

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

**FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2017**

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**

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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, 2017, 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, 2017, 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

January 24, 2018

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**STATEMENT OF FINANCIAL POSITION**  
**YEAR ENDED APRIL 30, 2017**

<b>ASSETS</b>	<b><u>Operations</u></b>	<b><u>Property and Equipment</u></b>
<b>CURRENT ASSETS</b>		
Cash	\$ 263,599	\$ 19,244
Due from (due to) - interfund	272,105	38,797
Pledges receivable	112,619	6,629
Interest receivable	-	-
Prepaid program costs	6,321	-
<b>Total Current Assets</b>	<b>654,644</b>	<b>64,670</b>
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net	-	5,543,576
Investments	-	-
Beneficial interest in perpetual trusts	-	-
<b>Total Non-Current Assets</b>	<b>-</b>	<b>5,543,576</b>
<b>TOTAL ASSETS</b>	<b>\$ 654,644</b>	<b>\$ 5,608,246</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,474	\$ -
Accrued payroll and employee related expenses	84,536	-
Deferred revenue	42,899	-
<b>Total Liabilities</b>	<b>132,909</b>	<b>-</b>
<b>NET ASSETS</b>		
Unrestricted	428,735	5,582,373
Temporarily restricted	93,000	25,873
Permanent restricted	-	-
<b>Total Net Assets</b>	<b>521,735</b>	<b>5,608,246</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 654,644</b>	<b>\$ 5,608,246</b>

See notes to financial statements.

<u>Donor</u> <u>Restricted</u> <u>Endowment</u>	<u>Board</u> <u>Designated</u> <u>Investments</u>	<u>Educational</u> <u>Opportunities</u> <u>Restricted</u> <u>Endowment</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 282,843
(79,731)	(186,287)	(44,884)	-
-	-	22,321	141,569
11,055	1,188	1,017	13,260
-	-	-	6,321
(68,676)	(185,099)	(21,546)	443,993
-	-	-	5,543,576
6,905,046	2,404,883	2,499,071	11,809,000
6,992,390	-	-	6,992,390
13,897,436	2,404,883	2,499,071	24,344,966
\$ 13,828,760	\$ 2,219,784	\$ 2,477,525	\$ 24,788,959
\$ -	\$ -	\$ -	\$ 5,474
-	-	-	84,536
-	-	-	42,899
-	-	-	132,909
-	2,219,784	(360,310)	7,870,582
-	-	-	118,873
13,828,760	-	2,837,835	16,666,595
13,828,760	2,219,784	2,477,525	24,656,050
\$ 13,828,760	\$ 2,219,784	\$ 2,477,525	\$ 24,788,959

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED APRIL 30, 2017**

<b>Changes in Unrestricted Net Assets</b>	<u><b>Operations</b></u>	<u><b>Property and Equipment</b></u>
<b>Unrestricted Revenues, Gains, and Other Support</b>		
Contributions	\$ 478,336	\$ -
Contributions in kind - operations	156,536	5,400
Other revenues	11,952	-
Special events, Golf		
Contributions in kind	\$ 12,863	
Special events income	182,194	
Less: expenses	<u>(87,689)</u>	-
Special events, Auction		
Contributions in kind	\$ -	
Special events income	219,799	
Less: expenses	<u>(80,102)</u>	-
Special events, Putting Event		
Contributions in kind	\$ 22,758	
Special events income	103,795	
Less: expenses	<u>(60,807)</u>	-
Distributions from perpetual trusts:		
Marshall Trust	-	-
Milton Trusts	-	-
Chandler Trust	-	-
Investment income, net of fees	-	-
Realized and unrealized gains on marketable investments, net	-	-
Rental income - 1421 South 6th Street	-	3,300
Net assets released from restrictions:		
Satisfaction of property restrictions	-	11,712
Satisfaction of program restrictions	<u>161,234</u>	-
<b>Total Unrestricted Revenues, Gains and other Support</b>	<b>1,120,869</b>	<b>20,412</b>
<b>Expenses</b>		
Program:		
Youth development and recreation	774,575	202,241
Family services and counseling	403,052	15,557
Educational opportunities	427,703	28,521
Supporting services:		
General and administrative expenses	310,051	7,779
Fund raising expenses	154,834	5,186
Property fund expenses	-	5,400
<b>Total Expenses</b>	<u><b>2,070,215</b></u>	<u><b>264,684</b></u>

See notes to financial statements.

<u>Donor</u> <u>Restricted</u> <u>Endowment</u>	<u>Board</u> <u>Designated</u> <u>Investments</u>	<u>Educational</u> <u>Opportunities</u> <u>Restricted</u> <u>Endowment</u>	<u>Total</u>
\$ -	\$ 12,000	\$ -	\$ 490,336
-	-	-	161,936
-	-	-	11,952
-	-	-	107,368
-	-	-	139,697
-	-	-	65,746
171,945	-	-	171,945
187,300	-	-	187,300
6,273	-	-	6,273
89,356	26,614	-	115,970
223,516	249,566	-	473,082
-	-	-	3,300
-	-	-	11,712
-	-	107,335	268,569
678,390	288,180	107,335	2,215,186
-	-	-	976,816
-	-	-	418,609
-	-	-	456,224
-	-	-	317,830
-	-	-	160,020
-	-	-	5,400
-	-	-	2,334,899

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED**  
**YEAR ENDED APRIL 30, 2017**

<b>Changes in Unrestricted Net Assets</b>	<b><u>Operations</u></b>	<b><u>Property and Equipment</u></b>
Changes in unrestricted net assets before transfers	\$ (949,346)	\$ (244,272)
Transfers - perpetual trusts distributions	365,518	-
Transfers - 5% spending policy	514,489	-
Transfers - Board designated investment fund	40,000	-
	<hr/>	<hr/>
Changes in unrestricted net assets	(29,339)	(244,272)
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	191,234	12,400
Realized and unrealized gains on marketable investments, net	-	-
Investment income, net of fees	-	-
Net assets released from restrictions:		
Satisfaction of property restrictions	-	(11,712)
Satisfaction of program restrictions	(161,234)	-
	<hr/>	<hr/>
Changes in temporarily restricted net assets	30,000	688
<b>Changes in Permanently Restricted Net Assets</b>		
Contributions	-	-
Increase in value of perpetual trusts	-	-
Realized and unrealized gains on marketable investments, net	-	-
	<hr/>	<hr/>
Changes in permanently restricted net assets	-	-
<b>Changes in Net Assets</b>	661	(243,584)
Net assets, beginning of year (restated)	<hr/>	<hr/>
	521,074	5,851,830
<b>Net Assets, End of Year</b>	<hr/> <hr/>	<hr/> <hr/>
	\$ 521,735	\$ 5,608,246

See notes to financial statements.



<u>Donor</u> <u>Restricted</u> <u>Endowment</u>	<u>Board</u> <u>Designated</u> <u>Investments</u>	<u>Educational</u> <u>Opportunities</u> <u>Restricted</u> <u>Endowment</u>	<u>Total</u>
\$ 678,390	\$ 288,180	\$ 107,335	\$ (119,713)
(365,518)		-	-
(312,872)	(101,551)	(100,066)	-
-	(40,000)	-	-
-	146,629	7,269	(119,713)
-	-	-	203,634
-	-	70,591	70,591
-	-	36,744	36,744
-	-	-	(11,712)
-	-	(107,335)	(268,569)
-	-	-	30,688
112,523	-	72,198	184,721
300,544	-	-	300,544
439,363	-	155,396	594,759
852,430		227,594	1,080,024
852,430	146,629	234,863	990,999
12,976,330	2,073,155	2,242,662	23,665,051
\$ 13,828,760	\$ 2,219,784	\$ 2,477,525	\$ 24,656,050

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED APRIL 30, 2017**

	<u>Operations</u>	<u>Property and Equipment</u>
<b>OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 661	\$ (243,584)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	259,284
Contributions restricted for long-term purposes	-	(12,400)
Net realized and unrealized gains on investments	-	-
Increase in value of funds held in trust by others	-	-
(Increase) decrease in:		
Due to (due from) - interfund	(35,701)	(57,781)
Accounts, note and broker receivable	8,891	-
Pledges receivable - other	(31,969)	-
Interest receivable	-	-
Prepaid program costs	(3,208)	-
Increase (decrease) in:		
Accounts payable	(1,398)	-
Accrued payroll and employee related expenses	9,225	-
Deferred revenue - programs and special events	(42,726)	-
<b>Net Cash Provided by (Used In) Operating Activities</b>	<u>(96,225)</u>	<u>(54,481)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(25,180)
Proceeds from sale of property and equipment	-	67,949
Purchases of marketable investments	-	-
Sales of marketable investments	-	-
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>-</u>	<u>42,769</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for:		
Investment in property and equipment	-	21,652
<b>Increase (Decrease) in Cash</b>	<u>(96,225)</u>	<u>9,940</u>
Cash at beginning of year	<u>359,824</u>	<u>9,304</u>
<b>Cash at End of Year</b>	<u>\$ 263,599</u>	<u>\$ 19,244</u>

See notes to financial statements.

<u>Donor</u> <u>Restricted</u> <u>Endowment</u>	<u>Board</u> <u>Designated</u> <u>Investments</u>	<u>Educational</u> <u>Opportunities</u> <u>Restricted</u> <u>Endowment</u>	<u>Total</u>
\$ 852,430	\$ 146,629	\$ 234,863	\$ 990,999
-	-	-	259,284
-	-	-	(12,400)
(662,879)	(249,566)	(225,987)	(1,138,432)
(300,544)	-	-	(300,544)
60,238	30,712	2,532	-
-	-	-	8,891
15,000	-	20,523	3,554
(420)	186	11	(223)
-	-	-	(3,208)
-	-	-	(1,398)
-	-	-	9,225
-	-	-	(42,726)
(36,175)	(72,039)	31,942	(226,978)
-	-	-	(25,180)
-	-	-	67,949
(1,640,060)	(1,506,350)	(1,085,784)	(4,232,194)
1,676,235	1,578,389	1,053,842	4,308,466
36,175	72,039	(31,942)	119,041
-	-	-	21,652
-	-	-	(86,285)
-	-	-	369,128
\$ -	\$ -	\$ -	\$ 282,843

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED APRIL 30, 2017**

	<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>
Association dues and fees	\$ -	\$ -	\$ 183	\$ 183
Audit fees	6,200	2,480	2,635	11,315
Auction, putting and golf direct expenses	-	-	-	-
Auction, putting and golf direct expenses (donated)	-	-	-	-
Advertising and marketing	1,030	-	-	1,030
Advertising, promotion and printing (donated)	-	-	-	-
Board meetings	257	29	50	336
Depreciation	202,241	15,557	28,521	246,319
Friends luncheons	-	-	-	-
Insurance	28,364	2,210	4,420	34,994
Miscellaneous	-	-	-	-
Occupancy	32,254	2,513	5,027	39,794
Occupancy (donated)	-	-	-	-
Office expense	6,918	3,239	11,864	22,021
Payroll services	1,901	219	373	2,493
Payroll taxes	34,179	16,351	19,118	69,648
Printing, publications and postage	1,071	731	694	2,496
Professional fees	-	-	-	-
Professional fees (donated)	-	-	-	-
Program costs and special projects	32,702	32,813	80,213	145,728
Program costs and special projects (donated)	69,883	69,883	-	139,766
Prizes and awards	-	-	-	-
Prizes and awards (donated)	-	-	-	-
Repairs and maintenance	24,897	1,940	3,880	30,717
Retirement contribution	30,794	25,096	18,910	74,800
Salaries and benefits	481,523	242,052	275,452	999,027
Staff development	649	1,369	357	2,375
Strategic planning	-	-	-	-
Telephone	8,361	809	1,619	10,789
Transportation	12,744	993	2,034	15,771
Volunteer cost	848	325	874	2,047
<b>Total expenses</b>	<b>976,816</b>	<b>418,609</b>	<b>456,224</b>	<b>1,851,649</b>
Less expenses included with revenues on the statement of activities	-	-	-	-
Total expenses included in the expense section of the statement of activities	<b>\$ 976,816</b>	<b>\$ 418,609</b>	<b>\$ 456,224</b>	<b>\$ 1,851,649</b>

See notes to financial statements.

**Special Events****Supporting Services**

<u>Golf</u>	<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>
\$ -	\$ -	\$ -	\$ -	\$ 4,085	\$ 1,782	\$ 5,867	\$ -	\$ 6,050
-	-	-	-	2,635	1,550	4,185	-	15,500
41,244	44,523	13,351	99,118	-	-	-	-	99,118
7,058	-	16,018	23,076	-	-	-	-	23,076
-	-	-	-	972	272	1,244	-	2,274
2,905	-	2,905	5,810	-	-	-	-	5,810
173	-	-	173	7,265	-	7,265	-	7,774
-	-	-	-	7,779	5,186	12,965	-	259,284
-	-	-	-	925	1,682	2,607	-	2,607
-	-	-	-	1,842	-	1,842	-	36,836
-	-	-	-	9,272	-	9,272	-	9,272
-	-	-	-	2,094	-	2,094	-	41,888
-	-	-	-	-	-	-	5,400	5,400
-	-	-	-	6,786	124	6,910	-	28,931
-	-	-	-	1,551	-	1,551	-	4,044
968	2,039	1,524	4,531	11,769	7,153	18,922	-	93,101
115	286	-	401	6,903	17,924	24,827	-	27,724
-	-	-	-	20,107	-	20,107	-	20,107
-	-	-	-	8,000	-	8,000	-	8,000
-	-	-	-	-	7,576	7,576	-	153,304
-	-	-	-	8,771	-	8,771	-	148,537
17,262	3,942	1,121	22,325	-	-	-	-	22,325
2,900	-	3,835	6,735	-	-	-	-	6,735
-	-	-	-	3,018	-	3,018	-	33,735
681	1,017	768	2,466	8,015	11,450	19,465	-	96,731
14,383	28,295	21,285	63,963	178,709	103,959	282,668	-	1,345,658
-	-	-	-	7,206	310	7,516	-	9,891
-	-	-	-	16,703	-	16,703	-	16,703
-	-	-	-	1,185	947	2,132	-	12,921
-	-	-	-	2,105	-	2,105	-	17,876
-	-	-	-	133	105	238	-	2,285
87,689	80,102	60,807	228,598	317,830	160,020	477,850	5,400	2,563,497
(87,689)	(80,102)	(60,807)	(228,598)	-	-	-	-	(228,598)
\$ -	\$ -	\$ -	\$ -	\$ 317,830	\$ 160,020	\$ 477,850	\$ 5,400	\$ 2,334,899

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**(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, 2017, the Organization had \$36,446 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, 2017**

(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 \$259,284 was recognized in the year ended April 30, 2017.

### **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 \$8,084 for the year ended April 30, 2017 which included \$5,810 of donated advertising and marketing.

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2017**

(2 – continued)

**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, 2017 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, 2014 are subject to examination by the Internal Revenue Service.

(3) **PLEDGES RECEIVABLE**

Pledges receivable at April 30, 2017 include the following unconditional promises to give:

	Property <u>Fund</u>	Educational <u>Opportunities</u>	<u>Operations</u>
Gross pledges receivable	\$ 7,500	\$ 22,500	\$ 112,619
Less: Unamortized discount on future contributions	(871)	(179)	-
	<u>\$ 6,629</u>	<u>\$ 22,321</u>	<u>\$ 112,619</u>

Gross pledges receivable are due according to the following schedule:

Less than one year	\$ 6,629	\$ 22,321	\$ 112,619
	<u>\$ 6,629</u>	<u>\$ 22,321</u>	<u>\$ 112,619</u>

Contributions receivable in future periods were discounted at 1.28%, the one year U.S. Treasury note rate.



**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
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(4) **INVESTMENTS**

Investments, by classification as of April 30, 2017, are as follows:

	<b>Fair Value</b>
Cash Equivalents	\$ 229,147
Bonds:	
Government	124,543
Corporate	756,885
Limited Partnership Interest in Real Estate	48,994
Mutual Funds:	
Equity	4,897,336
Fixed Income	1,530,193
Exchange Traded Funds:	
Equity	572,341
Equities	
Basic Materials	175,523
Consumer Goods	416,097
Financial	679,446
Healthcare	391,761
Industrial Goods	209,031
Services	649,534
Technology	615,487
Utilities	57,055
Common Trust Fund	285,930
Pooled Separate Accounts	169,697
	\$ 11,809,000
Investments, board designated	\$ 2,404,883
Investments, restricted to endowments	9,404,117
Total	\$ 11,809,000

Investment fees of \$62,553 paid during 2017 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, 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.

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
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(5 – continued)

At April 30, 2017, 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, 2017, the value of the perpetual trusts increased by \$300,544, which includes \$365,518 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 \$197,558 during the year ended April 30, 2017, were recorded as contributions, and program, supporting services and special events expenses.

During the year ended April 30, 2017, approximately 2,400 volunteers donated 12,023 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, 2017:

Land	\$ 51,500
Building and improvements	7,432,169
Equipment, furniture, and fixtures	728,310
Vehicles	139,849
	<u>8,351,828</u>
Less: accumulated depreciation	2,808,252
	<u><u>\$ 5,543,576</u></u>

**(8) TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at April 30, 2017:

General operations - future years	\$ 93,000
Property fund	25,873
	<u>118,873</u>
	<u><u>\$ 118,873</u></u>

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
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**APRIL 30, 2017**

**(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) RESTATEMENT OF FINANCIAL STATEMENTS**

As a result of an internal review of the Organization's contributions, the Organization discovered information indicating that the James W. Chandler Trust should have been recorded as an asset of the Organization. Accordingly, the Organization restated the financial statements for the year ended April 30, 2016. Permanently restricted net assets at the beginning of the year ended April 30, 2017 were increased by \$127,405.

**(11) 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, 2017.

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2017**

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**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, 2017 is as follows:

	<u>Permanently</u> <u>Restricted</u>
<b>Net Assets, Beginning of Year (restated)</b>	\$ 15,586,571
Investment return	
Investment income, net	126,100
Net appreciation - unrealized and realized	1,554,928
Contributions	184,721
Amounts appropriated for expenditures	<u>(785,725)</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 16,666,595</u></u>

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**APRIL 30, 2017**

**(12) 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 \$96,732 for the year ended April 30, 2017.

**(13) MAJOR CONTRIBUTORS**

The Organization has two major donors that represent 53% of the gross pledges receivable at April 30, 2017. These pledges are designated contributions relating to operations and various educational endowment funds.

**(14) 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, 2017**

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The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of April 30, 2017.

	<b>Carrying Value</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<i>(in thousands)</i>			
<b><i>Assets Measured on a Recurring Basis</i></b>				
Investments:				
Cash Equivalents	\$ 229	\$ -	\$ -	\$ 229
Bonds:				
Government	-	125	-	125
Corporate	-	757	-	757
Mutual Funds:				
Equity:				
Large Cap	2,685	-	-	2,685
Mid Cap	526	-	-	526
Small Cap	257	-	-	257
International	1,150	-	-	1,150
Other	279	-	-	279
Fixed Income	1,530	-	-	1,530
Exchange Traded Funds:				
Equity	572	-	-	572
Equities				
Basic Materials	176	-	-	176
Consumer Goods	417	-	-	417
Financial	679	-	-	679
Healthcare	392	-	-	392
Industrial Goods	209	-	-	209
Services	650	-	-	650
Technology	615	-	-	615
Utilities	57	-	-	57
Limited Partnership Interest				
in Real Estate	-	-	49	49
Pooled Separate Account	-	-	170	170
Common Trust Fund (A)				<u>285</u>
Total Investments				<u>\$ 11,809</u>

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
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	<b>Carrying Value</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>(in thousands)</i>			
<b>Beneficial interest in perpetual trusts:</b>				
Cash Equivalents	\$ 106	\$ -	\$ -	\$ 106
<b>Bonds:</b>				
Government	-	292	-	292
Corporate	-	625	-	625
<b>Mutual Funds:</b>				
<b>Equity:</b>				
Large Cap	877	-	-	877
Mid Cap	337	-	-	337
Small Cap	321	-	-	321
International	1,013	-	-	1,013
Fixed Income	1,126	-	-	1,126
<b>Exchange Traded Funds:</b>				
Equity	231	-	-	231
<b>Equities</b>				
Basic Materials	16	-	-	16
Consumer Goods	557	-	-	557
Energy	59	-	-	59
Financial	474	-	-	474
Healthcare	192	-	-	192
Industrial Goods	213	-	-	213
Real Estate	8	-	-	8
Technology	527	-	-	527
Utilities	18	-	-	18
<b>Total Beneficial interest in perpetual trusts</b>				<b>\$ 6,992</b>

(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.

**THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
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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 Association 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 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.



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**APRIL 30, 2017**

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*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.

The changes in Level 3 assets measure at fair value on a recurring basis using significant unobservable inputs during the year ended April 30, 2017 is as follows:

Beginning of year	\$ 276,415
Interest and dividends, net	3,882
Net unrealized and realized appreciation	14,898
Sales	(67,949)
Distributions	<u>(8,555)</u>
End of year	<u><u>\$ 218,691</u></u>

(15) **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 January 24, 2018, the date these financial statements were issued. The Organization has determined that there are no such subsequent events.