

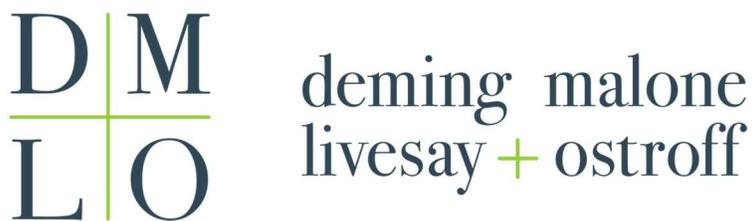
**JUNIOR ACHIEVEMENT OF KENTUCKIANA, INC.**

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2023 and 2022**

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## **Independent Auditors' Report**

To the Board of Directors  
Junior Achievement of Kentuckiana, Inc.  
Louisville, Kentucky

### **Opinion**

We have audited the accompanying financial statements of Junior Achievement of Kentuckiana, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of Kentuckiana, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

## Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

*Deming, Malone, Linsay & Ostroff*

Louisville, Kentucky  
October 16, 2023

**JUNIOR ACHIEVEMENT OF KENTUCKIANA, INC.**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2023 and 2022

| <b>Assets</b>  | 2023                | 2022                |
|--|---------------------|---------------------|
| <b>Current Assets</b>                                |                     |                     |
| Cash and cash equivalents                            | \$ 611,542          | \$ 322,676          |
| Investments  | 2,854,557           | 2,627,497           |
| Investments - 3DE                                    | 610,396             | 827,430             |
| Pledges receivable - net                             | 70,998              | 36,595              |
| Other receivables - 3DE                              |                     | 3,684               |
| Prepaid and other assets                             | 26,267              | 6,552               |
| <b>Total current assets</b>                          | <b>4,173,760</b>    | <b>3,824,434</b>    |
| <b>Long-Term Assets</b>                              |                     |                     |
| Beneficial interest in assets held by others         | 253,543             | 242,690             |
| Operating lease right-of-use assets                  | 9,661               |                     |
| Fixed assets - net                                   | 1,563,910           | 1,549,337           |
| <b>Total long-term assets</b>                        | <b>1,827,114</b>    | <b>1,792,027</b>    |
| <b>Total assets</b>                                  | <b>\$ 6,000,874</b> | <b>\$ 5,616,461</b> |
| <b>Liabilities and Net Assets</b>                    |                     |                     |
| <b>Current Liabilities</b>                           |                     |                     |
| Current maturities of operating leases               | \$ 2,200            |                     |
| Accounts payable                                     | 8,898               | \$ 14,486           |
| Accrued expenses                                     | 78,584              | 56,134              |
| Payable - 3DE  | 51,875              | 175,000             |
| <b>Total current liabilities</b>                     | <b>141,557</b>      | <b>245,620</b>      |
| <b>Long-Term Liabilities</b>                         |                     |                     |
| Operating lease liabilities, less current maturities | 7,461               |                     |
| Payable - 3DE  | 110,000             | 703,650             |
| <b>Total long-term liabilities</b>                   | <b>117,461</b>      | <b>703,650</b>      |
| <b>Total liabilities</b>                             | <b>259,018</b>      | <b>949,270</b>      |
| <b>Net Assets</b>                                    |                     |                     |
| Without donor restrictions:                          |                     |                     |
| Undesignated   | 2,059,140           | 1,776,254           |
| Board designated                                     | 3,082,300           | 2,845,387           |
|  | 5,141,440           | 4,621,641           |
| With donor restrictions                              | 600,416             | 45,550              |
| <b>Total net assets</b>                              | <b>5,741,856</b>    | <b>4,667,191</b>    |
| <b>Total liabilities and net assets</b>              | <b>\$ 6,000,874</b> | <b>\$ 5,616,461</b> |

See Notes to Financial Statements.

**JUNIOR ACHIEVEMENT OF KENTUCKIANA, INC.**

**STATEMENTS OF ACTIVITIES**  
Years Ended June 30, 2023 and 2022

|   | 2023                       |                     |                     |                         |                     | 2022                       |                     |                     |                         |                     |
|---|----------------------------|---------------------|---------------------|-------------------------|---------------------|----------------------------|---------------------|---------------------|-------------------------|---------------------|
|   | Without Donor Restrictions |                     |                     | With Donor Restrictions |                     | Without Donor Restrictions |                     |                     | With Donor Restrictions |                     |
|   | Undesignated               | Board Designated    | Total               | Restrictions            | Total               | Undesignated               | Board Designated    | Total               | Restrictions            | Total               |
| <b>Public Support and Revenues</b>  |                            |                     |                     |                         |                     |                            |                     |                     |                         |                     |
| Contributions:  |                            |                     |                     |                         |                     |                            |                     |                     |                         |                     |
| Corporate   | \$ 732,725                 |                     | \$ 732,725          | \$ 129,250              | \$ 861,975          | \$ 525,162                 | \$ 500,000          | \$ 1,025,162        | \$ 17,000               | \$ 1,042,162        |
| Individual  | 204,416                    |                     | 204,416             | 1,000                   | 205,416             | 183,586                    |                     | 183,586             | 22,300                  | 205,886             |
| Foundations   | 235,661                    |                     | 235,661             | 873,100                 | 1,108,761           | 257,320                    |                     | 257,320             | 45,000                  | 302,320             |
| <b>Total contributions</b>  | 1,172,802                  |                     | 1,172,802           | 1,003,350               | 2,176,152           | 966,068                    | 500,000             | 1,466,068           | 84,300                  | 1,550,368           |
| Special events - net of cost of direct benefit to donors of \$59,975 in 2023 and \$43,111 in 2022 | 344,266                    |                     | 344,266             |                         | 344,266             | 231,109                    |                     | 231,109             |                         | 231,109             |
| Public sector funding   | 143,800                    |                     | 143,800             |                         | 143,800             | 37,520                     |                     | 37,520              |                         | 37,520              |
| Net investment return:  |                            |                     |                     |                         |                     |                            |                     |                     |                         |                     |
| Investment income, net  | 31,230                     | \$ 53,596           | 84,826              |                         | 84,826              | 24,434                     | 61,850              | 86,284              |                         | 86,284              |
| Unrealized gain (loss) on investments   | 19,220                     | 271,105             | 290,325             |                         | 290,325             | (54,262)                   | (592,994)           | (647,256)           |                         | (647,256)           |
| Realized (loss) gain on investments   | (34,909)                   | (98,641)            | (133,550)           |                         | (133,550)           | 345                        | 116,816             | 117,161             |                         | 117,161             |
| In-kind contributions   | 342,451                    |                     | 342,451             |                         | 342,451             | 248,264                    |                     | 248,264             |                         | 248,264             |
| Other income  | 751                        |                     | 751                 |                         | 751                 | 275,368                    |                     | 275,368             |                         | 275,368             |
| Change in value of beneficial interest in assets held by others                                   |                            | 10,853              | 10,853              |                         | 10,853              |                            | (48,070)            | (48,070)            |                         | (48,070)            |
| Net assets released from restriction:   |                            |                     |                     |                         |                     |                            |                     |                     |                         |                     |
| Purpose restrictions  | 434,984                    |                     | 434,984             | (434,984)               |                     | 158,750                    | (120,000)           | 38,750              | (38,750)                |                     |
| Time restrictions   | 13,500                     |                     | 13,500              | (13,500)                |                     | 34,500                     |                     | 34,500              | (34,500)                |                     |
| <b>Total public support and revenues</b>  | 2,468,095                  | 236,913             | 2,705,008           | 554,866                 | 3,259,874           | 1,922,096                  | (82,398)            | 1,839,698           | 11,050                  | 1,850,748           |
| <b>Expenses</b>   |                            |                     |                     |                         |                     |                            |                     |                     |                         |                     |
| Program expense   | 1,538,459                  |                     | 1,538,459           |                         | 1,538,459           | 1,350,906                  |                     | 1,350,906           |                         | 1,350,906           |
| Management and general expense  | 228,003                    |                     | 228,003             |                         | 228,003             | 195,051                    |                     | 195,051             |                         | 195,051             |
| Fundraising and special events expense  | 416,650                    |                     | 416,650             |                         | 416,650             | 333,471                    |                     | 333,471             |                         | 333,471             |
| Loss on disposal of fixed assets  | 2,097                      |                     | 2,097               |                         | 2,097               |                            |                     |                     |                         |                     |
| <b>Total expenses</b>   | 2,185,209                  |                     | 2,185,209           |                         | 2,185,209           | 1,879,428                  |                     | 1,879,428           |                         | 1,879,428           |
| <b>Change in net assets</b>   | 282,886                    | 236,913             | 519,799             | 554,866                 | 1,074,665           | 42,668                     | (82,398)            | (39,730)            | 11,050                  | (28,680)            |
| Net assets, beginning of year   | 1,776,254                  | 2,845,387           | 4,621,641           | 45,550                  | 4,667,191           | 1,733,586                  | 2,927,785           | 4,661,371           | 34,500                  | 4,695,871           |
| Net assets, end of year   | <u>\$ 2,059,140</u>        | <u>\$ 3,082,300</u> | <u>\$ 5,141,440</u> | <u>\$ 600,416</u>       | <u>\$ 5,741,856</u> | <u>\$ 1,776,254</u>        | <u>\$ 2,845,387</u> | <u>\$ 4,621,641</u> | <u>\$ 45,550</u>        | <u>\$ 4,667,191</u> |

See Notes to Financial Statements.

**JUNIOR ACHIEVEMENT OF KENTUCKIANA, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Years Ended June 30, 2023 and 2022

|                            | 2023                |                        |                     |                   | Total               |
|----------------------------|---------------------|------------------------|---------------------|-------------------|---------------------|
|                            | Program             | Management and General | Fundraising         |                   |                     |
|                            |                     |                        | General Fundraising | Special Events    |                     |
| Personnel                  | \$ 671,802          | \$ 162,532             | \$ 249,217          |                   | \$ 1,083,551        |
| Staff training and travel  | 22,262              | 1,607                  | 1,607               |                   | 25,476              |
| Program materials and fees | 280,364             |                        |                     |                   | 280,364             |
| Facility                   | 236,162             | 9,851                  | 9,851               |                   | 255,864             |
| Office                     | 94,719              | 36,177                 | 8,801               |                   | 139,697             |
| Subscriptions and dues     | 2,705               | 676                    |                     |                   | 3,381               |
| General insurance          | 16,159              | 674                    | 674                 |                   | 17,507              |
| Public relations           | 58,367              |                        |                     |                   | 58,367              |
| Depreciation               | 155,919             | 6,504                  | 6,504               |                   | 168,927             |
| Bad debt expense           |                     | 5,912                  |                     |                   | 5,912               |
| Direct event costs         |                     |                        |                     | \$ 134,568        | 134,568             |
| Miscellaneous              |                     | 4,070                  | 5,428               |                   | 9,498               |
| <b>Total</b>               | <b>\$ 1,538,459</b> | <b>\$ 228,003</b>      | <b>\$ 282,082</b>   | <b>\$ 134,568</b> | <b>\$ 2,183,112</b> |

|                            | 2022                |                        |                     |                   | Total               |
|----------------------------|---------------------|------------------------|---------------------|-------------------|---------------------|
|                            | Program             | Management and General | Fundraising         |                   |                     |
|                            |                     |                        | General Fundraising | Special Events    |                     |
| Personnel                  | \$ 621,133          | \$ 143,338             | \$ 191,118          |                   | \$ 955,589          |
| Staff training and travel  | 10,262              | 1,283                  | 1,283               |                   | 12,828              |
| Program materials and fees | 263,242             |                        |                     |                   | 263,242             |
| Facility                   | 178,610             | 7,450                  | 7,450               |                   | 193,510             |
| Office                     | 66,646              | 31,888                 | 8,186               |                   | 106,720             |
| Subscriptions and dues     | 3,002               | 751                    |                     |                   | 3,753               |
| General insurance          | 12,365              | 516                    | 516                 |                   | 13,397              |
| Public relations           | 36,513              |                        |                     |                   | 36,513              |
| Depreciation               | 159,133             | 6,638                  | 6,638               |                   | 172,409             |
| Bad debt expense           |                     |                        |                     |                   |                     |
| Direct event costs         |                     |                        |                     | \$ 116,323        | 116,323             |
| Miscellaneous              |                     | 3,187                  | 1,957               |                   | 5,144               |
| <b>Total</b>               | <b>\$ 1,350,906</b> | <b>\$ 195,051</b>      | <b>\$ 217,148</b>   | <b>\$ 116,323</b> | <b>\$ 1,879,428</b> |

See Notes to Financial Statements.

**JUNIOR ACHIEVEMENT OF KENTUCKIANA, INC.**

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2023 and 2022

|  | <u>2023</u>        | <u>2022</u>        |
|--|--------------------|--------------------|
| <b>Cash Flows from Operating Activities</b>                |                    |                    |
| Contributions and other income received                    | \$ 1,394,834       | \$ 1,673,159       |
| Cash received from special events                          | 404,241            | 274,220            |
| Net investment income received                             | 11,950             | 16,584             |
| Cash received for 3DE                                      |                    | 348,083            |
| Cash paid for 3DE  | (220,625)          | (175,000)          |
| Cash paid to suppliers and employees                       | <u>(1,734,562)</u> | <u>(1,534,212)</u> |
| <b>Net cash (used in) provided by operating activities</b> | <u>(144,162)</u>   | <u>602,834</u>     |
| <b>Cash Flows from Investing Activities</b>                |                    |                    |
| Purchases of fixed assets                                  | (185,597)          | (70,451)           |
| Purchases of investments                                   | (657,147)          | (1,276,147)        |
| Proceeds from sale of investments                          | <u>876,772</u>     | <u>688,131</u>     |
| <b>Net cash provided by (used in) investing activities</b> | <u>34,028</u>      | <u>(658,467)</u>   |
| <b>Cash Flows from Financing Activities</b>                |                    |                    |
| Contributions received for long-term purposes              | <u>399,000</u>     | <u>70,800</u>      |
| <b>Net cash provided by financing activities</b>           | <u>399,000</u>     | <u>70,800</u>      |
| <b>Net change in cash and cash equivalents</b>             | 288,866            | 15,167             |
| Cash and cash equivalents, beginning of year               | <u>322,676</u>     | <u>307,509</u>     |
| Cash and cash equivalents, end of year                     | <u>\$ 611,542</u>  | <u>\$ 322,676</u>  |

See Notes to Financial Statements.

|  | <u>2023</u>         | <u>2022</u>        |
|--|---------------------|--------------------|
| <b>Reconciliation of Change in Net Assets to Net Cash<br/>(Used in) Provided by Operating Activities</b> |                     |                    |
| <b>Change in net assets</b>  | <u>\$ 1,074,665</u> | <u>\$ (28,680)</u> |
| Adjustments to reconcile change in net assets to net<br>cash (used in) provided by operating activities: |                     |                    |
| Depreciation   | 168,927             | 172,409            |
| Net investment income reinvested   | (72,876)            | (69,700)           |
| Unrealized (gain) loss on investments  | (290,325)           | 647,256            |
| Realized loss (gain) on investments  | 133,550             | (117,161)          |
| Loss on disposal of fixed assets   | 2,097               |                    |
| Contributions received for long-term purposes  | (399,000)           | (70,800)           |
| Change in value of beneficial interest in assets<br>held by others                                       | (10,853)            | 48,070             |
| Small Business Administration loan forgiveness   |                     | (148,590)          |
| Changes in assets and liabilities:   |                     |                    |
| (Increase) decrease in:  |                     |                    |
| Pledges receivable   | (34,403)            | 29,293             |
| Other receivables - 3DE  | 3,684               | 157,583            |
| Prepaid and other assets   | (19,715)            | 14,684             |
| Increase (decrease) in:  |                     |                    |
| Accounts payable   | (5,588)             | (1,438)            |
| Accrued expenses   | 22,450              | (45,592)           |
| Payable - 3DE  | <u>(716,775)</u>    | <u>15,500</u>      |
| Total adjustments  | <u>(1,218,827)</u>  | <u>631,514</u>     |
| <b>Net cash (used in) provided by operating activities</b>   | <u>\$ (144,162)</u> | <u>\$ 602,834</u>  |

## JUNIOR ACHIEVEMENT OF KENTUCKIANA, INC.

### NOTES TO FINANCIAL STATEMENTS

#### Note 1. **Description of Organization and Summary of Significant Accounting Policies**

##### **Description of Organization:**

Junior Achievement of Kentuckiana, Inc. (Organization) is a not-for-profit organization formed for the purpose of educating elementary, middle and high school students in the areas of free enterprise, business economics and workplace preparation. The Organization serves the Greater Louisville area, including Jefferson, Hardin, Bullitt, Shelby and other surrounding counties in Kentucky and Southern Indiana. The Organization is supported primarily through donor contributions.

##### **Summary of significant accounting policies:**

This summary of significant accounting policies of Junior Achievement of Kentuckiana, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are the representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

##### **Net assets:**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions include assets designated by the board for particular purposes.

**Net assets with donor restrictions:** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

##### **Revenue recognition - contributions:**

Contributions other than cash are recorded at their fair value as of the date of donation. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and donations of cash or other assets that must be used to acquire long-lived assets are reported 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 contributed or acquired long-live assets are placed in service.

## NOTES TO FINANCIAL STATEMENTS

Donated services that create or enhance non-financial assets or that require specific expertise and would normally have been purchased are recorded at fair value in the period received.

Special events revenue is presented net of the costs of direct benefit to donors on the statements of activities. The exchange portion of special events revenue is one performance obligation and is recognized at a point in time when direct benefits are provided to the donor.

The Organization treats donor restricted contributions whose restrictions are met in the same reporting period as support without donor restriction.

### Revenue recognition – FASB ASC 606:

Contract revenue, as defined under ASC 606, is derived primarily from student participation and summer camp fees. Revenue is recognized at a point in time or over time as the performance obligations are satisfied.

Revenue from student participation fees are recognized at a point in time when the student visits the facility or participates in the program. Student participation fees are based on set rates per visit or program attendance and are billed monthly. Revenue from summer camps is recognized over time as services are rendered using the input method as time has lapsed. Summer camps have set rates with payments generally being made in advance of the camp.

For each of the years ended June 30, 2023 and 2022, approximately 5% of the Organization's revenues are derived from student participation and summer camp fees and are included in contributions on the statements of activities. There were no summer camp fees for the years ended June 30, 2023 and 2022. The following table disaggregates these contract revenues based on the timing of satisfaction of performance obligations for the years ended June 30, 2023 and 2022:

|  | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Performance obligations satisfied at a point in time | 100%        | 100%        |

The Organization has determined that the nature, amount, timing and uncertainty of contract revenues and cash flows are affected by the economy, and general public support.

### 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

### Cash and cash equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less, excluding those amounts held as part of an investment fund, to be cash equivalents.

### Investments:

Investments are recorded at fair value. Donated investments are recorded at their fair value as of the date received. See Note 6 for discussion of fair value measurements.

### Pledges receivable:

The valuation of pledges receivable is based on a detailed analysis of past due pledges and the history of uncollectible pledges. The Organization periodically reviews doubtful pledges receivable to determine if write-offs are necessary.

### Fixed assets:

Fixed assets are recorded at cost, if purchased, or at fair value as of the date of donation, if donated. The Organization's policy is to capitalize group asset purchases exceeding \$1,000 with a useful life greater than one year. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from three to forty years. Depreciation expense for the years ended June 30, 2023 and 2022 was \$168,927 and \$172,409, respectively.

### In-kind contributions:

The Organization received the following in-kind contributions for the years ended June 30, 2023 and 2022:

|             | <u>2023</u>      | <u>2022</u>      |
|-------------|------------------|------------------|
| Rent        | \$183,820        | \$137,540        |
| Media       | 128,018          | 109,100          |
| Other items | <u>30,613</u>    | <u>1,624</u>     |
|             | <u>\$342,451</u> | <u>\$248,264</u> |

In-kind contributions are reported as contributions at their estimated fair value on the date of receipt and reported as expenses when utilized. Estimated fair value is determined based on information provided by the donor regarding the value of goods and services received. The Organization did not monetize any in-kinds contributions for the years ended June 30, 2023 and 2022. In-kind contributions were used to support general programming and special events during the years ended June 30, 2023 and 2022. There were no donor restrictions on in-kind contributions for the years ended June 30, 2023 and 2022.

## NOTES TO FINANCIAL STATEMENTS

### **Leases:**

The Organization evaluates its contracts at inception to determine if an arrangement is or contains a lease. Operating leases with a duration longer than 12 months and finance leases are recorded as a lease right-of-use (ROU) assets and lease liabilities on the statements of financial position. Short-term leases (i.e. leases with an initial term of 12 months or less that do not contain a purchase option that is likely to be exercised) are not recorded on the statements of financial position. The Organization has no finance leases.

Lease ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of the future lease payments over the lease term. The Organization uses the risk free rate based on information available at commencement date in determining the present value of lease payments. The risk free rate is reevaluated upon lease modification. Lease ROU assets also include initial direct costs and prepaid lease payments made, if any, less lease incentives, if any. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

### **Income taxes:**

The Organization is exempt from federal, state, and local income taxes as a not-for-profit organization described under Internal Revenue Code Section 501(c)(3). The Organization files an informational tax return in the U.S. federal jurisdiction and with the Kentucky Office of Attorney General.

As of June 30, 2023 and 2022, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

### **Advertising:**

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2023 and 2022 was \$58,367 and \$36,513, respectively, inclusive of in-kind contributions of \$54,450 and \$36,500, respectively, for the years ended June 30, 2023 and 2022.

### **Functional allocation of expenses:**

The statements of activities report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied, including on the basis of estimates of time and effort. The statements of functional expenses for the years ended June 30, 2023 and 2022 present the natural classification of detail of expenses by function.

## NOTES TO FINANCIAL STATEMENTS

### Accounting standard change:

Effective July 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The new standard establishes a right of use model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

The Organization elected to adopt the standard using the optional transition method that allows the Organization to apply the new lease standard as of the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption, if applicable. As a result, the comparative period presented in the financial statements is in accordance with the former standard, FASB ASC 840. There was no cumulative effect adjustment for the Organization upon adoption.

The Organization elected to adopt practical expedients available under the transition guidance with the new standard. This includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption; relief from having to reevaluate the classification of leases in effect at the point of adoption; relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract; treatment of lease and non-lease components as a single lease component; and treatment of lease agreements 12 months or less as a short-term lease with no ROU asset or liability.

Upon adoption, the Organization recognized an operating lease right-of-use asset and operating lease liability of \$11,239. Adoption did not have a material effect on the change in net assets or cash flows.

### Subsequent events:

Subsequent events have been evaluated through October 16, 2023, which is the date the financial statements were available to be issued.

### Note 2. Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the June 30, 2023 and 2022 statements of financial position date, comprise the following:

|                                    | <u>2023</u>      | <u>2022</u>      |
|------------------------------------|------------------|------------------|
| Cash and cash equivalents          | \$611,542        | \$322,676        |
| Pledges receivable                 | 70,998           | 36,595           |
| Estimated endowment distributions  | 120,000          | 120,000          |
| Less funds held for 3DE            |                  | (47,536)         |
| Less funds with donor restrictions | <u>(545,366)</u> | <u>(7,250)</u>   |
|                                    | <u>\$257,174</u> | <u>\$424,485</u> |

## NOTES TO FINANCIAL STATEMENTS

The Organization's endowment consists of funds designated by the Board of Directors to function as endowments. Board designated endowment funds of \$2,708,757, in excess of the estimated endowment distributions, could be made available for general expenditure if necessary.

The Organization manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

### Note 3. Pledges Receivable

Total pledges receivable as of June 30, 2023 and 2022 are as follows:

|  | <u>2023</u>     | <u>2022</u>     |
|--|-----------------|-----------------|
| Pledges receivable                       | \$76,498        | \$42,333        |
| Less allowance for uncollectible pledges | <u>(5,500)</u>  | <u>(5,738)</u>  |
| Pledges receivable - net                 | <u>\$70,998</u> | <u>\$36,595</u> |
| Amounts due in:                          |                 |                 |
| Less than one year                       | <u>\$76,498</u> | <u>\$42,333</u> |

Three donors account for approximately 63% of total gross pledges of \$76,498 as of June 30, 2023. Five donors account for approximately 70% of the total gross pledges receivable of \$42,333 as of June 30, 2022.

### Note 4. Investments

Cost and fair value of investments consist of the following as of June 30, 2023 and 2022:

|                  | <u>2023</u>        |                    |   |
|------------------|--------------------|--------------------|---|
|                  | <u>Cost</u>        | <u>Fair Value</u>  | <u>Unrealized Appreciation (Depreciation)</u> |
| Cash equivalents | \$ 285,444         | \$ 285,444         |   |
| Common stocks    | 730,738            | 1,168,699          | \$437,961                                     |
| Mutual funds     | 1,810,329          | 1,740,073          | (70,256)                                      |
| Government bonds | 172,336            | 171,914            | (422)   |
| Corporate bonds  | <u>100,118</u>     | <u>98,823</u>      | <u>(1,295)</u>                                |
|                  | <u>\$3,098,965</u> | <u>\$3,464,953</u> | <u>\$365,988</u>                              |

## NOTES TO FINANCIAL STATEMENTS

|                  | 2022               |                    |   |
|------------------|--------------------|--------------------|---|
|                  | <u>Cost</u>        | <u>Fair Value</u>  | <u>Unrealized Appreciation (Depreciation)</u> |
| Cash equivalents | \$ 311,972         | \$ 311,972         |   |
| Common stocks    | 738,744            | 1,009,577          | \$270,833                                     |
| Mutual funds     | 2,228,065          | 2,033,697          | (194,368)                                     |
| Government bonds | <u>100,483</u>     | <u>99,681</u>      | <u>(802)</u>                                  |
|                  | <u>\$3,379,264</u> | <u>\$3,454,927</u> | <u>\$ 75,663</u>                              |

Investment income reported in the accompanying statements of activities is net of investment fees. Such investment expenses totaled \$23,063 and \$23,151 for the years ended June 30, 2023 and 2022, respectively.

### Note 5. Beneficial Interest in Assets Held by Others

The Organization is an income beneficiary of certain funds held at various community foundations. These accounts were created by an irrevocable transfer of funds from the Organization to the community foundations to establish other means for donors to make contributions to support the Organization. The agreements with the community foundations call for annual distributions to the Organization in accordance with the foundations' distribution policies.

Beneficial interest in assets held by others at June 30, 2023 and 2022 is summarized as follows:

|  | <u>2023</u>      | <u>2022</u>      |
|--|------------------|------------------|
| Beneficial interest in assets held by the Community Foundation of Louisville, Inc.       | \$ 32,613        | \$ 32,990        |
| Beneficial interest in assets held by the Harrison County Community Foundation, Inc.     | 214,063          | 203,091          |
| Beneficial interest in assets held by the Community Foundation of Southern Indiana, Inc. | <u>6,867</u>     | <u>6,609</u>     |
|  | <u>\$253,543</u> | <u>\$242,690</u> |

### Note 6. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

## NOTES TO FINANCIAL STATEMENTS

- Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active or inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization's Level 1 and Level 2 assets have been valued using a market approach. Level 3 assets have been valued using the income approach. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2023 and 2022.

Cash equivalents, common stocks, mutual funds and corporate bonds – valued at the closing price reported in the active market in which the security is traded.

Government bonds – valued based on quoted prices for similar assets from observable pricing sources.

Beneficial interest – valued at the discounted cash flow of future income based on quoted market prices or value as determined by the fund manager of the underlying assets held by the community foundations.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of June 30, 2023 and 2022:

|   | June 30, 2023               |                             |                  | Total              |
|---|-----------------------------|-----------------------------|------------------|--------------------|
|   | Level 1                     | Level 2                     | Level 3          |                    |
| Investments:                                    |                             |                             |                  |                    |
| Cash equivalents                                | \$ 285,444                  |                             |                  | \$ 285,444         |
| Common stocks                                   | 1,168,699                   |                             |                  | 1,168,699          |
| Mutual funds                                    | 1,740,073                   |                             |                  | 1,740,073          |
| Corporate bonds                                 | 98,823                      |                             |                  | 98,823             |
| Government bonds                                | <u>3,293,039</u>            | \$171,914                   |                  | <u>171,914</u>     |
|   |                             | 171,914                     |                  | 3,464,953          |
| Beneficial interest in assets held<br>by others | <u>                    </u> | <u>                    </u> | \$253,543        | <u>253,543</u>     |
|   | <u>\$3,293,039</u>          | <u>\$171,914</u>            | <u>\$253,543</u> | <u>\$3,718,496</u> |

## NOTES TO FINANCIAL STATEMENTS

|   | June 30, 2022      |                 |                  |                    |
|---|--------------------|-----------------|------------------|--------------------|
|   | <u>Level 1</u>     | <u>Level 2</u>  | <u>Level 3</u>   | <u>Total</u>       |
| Investments:                                    |                    |                 |                  |                    |
| Cash equivalents                                | \$ 311,972         |                 |                  | \$ 311,972         |
| Common stocks                                   | 1,009,577          |                 |                  | 1,009,577          |
| Mutual funds                                    | 2,033,697          |                 |                  | 2,033,697          |
| Government bonds                                | 3,355,246          | <u>\$99,681</u> |                  | <u>99,681</u>      |
|   |                    | 99,681          |                  | 3,454,927          |
| Beneficial interest in assets held<br>by others | _____              | _____           | <u>\$242,690</u> | <u>242,690</u>     |
|   | <u>\$3,355,246</u> | <u>\$99,681</u> | <u>\$242,690</u> | <u>\$3,697,617</u> |

### Note 7. Endowment

The Organization's endowment funds consist of investments held at Stock Yards Bank (SYB) and beneficial interest in assets held at various community foundations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the years ended June 30, 2023 and 2022 were as follows:

|   | 2023  |                               |                    |
|---|---|-------------------------------|--------------------|
|   | Without Donor<br>Restrictions<br>(Board Designated) | With<br>Donor<br>Restrictions | Total              |
| Endowment net assets, beginning of year | \$2,845,387   | \$24,800                      | \$2,870,187        |
| Contributions                           |   | 1,000                         | 1,000              |
| Net investment return:                  |   |                               |                    |
| Investment income, net                  | 53,596  |                               | 53,596             |
| Realized loss                           | (98,641)  |                               | (98,641)           |
| Unrealized gain                         | 271,105   |                               | 271,105            |
| Change in beneficial interests          | <u>10,853</u>                                       | _____                         | <u>10,853</u>      |
| Endowment net assets, end of year       | <u>\$3,082,300</u>                                  | <u>\$25,800</u>               | <u>\$3,108,100</u> |

## NOTES TO FINANCIAL STATEMENTS

|   | 2022  |                               | Total       |
|---|---|-------------------------------|-------------|
|   | Without Donor<br>Restrictions<br>(Board Designated) | With<br>Donor<br>Restrictions |             |
| Endowment net assets, beginning of year | \$2,927,785   |                               | \$2,927,785 |
| Contributions                           | 500,000   | \$24,800                      | 524,800     |
| Transfers - operations                  | (120,000)   |                               | (120,000)   |
| Net investment return:                  |   |                               |             |
| Investment income, net                  | 61,850  |                               | 61,850      |
| Realized gain                           | 116,816   |                               | 116,816     |
| Unrealized loss                         | (592,994)   |                               | (592,994)   |
| Change in beneficial interests          | (48,070)  | _____                         | (48,070)    |
| Endowment net assets, end of year       | \$2,845,387   | \$24,800                      | \$2,870,187 |

### Interpretation of relevant law:

The Organization has interpreted the Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

### Investment policy:

The Organization's Board of Directors does not have input or authority over the nature and type of investments held by others at various community foundations. The fund managers of these funds have sole discretion over the investment allocation. The Organization has adopted an investment policy for its endowment assets that is intended to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Except for the Organization's beneficial interest in assets held by others, the Finance and Audit Committee of the Board of Directors has the responsibility for development of the investment objectives and guidelines, the selection of the investment managers (Managers), and the regular monitoring of the Managers' performance to help assure the effectiveness of the objectives and to initiate modification of changes, as needed.

## NOTES TO FINANCIAL STATEMENTS

Under this policy, as approved by the Board of Directors, the endowment assets are managed by investment managers selected by the Board of Directors and are invested in equity and fixed income securities that are intended to provide a balance that will enhance a total return while avoiding undue risk from concentration in any single asset class or investment style. The Organization expects its endowment funds, over time, to provide total return, net of fees, to meet or exceed 5% inflation.

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 has established and monitors a diversified asset allocation, including a target equity position, fixed income position, and cash equivalents exposure.

### Spending policy:

Distributions from the beneficial interest in assets held by the community foundation are subject to the distribution policy of the respective community foundation. These distributions are utilized to fund the Organization's programs.

Upon the recommendation of the Finance and Audit Committee, the Board of Directors may at its sole discretion utilize cash distributions from the SYB endowment fund for programs, projects or for short-term cash flow purposes. Distributions were \$120,000 for the year ended June 30, 2022. There were no distributions for the year ended June 30, 2023.

### Note 8. Fixed Assets

Fixed assets consist of the following at June 30, 2023 and 2022:

|                                     | <u>2023</u>        | <u>2022</u>        |
|-------------------------------------|--------------------|--------------------|
| Furniture and equipment             | \$ 655,356         | \$ 827,008         |
| Leasehold improvements and fixtures | <u>2,757,093</u>   | <u>2,777,826</u>   |
|                                     | 3,412,449          | 3,604,834          |
| Less accumulated depreciation       | <u>(1,848,539)</u> | <u>(2,055,497)</u> |
|                                     | <u>\$1,563,910</u> | <u>\$1,549,337</u> |

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. Payable - 3DE**

During the year ended June 30, 2021, the Organization entered into a Memorandum of Agreement (MOA) with Jefferson County Public Schools (JCPS) and 3DE Kentucky, LLC (3DE) to implement the 3DE Model at selected JCPS high schools. The 3DE Model is an educational model that is relevant, experiential and authentically connected to real-world complexities, including a turnkey framework of education programs that bring real-world connectivity across core academic subjects using case methodology and linking standards-based and project-based education. As part of the MOA, the Organization agreed to raise local matching funds to the national philanthropic pool of funds raised by 3DE. The funds were to be paid to 3DE over a 4 year period and go towards funding the implementation of the 3DE Model at selected JCPS high schools. The Organization was acting as an agent raising funds on behalf of the beneficiaries, 3DE and JCPS. As such, the funds raised were shown as a liability on the statements of financial position and were not considered contributions on the statements of activities. The amount of funds raised that were owed to 3DE as of June 30, 2022 were \$878,650. During the year ended June 30, 2023, the Organization took a more active role in the 3DE programming. Also, the number of JCPS schools expected to host the 3DE program in the future has decreased. As such, the future obligation to 3DE has decreased and certain funds raised will be retained by the Organization and used to cover 3DE expenses incurred by the Organization. During the year ended June 30, 2023, \$496,150 of the liability was recorded as contributions on the statements of activities. The remaining amount of funds raised owed to 3DE as of June 30, 2023 was \$161,875. The Organization made payments to 3DE of \$220,625 and \$175,000, respectively, for the years ended June 30, 2023 and 2022.

The Organization has invested certain funds raised into a separate investment account to be held for future payments owed to 3DE and program expenses incurred by the Organization. These funds are included in investments – 3DE on the statements of financial position.

**Note 10. Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following at June 30, 2023 and 2022:

|   | <u>2023</u>      | <u>2022</u>     |
|---|------------------|-----------------|
| Subject to expenditure for a specified purpose: |                  |                 |
| Capital items                                   | \$150,279        | \$ 7,250        |
| 3DE   | 334,487          |                 |
| Transportation                                  | 3,174            |                 |
| Emerging Leaders                                | 57,426           |                 |
| Subject to passage of time:                     |                  |                 |
| Contributions for next fiscal year              | 29,250           | 13,500          |
| Held in perpetuity:                             |                  |                 |
| Legacy fund                                     | <u>25,800</u>    | <u>24,800</u>   |
|   | <u>\$600,416</u> | <u>\$45,550</u> |

## NOTES TO FINANCIAL STATEMENTS

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors.

### Note 11. Lease Commitments

The Organization leases office equipment under operating leases expiring through September 2027. The exercise of any renewal options is at the sole discretion of the Organization, and only lease options that the Organization believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The following summarizes lease costs for the year ended June 30, 2023:

|  |          |
|--|----------|
| Lease expense:   |          |
| Operating lease expense  | \$ 2,065 |
| Cash paid for amounts included in the measurement of lease liabilities:      |          |
| Operating cash flows from operating leases                                   | \$ 1,859 |
| Right of use assets obtained in exchange for new operating lease liabilities | \$11,239 |
| Weighted-average remaining lease term (years)                                | 4.17     |
| Weighted-average discount rate   | 3.29%    |

The maturities of operating lease liabilities as of June 30, 2023, were as follows:

|                             |      |                |
|-----------------------------|------|----------------|
|                             | 2024 | \$2,478        |
|                             | 2025 | 2,478          |
|                             | 2026 | 2,478          |
|                             | 2027 | 2,478          |
|                             | 2028 | <u>413</u>     |
|                             |      | 10,325         |
| Less present value discount |      | <u>(664)</u>   |
|                             |      | <u>\$9,661</u> |

Total rent expense was \$3,850 for the year ended June 30, 2022 under FASB ASC 840. The minimum future lease payments required under the various lease agreements in effect at June 30, 2022 were \$1,033 for 2023, \$1,239 for 2024, 2025 and 2026, and \$516 for 2027.

## NOTES TO FINANCIAL STATEMENTS

### Note 12. Health and Welfare Benefits Trust and Postretirement Benefits Plan

The Organization participates in a self-funded medical, dental and other benefits plan covering full-time employees of the Organization and their beneficiaries and covered dependents. The plan is accounted for like a multi-employer plan. Premiums are paid into the Health and Welfare Plan for each participant by the participating employers. Employees of the Organization, JA Worldwide, Inc. and employees of Junior Achievement Areas in the United States can participate in the Health and Welfare Plan. All the assets and liabilities of the Health and Welfare Plan are held in the Junior Achievement USA Health and Welfare Benefits Trust (Benefits Trust). Accordingly, no balances or transactions of the Benefits Trust are recorded in the financial statements of the Organization.

The Health and Welfare Plan also offers health care benefits to retired personnel of the participating employees. This creates an implicit rate subsidy, which is considered to be a postretirement benefit. Management of the Organization does not believe the implicit rate subsidy amount to be material to the Organization, especially since the Plan is a multi-employer plan. Accordingly, no balances or transactions of the Postretirement Benefits Plan are recorded in the financial statements of the Organization.

The Organization's premium expense for the Health and Welfare Plan for the years ended June 30, 2023 and 2022 was approximately \$85,800 and \$83,800, respectively.

### Note 13. Retirement Plan

The Organization participates in a defined contribution 401(k) plan implemented by Junior Achievement USA. The plan covers all employees of the Organization that have met the eligibility requirements. The Organization will contribute 3% of compensation for all eligible employees. The Organization contributed \$19,948 and \$22,536 to the 401(k) plan for the year ended June 30, 2023 and 2022, respectively.

### Note 14. Transactions with the National Office of Junior Achievement

A license fee is paid to the National Office of Junior Achievement at various rates ranging from 2.5% to 11.5% based on type and amount of revenues earned. In addition, the Organization also purchases program materials from the National Office.

The following is a summary of the transactions with the National Office of Junior Achievement:

|   | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------|
| License fee                                 | \$131,407   | \$152,922   |
| Classroom materials and insurance purchased | 35,432      | 32,677      |

## NOTES TO FINANCIAL STATEMENTS

### **Note 15. Concentration of Credit Risk**

The Organization has significant investments in common stocks, mutual funds and bonds held by an investment manager and is, therefore, subject to concentrations of credit risk. Investments are made by the investment managers and the investments are monitored by the Board of Directors. Though the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2023, the Organization's uninsured cash balances totaled approximately \$350,000.

### **Note 16. Employee Retention Credit**

In response to the COVID-19 pandemic, the U.S. Congress enacted the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which among other things, established the provisions of a refundable payroll tax credit referred to as the Employee Retention Credit (ERC). Under the CARES Act, an organization is eligible for ERC subject to certain criteria. During the year ended June 30, 2022, the Organization claimed and recorded an ERC of \$125,957, which is included in other income on the statements of activities.