

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

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2016

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED

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MONROE SHINE

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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, 2016, and the related statements of activities, 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, 2016, 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.

Monroe Shine

Louisville, Kentucky

July 5, 2017

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
STATEMENT OF FINANCIAL POSITION
YEAR ENDED APRIL 30, 2016

ASSETS	<u>Operations</u>	<u>Property and Equipment</u>	<u>Donor Restricted Endowment</u>
CURRENT ASSETS			
Cash	\$ 359,824	\$ 9,304	\$ -
Due from (due to) - interfund	236,404	15,792	(19,493)
Accounts, note and broker receivable	8,891	-	-
Pledges receivable	80,650	15,881	15,000
Interest receivable	-	-	10,635
Prepaid program costs	3,113	-	-
Total Current Assets	688,882	40,977	6,142
NON-CURRENT ASSETS			
Pledges receivable, net of current portion	-	-	-
Property and equipment, net	-	5,777,680	-
Donated property held for sale	-	67,949	-
Investments	-	-	6,278,343
Beneficial interest in perpetual trusts	-	-	6,564,440
Total Non-Current Assets	-	5,845,629	12,842,783
TOTAL ASSETS	\$ 688,882	\$ 5,886,606	\$ 12,848,925
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 6,872	\$ -	\$ -
Accrued payroll and employee related expenses	75,311	-	-
Due to (due from) - interfund	-	34,776	-
Deferred revenue	85,625	-	-
Total Liabilities	167,808	34,776	-
NET ASSETS			
Unrestricted	458,074	5,826,645	-
Temporarily restricted	63,000	25,185	-
Permanent restricted	-	-	12,848,925
Total Net Assets	521,074	5,851,830	12,848,925
TOTAL LIABILITIES AND NET ASSETS	\$ 688,882	\$ 5,886,606	\$ 12,848,925

See notes to financial statements.

<u>Board Designated Investments</u>	<u>Educational Opportunities Restricted Endowment</u>	<u>Total</u>	<u>Memorandum Only 2015 Total</u>
\$ -	\$ -	\$ 369,128	\$ 300,495
(190,351)	(42,352)	-	-
-	-	8,891	12,463
-	42,844	154,375	118,211
1,374	1,028	13,037	10,118
-	-	3,113	3,175
(188,977)	1,520	548,544	444,462
-	-	-	31,700
-	-	5,777,680	5,933,768
-	-	67,949	81,000
2,227,356	2,241,142	10,746,841	11,381,087
-	-	6,564,440	7,019,189
2,227,356	2,241,142	23,156,910	24,446,744
\$ 2,038,379	\$ 2,242,662	\$ 23,705,454	\$ 24,891,206

\$ -	\$ -	\$ 6,872	\$ 7,245
-	-	75,311	48,477
(34,776)	-	-	-
-	-	85,625	12,150
(34,776)	-	167,808	67,872
2,073,155	(367,579)	7,990,295	8,427,248
-	-	88,185	207,686
-	2,610,241	15,459,166	16,188,400
2,073,155	2,242,662	23,537,646	24,823,334
\$ 2,038,379	\$ 2,242,662	\$ 23,705,454	\$ 24,891,206

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED APRIL 30, 2016

Changes in Unrestricted Net Assets	<u>Operations</u>	<u>Property and Equipment</u>	<u>Donor Restricted Endowment</u>
Unrestricted Revenues, Gains, and Other Support			
Contributions	\$ 721,777	\$ -	\$ -
Contributions in kind - operations	19,769	-	-
Other revenues	13,328	-	-
Special events, Golf			
Contributions in kind	\$ 9,828		
Special events income	114,344		
Less: expenses	(66,217)	-	-
Special events, Auction			
Contributions in kind	\$ 3,449		
Special events income	176,135		
Less: expenses	(73,693)	-	-
Special events, Putting Event			
Contributions in kind	\$ 19,065		
Special events income	94,228		
Less: expenses	(51,265)	-	-
Distributions from perpetual trusts:			
Marshall Trust	-	-	140,139
Milton Trusts	-	-	171,643
Investment income, net of fees	-	-	101,321
Realized and unrealized gains (losses) on marketable investments, net	-	-	231,762
Loss on sale of property and equipment	-	(13,051)	-
Rental Income - 1421 South 6th Street	-	7,870	-
Net assets released from restrictions:			
Satisfaction of property restrictions	-	82,927	-
Satisfaction of program restrictions	76,948	-	-
Total Unrestricted Revenues, Gains and other Support	1,057,696	77,746	644,865
Expenses			
Program:			
Youth development and recreation	760,011	200,739	-
Family services and counseling	291,272	15,441	-
Educational opportunities	331,608	28,309	-
Supporting services:			
General and administrative expenses	266,234	7,721	-
Fund raising expenses	186,276	5,147	-
Property fund expenses	-	9,829	-
Total Expenses	1,835,401	267,186	-

See notes to financial statements.

<u>Board Designated Investments</u>	<u>Educational Opportunities Restricted Endowment</u>	<u>Total</u>	<u>Memorandum Only 2015 Total</u>
\$ 23,865	\$ -	\$ 745,642	\$ 819,686
-	-	19,769	22,377
-	-	13,328	10,696
-	-	57,955	69,635
-	-	105,891	107,395
-	-	62,028	39,205
-	-	140,139	158,500
-	-	171,643	125,428
30,201	-	131,522	155,528
(25,260)	-	206,502	265,931
-	-	(13,051)	(234)
-	-	7,870	4,235
-	-	82,927	99,443
-	(143,479)	(66,531)	86,766
28,806	(143,479)	1,665,634	1,964,591
-	-	960,750	862,109
-	-	306,713	302,657
-	-	359,917	343,217
-	-	273,955	275,754
-	-	191,423	180,554
-	-	9,829	4,324
-	-	2,102,587	1,968,615

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED
YEAR ENDED APRIL 30, 2016

	<u>Operations</u>	<u>Property and Equipment</u>	<u>Donor Restricted Endowment</u>
Changes in unrestricted net assets before transfers	\$ (777,705)	\$ (189,440)	\$ 644,865
Transfers - perpetual trusts distributions	311,782	-	(311,782)
Transfers - 5% spending policy	490,505	-	(333,083)
Transfers - Board designated investment fund	-	28,000	-
Transfers - Other	20,000	-	-
	44,582	(161,440)	-
Changes in unrestricted net assets	44,582	(161,440)	-
Changes in Temporarily Restricted Net Assets			
Contributions	5,500	34,874	-
Realized and unrealized gains (losses) on marketable investments, net	-	-	-
Investment income, net of fees	-	-	-
Net assets released from restrictions:			
Satisfaction of property restrictions	-	(82,927)	-
Satisfaction of program restrictions	(76,948)	-	-
	(71,448)	(48,053)	-
Changes in temporarily restricted net assets	(71,448)	(48,053)	-
Changes in Permanently Restricted Net Assets			
Contributions	-	-	80,200
Increase(decrease) in value of perpetual trusts	-	-	(454,749)
Realized and unrealized gains (losses) on marketable investments, net	-	-	(511,704)
	-	-	(886,253)
Changes in permanently restricted net assets	-	-	(886,253)
Changes in Net Assets	(26,866)	(209,493)	(886,253)
Net assets, beginning of year	547,940	6,061,323	13,735,178
Net Assets, End of Year	\$ 521,074	\$ 5,851,830	\$ 12,848,925

See notes to financial statements.

<u>Board Designated Investments</u>	<u>Educational Opportunities Restricted Endowment</u>	<u>Total</u>	<u>Memorandum Only 2015 Total</u>
\$ 28,806	\$ (143,479)	\$ (436,953)	\$ (4,024)
	-	-	-
(94,175)	(63,247)	-	-
(28,000)	-	-	-
-	(20,000)	-	-
(93,369)	(226,726)	(436,953)	(4,024)
-	-	40,374	125,260
-	(190,345)	(190,345)	(6,664)
-	46,866	46,866	28,467
-	-	(82,927)	(99,443)
-	143,479	66,531	(86,766)
-	-	(119,501)	(39,146)
-	64,163	144,363	195,402
-	-	(454,749)	235,966
-	92,856	(418,848)	344,830
	157,019	(729,234)	776,198
(93,369)	(69,707)	(1,285,688)	733,028
2,166,524	2,312,369	24,823,334	24,090,306
\$ 2,073,155	\$ 2,242,662	\$ 23,537,646	\$ 24,823,334

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2016

	<u>Operations</u>	<u>Property and Equipment</u>	<u>Donor Restricted Endowment</u>
OPERATING ACTIVITIES			
Changes in net assets	\$ (26,866)	\$ (209,493)	\$ (886,253)
Adjustments to reconcile changes in net assets to net cash provided by (used in) by operating activities:			
Depreciation	-	257,357	-
Contributions restricted for long-term purposes	-	-	-
Loss on sale of property and equipment	-	13,051	-
Net realized and unrealized (gains) losses on investments	-	-	279,942
Increase (decrease) in value of funds held in trust by others	-	-	454,749
(Increase) decrease in:			
Due to (due from) - interfund	56,519	(7,612)	14,724
Accounts, note and broker receivable	3,572	-	-
Pledges receivable - other	(41,625)	25,001	10,000
Interest receivable	-	-	(1,276)
Prepaid program costs	62	-	-
Increase (decrease) in:			
Accounts payable	(285)	(88)	-
Accrued payroll and employee related expenses	26,834	-	-
Deferred revenue - programs and special events	73,475	-	-
Net Cash Provided By (Used In) Operating Activities	91,686	78,216	(128,114)
INVESTING ACTIVITIES			
Purchases of property and equipment	-	(101,269)	-
Proceeds from sale of property and equipment	-	-	-
Purchases of marketable investments	-	-	(1,228,637)
Sales of marketable investments	-	-	1,356,751
Net Cash Provided By (Used In) Investing Activities	-	(101,269)	128,114
FINANCING ACTIVITIES			
Proceeds from contributions restricted for:			
Investment in property and equipment	-	-	-
Increase (Decrease) in Cash	91,686	(23,053)	-
Cash at beginning of year	268,138	32,357	-
Cash at End of Year	\$ 359,824	\$ 9,304	\$ -

See notes to financial statements.

<u>Board</u> <u>Designated</u> <u>Investments</u>	<u>Educational</u> <u>Opportunities</u> <u>Restricted</u> <u>Endowment</u>	<u>Total</u>	<u>Memorandum</u> <u>Only 2015</u> <u>Total</u>
\$ (93,369)	\$ (69,707)	\$ (1,285,688)	\$ 733,028
-	-	257,357	254,708
-	-	-	(113,200)
-	-	13,051	234
25,260	97,489	402,691	(604,164)
-	-	454,749	(235,966)
(95,125)	31,494	-	-
-	-	3,572	314
11,250	(9,090)	(4,464)	104,987
(1,374)	(269)	(2,919)	1,350
-	-	62	7,944
-	-	(373)	(21,480)
-	-	26,834	817
-	-	73,475	(4,982)
(153,358)	49,917	(61,653)	123,590
-	-	(101,269)	(102,999)
-	-	-	-
(2,102,246)	(855,678)	(4,186,561)	(5,435,224)
2,255,604	805,761	4,418,116	5,401,190
153,358	(49,917)	130,286	(137,033)
-	-	-	79,268
-	-	68,633	65,825
-	-	300,495	234,670
\$ -	\$ -	\$ 369,128	\$ 300,495

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED APRIL 30, 2016

	<u>Program Services</u>				
	<u>Youth Development and Recreation</u>	<u>Family Services and Counseling</u>	<u>Educational Opportunities</u>	<u>Total Program Services</u>	<u>Golf</u>
Association dues and fees	\$ -	\$ -	\$ 310	\$ 310	\$ -
Audit fees	5,400	2,160	2,295	9,855	-
Auction, putting and golf direct expenses	-	-	-	-	12,393
Auction, putting and golf direct expenses (donated)	-	-	-	-	4,888
Advertising and marketing	-	-	-	-	-
Advertising, promotion and printing (donated)	-	-	-	-	2,905
Board meetings	-	-	-	-	-
Depreciation	200,739	15,441	28,309	244,489	-
Friends luncheons	-	-	-	-	-
Golf - facilities cost	-	-	-	-	32,937
Insurance	36,833	4,972	7,033	48,838	60
Miscellaneous	1,407	-	-	1,407	-
Occupancy	35,062	1,443	2,645	39,150	-
Occupancy (donated)	-	-	-	-	-
Office expense	5,782	2,500	7,821	16,103	-
Payroll services	3,873	234	364	4,471	-
Payroll taxes	35,964	13,815	15,417	65,196	40
Printing, publications and postage	284	1,020	1,062	2,366	-
Professional fees	530	-	-	530	-
Professional fees (donated)	1,584	690	690	2,964	-
Program costs and special projects	40,278	32,036	49,639	121,953	-
Program costs and special projects (donated)	-	-	-	-	-
Prizes and awards	-	-	-	-	10,014
Prizes and awards (donated)	-	-	-	-	2,035
Repairs and maintenance	23,046	1,511	2,771	27,328	-
Retirement contribution	27,383	18,640	11,983	58,006	418
Salaries and benefits	528,005	210,690	226,973	965,668	527
Staff development	1,118	339	416	1,873	-
Strategic planning	-	-	-	-	-
Telephone	6,202	465	853	7,520	-
Transportation	6,054	430	618	7,102	-
Volunteer cost	1,206	327	718	2,251	-
Total expenses	960,750	306,713	359,917	1,627,380	66,217
Less expenses included with revenues on the statement of activities	-	-	-	-	(66,217)
Total expenses included in the expense section of the statement of activities	\$ 960,750	\$ 306,713	\$ 359,917	\$ 1,627,380	\$ -

See notes to financial statements.

Special Events**Supporting Services**

<u>Auction</u>	<u>Putting</u>	<u>Total Special Events</u>	<u>General and Administrative Expenses</u>	<u>Fund Raising Expenses</u>	<u>Total Supporting Services</u>	<u>Property Fund Expenses</u>	<u>Total Expenses</u>	<u>Memorandum Only 2015 Total</u>
\$ -	\$ -	\$ -	\$ 5,535	\$ 429	\$ 5,964	\$ -	\$ 6,274	\$ 3,745
-	-	-	2,295	1,350	3,645	-	13,500	13,500
68,637	30,841	111,871	-	-	-	-	111,871	60,130
-	6,532	11,420	-	-	-	-	11,420	15,165
-	-	-	2,437	-	2,437	-	2,437	2,576
3,449	2,905	9,259	-	5,880	5,880	-	15,139	5,810
-	-	-	4,047	-	4,047	-	4,047	4,472
-	-	-	7,721	5,147	12,868	-	257,357	254,708
-	-	-	5,967	-	5,967	-	5,967	3,637
-	-	32,937	-	-	-	-	32,937	20,362
60	36	156	4,531	-	4,531	-	53,525	47,520
-	-	-	544	1,037	1,581	-	2,988	4,120
-	-	-	11,231	-	11,231	-	50,381	41,836
-	5,648	5,648	-	-	-	5,400	11,048	5,648
-	-	-	5,599	-	5,599	-	21,702	22,059
-	-	-	1,898	-	1,898	-	6,369	4,455
97	22	159	10,780	8,653	19,433	-	84,788	83,327
-	-	-	5,051	-	5,051	-	7,417	30,684
-	-	-	1,505	-	1,505	-	2,035	2,131
-	-	-	690	406	1,096	4,429	8,489	14,382
-	-	-	-	24,664	24,664	-	146,617	138,592
-	-	-	-	-	-	-	-	7,995
-	911	10,925	-	-	-	-	10,925	18,021
-	3,980	6,015	-	-	-	-	6,015	-
-	-	-	1,906	-	1,906	-	29,234	40,653
160	165	743	20,943	11,200	32,143	-	90,892	79,433
1,290	225	2,042	171,758	132,376	304,134	-	1,271,844	1,185,330
-	-	-	4,348	-	4,348	-	6,221	4,442
-	-	-	-	-	-	-	-	23
-	-	-	3,706	-	3,706	-	11,226	10,429
-	-	-	1,047	-	1,047	-	8,149	7,441
-	-	-	416	281	697	-	2,948	2,322
73,693	51,265	191,175	273,955	191,423	465,378	9,829	2,293,762	2,134,948
(73,693)	(51,265)	(191,175)	-	-	-	-	(191,175)	(166,333)
\$ -	\$ -	\$ -	\$ 273,955	\$ 191,423	\$ 465,378	\$ 9,829	\$ 2,102,587	\$ 1,968,615

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016

(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.

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, 2016, the Organization had \$135,950 in excess of the amounts insured by the FDIC.

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, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and changes in net assets as net assets released from restrictions.

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2016

(2 - continued)

The Organization reports gifts as unrestricted support 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. Permanently restricted net assets include those contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Contributions

All unconditional promises to give (contributions) are considered to be available for unrestricted use 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 temporarily restricted support that increases that net asset class.

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 \$257,357 was recognized in the year ended April 30, 2016.

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.

Advertising and Marketing Costs

Advertising and marketing cost are expensed as incurred. These expenses amounted to \$17,576 for the year ended April 30, 2016 which included \$15,139 of donated advertising and marketing.

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2016

(2 - continued)

Memorandum Only and Comparative Data

Total columns for 2015 on the financial statements are indicated “Memorandum Only”, as data in these columns present comparative combined data only. The comparative total data only for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in financial position and net assets. Certain prior year amounts have been reclassified to conform with current year presentation.

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, 2016 the Organization has no uncertain tax positions that qualify for either recognition or disclosures in the financial statements. The Organization’s Form 990 filed for fiscal years after April 30, 2013 are subject to examination by the Internal Revenue Service.

(3) **PLEDGES RECEIVABLE**

Pledges receivable at April 30, 2016 include the following unconditional promises to give:

	<u>Capital</u> <u>Campaign</u>	<u>Educational</u> <u>Opportunities</u>	<u>Operations</u>	<u>Donor</u> <u>Restricted</u>
Gross pledges receivable	\$ 16,752	\$ 43,023	\$ 80,650	\$ 15,000
Less: Allowance for uncollectible pledges	-	-	-	-
Less: Unamortized discount on future contributions	(871)	(179)	-	-
	<u>\$ 15,881</u>	<u>\$ 42,844</u>	<u>\$ 80,650</u>	<u>\$ 15,000</u>
Gross pledges receivable are due according to the following schedule:				
Less than one year	\$ 15,881	\$ 42,844	\$ 80,650	\$ 15,000
	<u>\$ 15,881</u>	<u>\$ 42,844</u>	<u>\$ 80,650</u>	<u>\$ 15,000</u>

Contributions receivable in future periods were discounted at 0.24%, the one year U.S. Treasury note rate.

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2016

(4) **INVESTMENTS**

Investments, by classification as of April 30, 2016, are as follows:

	Fair Value
Cash Equivalents	\$ 344,575
Bonds:	
Government	153,421
Corporate	694,706
Limited Partnership Interest in Real Estate	49,744
Mutual Funds:	
Equity	4,415,259
Fixed Income	1,511,780
Exchange Traded Funds:	
Equity	238,284
Fixed Income	95,534
Equities	
Basic Materials	165,706
Consumer Goods	319,763
Financial	569,646
Healthcare	469,433
Industrial Goods	245,808
Services	680,616
Technology	560,819
Utilities	73,025
Pooled Separate Accounts	158,722
	\$ 10,746,841
Investments, board designated	\$ 2,227,356
Investments, restricted to	
endowments	8,519,485
Total	\$ 10,746,841

Investment fees of \$74,931 paid during 2016 have been netted against investment income in the accompanying statement of activities and changes in net assets.

(5) **PERPETUAL TRUSTS**

The Organization is a beneficiary of the Louise Marshall Trust and the Milton Trusts. 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 Trusts to be used for operating expenses.

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2016

(5 - continued)

At April 30, 2016, the Organization's interest in the trusts are valued at the fair value of the trusts and recorded in the donor restricted endowment fund on the statement of financial position. During the year ended April 30, 2016, the value of the perpetual trusts decreased by \$454,749, which includes \$311,782 in distributions received from these trusts.

(6) 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 \$52,111 during the year ended April 30, 2016, were recorded as contributions, and program, supporting services and special events expenses.

During the year ended April 30, 2016, approximately 1,807 volunteers donated 13,632 hours of time to the Organization. This time represents non-professional services and is, therefore, not recorded in the accompanying financial statements.

(7) PROPERTY AND EQUIPMENT

Property and equipment consists of the following components at April 30, 2016:

Land	\$ 51,500
Building and improvements	7,397,079
Equipment, furniture, and fixtures	738,221
Vehicles	139,848
	<u>8,326,648</u>
Less: accumulated depreciation	2,548,968
	<u><u>\$ 5,777,680</u></u>

(8) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at April 30, 2016:

General operations - future years	\$ 63,000
Capital campaign	25,185
	<u>88,185</u>
	<u><u>\$ 88,185</u></u>

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2016

(9) **PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are investments in perpetuity, the income from which is expendable to support the programs of the Organization.

(10) **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.

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, 2016.

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2016

(10 - continued)

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 changes in endowment net assets for the year ended April 30, 2016 is as follows:

	<u>Permanently Restricted</u>
Net Assets, Beginning of Year	\$ 16,188,400
Investment return	
Investment income, net	148,187
Net appreciation - unrealized and realized	(588,610)
Contributions	144,363
Amounts appropriated for expenditures	<u>(433,174)</u>
Net Assets, End of Year	<u><u>\$ 15,459,166</u></u>

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2016

(11) **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 \$90,892 for the year ended April 30, 2016.

(12) **MAJOR CONTRIBUTORS**

The Organization has two major donors that represent 45% of the gross pledges receivable at April 30, 2016. These pledges are designated contributions relating to operations and various educational endowment funds.

(13) **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, 2016

(13 - continued)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of April 30, 2016.

	Carrying Value			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>(in thousands)</i>			
<i>Assets Measured on a Recurring Basis</i>				
Investments:				
Cash Equivalents	\$ 345	\$ -	\$ -	\$ 345
Bonds:				
Government	-	153	-	153
Corporate	-	694	-	694
Mutual Funds:				
Equity:				
Large Cap	2,367	-	-	2,367
Mid Cap	466	-	-	466
Small Cap	244	-	-	244
International	1,011	-	-	1,011
Other	327	-	-	327
Fixed Income	1,512	-	-	1,512
Exchange Traded Funds:				
Equity	238	-	-	238
Fixed Income	95	-	-	95
Equities				
Basic Materials	166	-	-	166
Consumer Goods	320	-	-	320
Financial	570	-	-	570
Healthcare	470	-	-	470
Industrial Goods	246	-	-	246
Services	680	-	-	680
Technology	561	-	-	561
Utilities	73	-	-	73
Limited Partnership Interest				
in Real Estate	-	-	50	50
Pooled Separate Account	-	-	159	159

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2016

(13 - continued)

	Carrying Value			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>(in thousands)</i>			
Beneficial interest in perpetual trusts:				
Cash Equivalents	\$ 280	\$ -	\$ -	\$ 280
Bonds:				
Government	-	299	-	299
Corporate	-	636	-	636
Mutual Funds:				
Equity:				
Large Cap	1,365	-	-	1,365
Mid Cap	194	-	-	194
Small Cap	238	-	-	238
International	881	-	-	881
Other	80	-	-	80
Fixed Income	1,117	-	-	1,117
Equities				
Consumer Goods	454	-	-	454
Financial	337	-	-	337
Healthcare	144	-	-	144
Industrial Goods	166	-	-	166
Technology	325	-	-	325
Utilities	48	-	-	48
 <i>Assets Measured on a Non-recurring Basis</i>				
Donated property held for sale	\$ -	\$ -	\$ 68	\$ 68

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.

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2016

(13 - continued)

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 Association are deemed to be actively traded.

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

Limited partnership interests. The Organization has several limited partnership who 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.

Investments and beneficial interest in perpetual trusts. Investments and beneficial interest in perpetual 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.

Donated property held for sale. Two parcels of land were donated to the Organization and are being held for sale. The value is based on the sale of the property subsequent to year end.

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2016

(13 - continued)

The changes in Level 3 assets measure at fair value on a recurring basis using significant unobservable inputs during the year ended April 30, 2016 is as follows:

Beginning of year	\$ 324,672
Interest and Dividends, net	3,990
Net unrealized and realized appreciation	(22,129)
Purchases/Contribution	-
Sales	(22,529)
Distributions	<u>(7,589)</u>
End of year	<u><u>\$ 276,415</u></u>

(14) **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 5, 2017, the date these financial statements were issued. The Organization has determined that there are no such subsequent events.