board designated net assets are reported in the net assets without donor restrictions on the accompanying statement of financial position.

Note K--Net Assets With Donor Restrictions

At April 30, 2023, net assets with donor restrictions consisted of the following:

General operations - future years	\$ 272,584
Endowment funds	
Donor restricted	9,193,023
Educational opportunities	3,639,457
Perpetual trusts	<u>7,520,454</u>
	<u>\$ 20,625,518</u>

Note L--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 GAAP, 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.

Continued

Notes to Financial Statements--Continued

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

Note L--Net Asset Endowments--Continued

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.

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 GAAP, deficiencies of this nature were reported in unrestricted net assets. There were no such deficiencies as of April 30, 2023.

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.

Continued

Notes to Financial Statements--Continued

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

Note L--Net Asset Endowments--Continued

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 changes in endowment net assets for the year ended April 30, 2023 is as follows:

	Without Donor Restrictions Board Designated	With Donor Restrictions
Balance, Beginning of Year	\$ 3,230,668	\$ 20,942,134
Investment return		
Investment income, net	64,737	219,531
Net depreciation - unrealized and realized	(75,411)	(319,161)
Contributions	325,445	272,540
Amounts appropriated for expenditures	(150,843)	(617,760)
	<u>\$ 3,394,596</u>	<u>\$ 20,497,284</u>

Note M--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 \$86,386 for the year ended April 30, 2023.

Notes to Financial Statements--Continued

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

Note N--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.

Continued

Notes to Financial Statements--Continued

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

Note N--Fair Value Measurements--Continued

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of April 30, 2023.

	Carrying Value			Total
	Level 1	Level 2	Level 3	
Assets Measured on a Recurring Basis				
<i>(in thousands)</i>				
<u>Investments</u>				
Cash equivalents	\$ 1,030			\$ 1,030
Bonds		\$ 710		710
Mutual funds	6,343			6,343
Exchange traded funds	3,058			3,058
Equities	4,521			4,521
Common trust fund		565		565
Pooled separate accounts			\$ 180	180
	<u>\$ 14,952</u>	<u>\$ 1,275</u>	<u>\$ 180</u>	<u>\$ 16,407</u>
<u>Beneficial Interest in Annuity Trust</u>				
Cash equivalents	\$ 4			\$ 4
Mutual funds	125			125
Exchange traded funds	134			134
Equities	10			10
	<u>\$ 273</u>	<u>\$</u>	<u>\$</u>	<u>\$ 273</u>
<u>Beneficial Interest in Perpetual Trusts</u>				
Cash equivalents	\$ 253			\$ 253
Bonds		\$ 933		933
Mutual funds	1,399			1,399
Exchange traded funds	2,059			2,059
Equities	2,876			2,876
	<u>\$ 6,587</u>	<u>\$ 933</u>	<u>\$</u>	<u>\$ 7,520</u>

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 financial position.

Continued

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

Note N--Fair Value Measurements--Continued

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--Valued 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.

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.

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.

Continued

Notes to Financial Statements--Continued

The Cabbage Patch Settlement House, Incorporated

April 30, 2023

Note N--Fair Value Measurements--Continued

The changes in Level 3 assets measured at fair value on a recurring basis using significant unobservable inputs during the year ended April 30, 2023 is as follows:

Beginning of year	\$	213,350
Interest and dividends, net		4,251
Net unrealized and realized depreciation		(28,589)
Distributions		<u>(8,822)</u>
End of Year	\$	<u>180,190</u>

Note O--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 October 5 2023, the date these financial statements were issued. The Organization has determined there are no such subsequent events.