

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

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2018

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED

CONTENTS

	Page
Independent Auditor's Report	3
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	5-6
STATEMENT OF CASH FLOWS	7
STATEMENT OF FUNCTIONAL EXPENSES	8
NOTES TO FINANCIAL STATEMENTS	9-20



MONROE SHINE

KNOWLEDGE FOR TODAY . . . VISION FOR TOMORROW

222 EAST MARKET STREET, P.O. BOX 1407, NEW ALBANY, INDIANA 47150 • PHONE: 812.945.2311 • FAX: 812.945.2603

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, 2018, and the related statements of activities and changes in net assets, cash flows and statement of functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Cabbage Patch Settlement House, Incorporated** as of April 30, 2018, 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

November 30, 2018

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
STATEMENT OF FINANCIAL POSITION
YEAR ENDED APRIL 30, 2018

ASSETS	<u>Operations</u>	<u>Property and Equipment</u>
CURRENT ASSETS		
Cash	\$ 332,407	\$ 41,026
Due from (due to) - interfund	275,956	44,946
Pledges receivable	27,528	-
Interest receivable	-	-
Prepaid program costs	15,100	-
Total Current Assets	650,991	85,972
NON-CURRENT ASSETS		
Pledges receivable, net of current portion	15,000	-
Property and equipment, net	-	5,329,550
Investments	-	-
Beneficial interest in perpetual trusts	-	-
Total Non-Current Assets	15,000	5,329,550
TOTAL ASSETS	\$ 665,991	\$ 5,415,522
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 34,871	\$ -
Accrued payroll and employee related expenses	86,223	-
Deferred revenue	22,500	-
Total Liabilities	143,594	-
NET ASSETS		
Unrestricted	502,387	5,374,496
Temporarily restricted	20,010	41,026
Permanent restricted	-	-
Total Net Assets	522,397	5,415,522
TOTAL LIABILITIES AND NET ASSETS	\$ 665,991	\$ 5,415,522

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>
\$ -	\$ -	\$ -	\$ 373,433
(79,730)	(186,287)	(54,885)	-
16,500	-	3,321	47,349
9,530	772	1,499	11,801
-	-	-	15,100
(53,700)	(185,515)	(50,065)	447,683
38,000	-	11,000	64,000
-	-	-	5,329,550
7,374,671	2,520,482	2,731,971	12,627,124
7,243,886	-	-	7,243,886
14,656,557	2,520,482	2,742,971	25,264,560
\$ 14,602,857	\$ 2,334,967	\$ 2,692,906	\$ 25,712,243
\$ -	\$ -	\$ -	\$ 34,871
-	-	-	86,223
-	-	-	22,500
-	-	-	143,594
-	2,334,967	(609,383)	7,602,467
-	-	-	61,036
14,602,857	-	3,302,289	17,905,146
14,602,857	2,334,967	2,692,906	25,568,649
\$ 14,602,857	\$ 2,334,967	\$ 2,692,906	\$ 25,712,243

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED APRIL 30, 2018

Changes in Unrestricted Net Assets	<u>Operations</u>	<u>Property and Equipment</u>
Unrestricted Revenues, Gains, and Other Support		
Contributions	\$ 476,656	\$ -
Contributions in kind - operations	136,801	5,400
Other revenues	13,836	-
Special events, Golf		
Contributions in kind	\$ 13,697	
Special events income	124,639	
Less: expenses	<u>(63,746)</u>	-
Special events, Auction		
Contributions in kind	\$ 7,192	
Special events income	276,444	
Less: expenses	<u>(91,242)</u>	-
Special events, Putting Event		
Contributions in kind	\$ 3,427	
Special events income	85,001	
Less: expenses	<u>(45,545)</u>	-
Distributions from perpetual trusts:		
Marshall Trust	-	-
Milton Trusts	-	-
Chandler Trust	-	-
Investment income, net of fees	-	-
Realized and unrealized gains (losses) on marketable investments, net	-	-
Gain (loss) on sale of property and equipment	-	4,500
Rental income - 1421 South 6th Street	-	11,689
Net assets released from restrictions:		
Satisfaction of property restrictions	-	38,554
Satisfaction of program restrictions	<u>348,804</u>	-
Total Unrestricted Revenues, Gains and other Support	1,285,964	60,143
Expenses		
Program:		
Youth development and recreation	752,615	199,673
Family services and counseling	354,873	15,359
Educational opportunities	463,857	28,159
Supporting services:		
General and administrative expenses	267,258	7,680
Fund raising expenses	138,927	5,120
Comprehensive campaign expenses	116,384	-
Property fund expenses	<u>-</u>	<u>5,400</u>
Total Expenses	<u>2,093,914</u>	<u>261,391</u>
Changes in unrestricted net assets before transfers	\$ (807,950)	\$ (201,248)

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>
\$ -	\$ 2,363	\$ -	\$ 479,019
-	-	-	142,201
-	-	-	13,836
-	-	-	74,590
-	-	-	192,394
-	-	-	42,883
172,554	-	-	172,554
169,204	-	-	169,204
5,949	-	-	5,949
85,958	18,795	-	104,753
237,225	232,170	(256,477)	212,918
-	-	-	4,500
-	-	-	11,689
-	-	-	38,554
-	-	28,537	377,341
670,890	253,328	(227,940)	2,042,385
-	-	-	952,288
-	-	-	370,232
-	-	-	492,016
-	-	-	274,938
-	-	-	144,047
-	-	-	116,384
-	-	-	5,400
-	-	-	2,355,305
\$ 670,890	\$ 253,328	\$ (227,940)	\$ (312,920)

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED
YEAR ENDED APRIL 30, 2018

Changes in Unrestricted Net Assets	<u>Operations</u>	<u>Property and Equipment</u>
Transfers - perpetual trusts distributions	347,707	-
Transfers - 5% spending policy	534,766	-
Transfers - Other	(871)	33,371
	<hr/>	<hr/>
Changes in unrestricted net assets	73,652	(167,877)
 Changes in Temporarily Restricted Net Assets		
Contributions	275,814	13,707
Realized and unrealized losses on marketable investments, net	-	-
Investment income, net of fees	-	-
Net assets released from restrictions:		
Satisfaction of property restrictions	-	(38,554)
Satisfaction of program restrictions	(348,804)	-
	<hr/>	<hr/>
Changes in temporarily restricted net assets	(72,990)	(24,847)
 Changes in Permanently Restricted Net Assets		
Contributions	-	-
Increase in value of perpetual trusts	-	-
Realized and unrealized gains on marketable investments, net	-	-
	<hr/>	<hr/>
Changes in permanently restricted net assets	-	-
 Changes in Net Assets	662	(192,724)
 Net assets, beginning of year	<hr/>	<hr/>
	521,735	5,608,246
 Net Assets, End of Year	<hr/>	<hr/>
	\$ 522,397	\$ 5,415,522
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

<u>Donor Restricted Endowment</u>	<u>Board Designated Investments</u>	<u>Educational Opportunities Restricted Endowment</u>	<u>Total</u>
(347,707)		-	-
(323,183)	(105,645)	(105,938)	-
-	(32,500)	-	-
-	115,183	(333,878)	(312,920)
-	-	-	289,521
-	-	-	-
-	-	28,537	28,537
-	-	-	(38,554)
-	-	(28,537)	(377,341)
-	-	-	(97,837)
180,518	-	70,430	250,948
251,496	-	-	251,496
342,083	-	478,829	820,912
774,097		549,259	1,323,356
774,097	115,183	215,381	912,599
13,828,760	2,219,784	2,477,525	24,656,050
\$ 14,602,857	\$ 2,334,967	\$ 2,692,906	\$ 25,568,649

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2018

	<u>Operations</u>	<u>Property and Equipment</u>
OPERATING ACTIVITIES		
Changes in net assets	\$ 662	\$ (192,724)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	255,991
Contributions restricted for long-term purposes	-	(13,707)
(Gain) loss on sale of property and equipment	-	(4,500)
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	(3,851)	(6,149)
Pledges receivable - other	70,091	6,629
Interest receivable	-	-
Prepaid program costs	(8,779)	-
Increase (decrease) in:		
Accounts payable	29,397	-
Accrued payroll and employee related expenses	1,687	-
Deferred revenue - programs and special events	(20,399)	-
Net Cash Provided by (Used In) Operating Activities	68,808	45,540
INVESTING ACTIVITIES		
Purchases of property and equipment	-	(41,965)
Proceeds from sale of property and equipment	-	4,500
Purchases of marketable investments	-	-
Sales of marketable investments	-	-
Net Cash Provided By (Used In) Investing Activities	-	(37,465)
FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Investment in property and equipment	-	13,707
Increase in Cash	68,808	21,782
Cash at beginning of year	263,599	19,244
Cash at End of Year	\$ 332,407	\$ 41,026

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>
\$ 774,097	\$ 115,183	\$ 215,381	\$ 912,599
-	-	-	255,991
-	-	-	(13,707)
-	-	-	(4,500)
(579,308)	(232,170)	(222,352)	(1,033,830)
(251,496)	-	-	(251,496)
(1)	-	10,001	-
(54,500)	-	8,000	30,220
1,525	416	(482)	1,459
-	-	-	(8,779)
-	-	-	29,397
-	-	-	1,687
-	-	-	(20,399)
(109,683)	(116,571)	10,548	(101,358)
-	-	-	(41,965)
-	-	-	4,500
(2,815,538)	(2,006,650)	(2,324,138)	(7,146,326)
2,925,221	2,123,221	2,313,590	7,362,032
109,683	116,571	(10,548)	178,241
-	-	-	13,707
-	-	-	90,590
-	-	-	282,843
\$ -	\$ -	\$ -	\$ 373,433

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED APRIL 30, 2018

	<u>Program Services</u>			
	<u>Youth</u>	<u>Family</u>	<u>Educational</u>	<u>Total</u>
	<u>Development</u>	<u>Services and</u>	<u>Opportunities</u>	<u>Program</u>
	<u>and Recreation</u>	<u>Counseling</u>	<u>Opportunities</u>	<u>Services</u>
Association dues and fees	\$ -	\$ -	\$ -	\$ -
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	2,693	-	-	2,693
Advertising, promotion and printing (donated)	-	-	-	-
Board meetings	-	-	-	-
Depreciation	199,673	15,359	28,159	243,191
Friends luncheons	-	-	-	-
Insurance	32,867	2,556	5,112	40,535
Miscellaneous	-	-	-	-
Occupancy	29,201	2,271	4,554	36,026
Occupancy (donated)	-	-	-	-
Office expense	6,587	3,311	5,537	15,435
Payroll services	2,258	260	443	2,961
Payroll taxes	36,697	15,615	18,978	71,290
Printing, publications and postage	3,139	1,973	1,973	7,085
Professional fees	188	188	188	564
Program costs and special projects	43,082	31,924	68,399	143,405
Program costs and special projects (donated)	56,449	26,271	33,405	116,125
Prizes and awards	-	-	-	-
Prizes and awards (donated)	-	-	-	-
Repairs and maintenance	22,492	1,708	3,416	27,616
Retirement contribution	21,739	21,233	17,335	60,307
Salaries and benefits	470,208	242,912	295,837	1,008,957
Staff development	1,902	211	2,008	4,121
Strategic planning	-	-	-	-
Telephone	9,248	890	1,780	11,918
Transportation	6,811	585	1,355	8,751
Volunteer cost	854	485	902	2,241
Total expenses	952,288	370,232	492,016	1,814,536
Less expenses included with revenues on the statement of activities	-	-	-	-
Total expenses included in the expense section of the statement of activities	\$ 952,288	\$ 370,232	\$ 492,016	\$ 1,814,536

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>Comprehensive Campaign Expenses</u>	<u>Total Supporting Services</u>	<u>Property Fund Expenses</u>	<u>Total Expenses</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,815	\$ 1,500	\$ -	\$ 5,315	\$ -	\$ 5,315
-	-	-	-	1,550	2,635	-	4,185	-	15,500
32,636	45,823	17,099	95,558	-	-	-	-	-	95,558
5,590	1,989	1,067	8,646	-	-	-	-	-	8,646
-	-	-	-	500	95	-	595	-	3,288
2,905	4,880	-	7,785	-	-	-	-	-	7,785
-	-	-	-	5,583	-	-	5,583	-	5,583
-	-	-	-	7,680	5,120	-	12,800	-	255,991
-	-	-	-	700	700	-	1,400	-	1,400
-	-	319	319	2,130	-	-	2,130	-	42,984
16	18	69	103	4,323	3,822	-	8,145	-	8,248
-	-	-	-	11,629	-	-	11,629	-	47,655
-	-	-	-	-	-	-	-	5,400	5,400
-	-	-	-	3,875	-	-	3,875	-	19,310
-	-	-	-	2,134	-	-	2,134	-	5,095
931	1,889	1,400	4,220	12,752	5,605	3,604	21,961	-	97,471
-	-	-	-	2,763	17,777	-	20,540	-	27,625
-	-	-	-	188	-	-	188	-	752
-	156	745	901	-	8,334	-	8,334	-	152,640
-	-	-	-	20,676	-	-	20,676	-	136,801
2,000	8,995	1,128	12,123	-	-	-	-	-	12,123
5,202	323	2,360	7,885	-	-	-	-	-	7,885
-	-	-	-	1,423	-	-	1,423	-	29,039
32	55	283	370	10,263	6,034	6,099	22,396	-	83,073
14,434	27,114	21,075	62,623	169,516	91,394	53,159	314,069	-	1,385,649
-	-	-	-	3,651	332	-	3,983	-	8,104
-	-	-	-	6,863	-	53,522	60,385	-	60,385
-	-	-	-	797	124	-	921	-	12,839
-	-	-	-	2,115	575	-	2,690	-	11,441
-	-	-	-	12	-	-	12	-	2,253
63,746	91,242	45,545	200,533	274,938	144,047	116,384	535,369	5,400	2,555,838
(63,746)	(91,242)	(45,545)	(200,533)	-	-	-	-	-	(200,533)
\$ -	\$ -	\$ -	\$ -	\$ 274,938	\$ 144,047	\$ 116,384	\$ 535,369	\$ 5,400	\$ 2,355,305

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

(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, 2018, the Organization had \$48,893 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, 2018

(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 \$255,991 was recognized in the year ended April 30, 2018.

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 \$11,073 for the year ended April 30, 2018 which included \$7,785 of donated advertising and marketing.

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2018

(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, 2018 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, 2015 are subject to examination by the Internal Revenue Service.

Functional Allocation of Expenses

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

(3) **PLEDGES RECEIVABLE**

Pledges receivable at April 30, 2018 include the following unconditional promises to give:

	<u>Operations</u>	<u>Donor Restricted</u>	<u>Educational Opportunities</u>
Gross pledges receivable	\$ 43,399	\$ 54,500	\$ 14,500
Less: Unamortized discount on future contributions	(871)	-	(179)
	<u>\$ 42,528</u>	<u>\$ 54,500</u>	<u>\$ 14,321</u>

Gross pledges receivable are due according to the following schedule:

Less than one year	\$ 27,528	\$ 16,500	\$ 3,321
One to five years	15,000	38,000	11,000
	<u>\$ 42,528</u>	<u>\$ 54,500</u>	<u>\$ 14,321</u>

Contributions receivable in future periods were discounted at 2.49%, the one year U.S. Treasury note rate.

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2018

(4) **INVESTMENTS**

Investments, by classification as of April 30, 2018, are as follows:

	<u>Fair Value</u>
Cash Equivalents	\$ 152,210
Bonds:	
Government	119,293
Financial	69,203
Corporate	635,179
Limited Partnership Interest in Real Estate	48,994
Mutual Funds:	
Equity	5,753,688
Fixed Income	1,539,625
Exchange Traded Funds:	
Bond	97,727
Equity	564,645
International	177,765
Equities	
Basic Materials	161,365
Consumer Goods	428,803
Energy	57,329
Financial	692,976
Healthcare	335,108
Industrial Goods	157,742
Real Estate	39,311
Services	516,065
Technology	545,946
Telecommunication	10,169
Utilities	21,964
Common Trust Fund	322,857
Pooled Separate Accounts	179,160
	<u>\$ 12,627,124</u>
Investments, board designated	\$ 2,520,482
Investments, restricted to endowments	<u>10,106,642</u>
Total	<u><u>\$ 12,627,124</u></u>

Investment fees of \$81,541 paid during 2018 have been netted against investment income in the accompanying statement of activities and changes in net assets.

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2018

(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.

At April 30, 2018, 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, 2018, after making \$347,707 in distributions from the trusts, the value of the perpetual trusts increased by \$251,496.

(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 \$166,517 during the year ended April 30, 2018, were recorded as contributions, and program, supporting services and special events expenses.

During the year ended April 30, 2018, approximately 571 volunteers donated 3,822 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, 2018:

Land	\$ 51,500
Building and improvements	7,472,845
Equipment, furniture, and fixtures	717,418
Vehicles	113,568
	<u>8,355,331</u>
Less: accumulated depreciation	3,025,781
	<u><u>\$ 5,329,550</u></u>

(8) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at April 30, 2018:

General operations - future years	\$ 20,010
Property fund	41,026
	<u>61,036</u>
	<u><u>\$ 61,036</u></u>

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2018

(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, 2018.

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2018

(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, 2018 is as follows:

	<u>Permanently</u> <u>Restricted</u>
Net Assets, Beginning of Year	\$ 16,581,790
Investment return	
Investment income, net	114,495
Net appreciation - unrealized and realized	1,400,963
Contributions	250,848
Amounts appropriated for expenditures	<u>(442,950)</u>
Net Assets, End of Year	<u><u>\$ 17,905,146</u></u>

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2018

(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 \$83,073 for the year ended April 30, 2018.

(12) MAJOR CONTRIBUTORS

The Organization has three major donors that represent 48% of the gross pledges receivable at April 30, 2018. 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, 2018

(13 – continued)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of April 30, 2018.

	Carrying Value			Total
	Level 1	Level 2	Level 3	
	<i>(in thousands)</i>			
Assets Measured on a Recurring Basis				
Investments:				
Cash Equivalents	\$ 152	\$ -	\$ -	\$ 152
Bonds:				
Government	-	119	-	119
Financial	-	69	-	69
Corporate	-	635	-	635
Mutual Funds:				
Equity:				
Large Cap	2,356	-	-	2,356
Mid Cap	330	-	-	330
Small Cap	639	-	-	639
International	1,564	-	-	1,564
Other	866	-	-	866
Fixed Income	1,539	-	-	1,539
Exchange Traded Funds:				
Bond	97	-	-	97
Equity	565	-	-	565
International Equity	178	-	-	178
Equities				
Basic Materials	162	-	-	162
Consumer Goods	428	-	-	428
Energy	58	-	-	58
Financial	693	-	-	693
Healthcare	335	-	-	335
Industrial Goods	158	-	-	158
Real Estate	39	-	-	39
Services	516	-	-	516
Technology	546	-	-	546
Telecommunication	10	-	-	10
Utilities	22	-	-	22
Limited Partnership Interest				
in Real Estate	-	-	49	49
Pooled Separate Account	-	-	179	179
Common Trust Fund (A)				323
				<u>\$ 12,627</u>
Total Investments				<u>\$ 12,627</u>

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2018

(13 – continued)

	<u>Carrying Value</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>(in thousands)</i>			
Beneficial interest in perpetual trusts:				
Cash Equivalents	\$ 126	\$ -	\$ -	\$ 126
Bonds:				
Government	-	235	-	235
Corporate	-	646	-	646
Mutual Funds:				
Equity:				
Large Cap	438	-	-	438
Mid Cap	138	-	-	138
Small Cap	417	-	-	417
International	1,590	-	-	1,590
Fixed Income	952	-	-	952
Other	4	-	-	4
Exchange Traded Funds:				
Equity	346	-	-	346
Equities				
Basic Materials	43	-	-	43
Consumer Goods	497	-	-	497
Energy	70	-	-	70
Financial	586	-	-	586
Healthcare	306	-	-	306
Industrial Goods	224	-	-	224
Real Estate	23	-	-	23
Technology	582	-	-	582
Utilities	21	-	-	21
				<u>21</u>
Total Beneficial interest in perpetual trusts				<u>\$ 7,244</u>

(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
APRIL 30, 2018

(13 – 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. Values at the net asset value of the units held by the Organization at year-end.

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

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

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

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

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

THE CABBAGE PATCH SETTLEMENT HOUSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
APRIL 30, 2018

(13 – continued)

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, 2018 is as follows:

Beginning of year	\$ 211,720
Interest and dividends, net	3,412
Net unrealized and realized appreciation	20,464
Sales	-
Distributions	<u>(7,442)</u>
End of year	<u><u>\$ 228,154</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 November 30, 2018, the date these financial statements were issued. The Organization has determined that there are no such subsequent events.