

# **WESLEY HOUSE COMMUNITY SERVICES, INC.**

## **FINANCIAL STATEMENTS**

**JUNE 30, 2022**

*CPAs / ADV*



**WESLEY HOUSE COMMUNITY SERVICES, INC.**

TABLE OF CONTENTS

June 30, 2022

	Page
<b>Report of Independent Auditors</b> .....	1
 <b>Financial Statements</b>	
Statement of Financial Position .....	4
Statement of Activities and Changes in Net Assets .....	5
Statement of Functional Expenses .....	6
Statement of Cash Flows .....	7
Notes to Financial Statements.....	8

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Blue & Co., LLC / 2650 Eastpoint Parkway, Suite 300 / Louisville, KY 40223  
main 502.992.3500 fax 502.992.3509 email blue@blueandco.com  
blueandco.com

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
Wesley House Community Services, Inc.  
Louisville, Kentucky

### Opinion

We have audited the accompanying financial statements of Wesley House Community Services, Inc. (the Organization), a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

### Basis for Opinion

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

### Change in Accounting Principle

As discussed in Note 8 to the financial statements, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* in 2022. Our opinion is not modified with respect to this matter.

### Correction of Error

As part of our audit of the 2022 financial statements, we also audited adjustments described in Note 10 that were applied to restate net assets as of July 1, 2021. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the Organization other than with respect to the

adjustment, and accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

### 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's 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 auditor's 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 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization's ability to continue as a going concern for a reasonable period of time.

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

*Blue & Co., LLC*

Louisville, Kentucky

December 22, 2023

**WESLEY HOUSE COMMUNITY SERVICES, INC.**

STATEMENT OF FINANCIAL POSITION

June 30, 2022

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**ASSETS**

**Current assets**

Cash	\$	181,249
Grants receivable		67,000
Prepaid expenses		<u>2,321</u>
Total current assets		250,570

**Noncurrent assets**

Property and equipment, net		<u>794,883</u>
Total assets	\$	<u><u>1,045,453</u></u>

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable	\$	33,806
Accrued expenses		6,186
Current portion of note payable		<u>2,489</u>
Total current liabilities		42,481

**Noncurrent liabilities**

Note payable, less current portion		<u>94,888</u>
Total liabilities		137,369

**Net assets**

Without donor restrictions		822,865
With donor restrictions		<u>85,219</u>
Total net assets		<u>908,084</u>
Total liabilities and net assets	\$	<u><u>1,045,453</u></u>

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*See accompanying notes to financial statements.*

**WESLEY HOUSE COMMUNITY SERVICES, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Contributions of cash and other financial assets	\$ 32,604	\$ -0-	\$ 32,604
Contributions of nonfinancial assets	259,749	-0-	259,749
Grants and contracts	556,419	339,603	896,022
Special events	4,316	-0-	4,316
Program service revenue	38,084	-0-	38,084
Paycheck protection program	44,555	-0-	44,555
Other income	7,731	-0-	7,731
Total revenue and support	943,458	339,603	1,283,061
<b>Net assets released from restriction</b>			
Restrictions satisfied by payments	430,811	(430,811)	-0-
Total revenue, support, and reclassifications	1,374,269	(91,208)	1,283,061
<b>Expenses</b>			
Program services:			
Childcare services	580,287	-0-	580,287
Youth services	94,278	-0-	94,278
Employment services	121,107	-0-	121,107
Support services:			
Fundraising	9,345	-0-	9,345
Management and general	129,922	-0-	129,922
Total expenses	934,939	-0-	934,939
Change in net assets	439,330	(91,208)	348,122
<b>Net assets, beginning of year (restated) (Note 10)</b>	383,535	176,427	559,962
<b>Net assets, end of year</b>	\$ 822,865	\$ 85,219	\$ 908,084

*See accompanying notes to financial statements.*

# WESLEY HOUSE COMMUNITY SERVICES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED June 30, 2022

	Program Services				Support Services			Total Expenses
	Childcare Services	Youth Services	Employment Services	Total	Management and General	Fundraising	Total	
Expenses								
Salaries and wages	\$ 389,549	\$ 63,143	\$ 82,104	\$ 534,796	\$ 64,098	\$ -0-	\$ 64,098	\$ 598,894
Payroll taxes	38,395	6,224	8,092	52,711	6,318	-0-	6,318	59,029
Employee benefits	<u>16,115</u>	<u>2,612</u>	<u>3,397</u>	<u>22,124</u>	<u>2,652</u>	<u>-0-</u>	<u>2,652</u>	<u>24,776</u>
Total salaries and related expenses	444,059	71,979	93,593	609,631	73,068	-0-	73,068	682,699
Advertising	1,041	616	5,444	7,101	867	2,400	3,267	10,368
Conferences and training	6,762	493	-0-	7,255	8,917	-0-	8,917	16,172
Insurance	11,093	-0-	61	11,154	5,353	-0-	5,353	16,507
Interest expense	-0-	-0-	-0-	-0-	3,843	-0-	3,843	3,843
Marketing, communications, development	-0-	-0-	-0-	-0-	-0-	2,926	2,926	2,926
Other expenses	2,309	400	907	3,616	6,526	153	6,679	10,295
Professional fees	10,303	575	600	11,478	9,310	-0-	9,310	20,788
Occupancy	23,309	9,686	5,152	38,147	9,273	-0-	9,273	47,420
Equipment rental and maintenance	1,031	70	401	1,502	60	2,497	2,557	4,059
Supplies	60,680	6,331	4,485	71,496	2,787	1,369	4,156	75,652
Telephone/internet	<u>1,965</u>	<u>208</u>	<u>3,094</u>	<u>5,267</u>	<u>2,863</u>	<u>-0-</u>	<u>2,863</u>	<u>8,130</u>
Total expenses before depreciation	562,552	90,358	113,737	766,647	122,867	9,345	132,212	898,859
Depreciation	<u>17,735</u>	<u>3,920</u>	<u>7,370</u>	<u>29,025</u>	<u>7,055</u>	<u>-0-</u>	<u>7,055</u>	<u>36,080</u>
Total expenses	<u>\$ 580,287</u>	<u>\$ 94,278</u>	<u>\$ 121,107</u>	<u>\$ 795,672</u>	<u>\$ 129,922</u>	<u>\$ 9,345</u>	<u>\$ 139,267</u>	<u>\$ 934,939</u>

See accompanying notes to financial statements.



**WESLEY HOUSE COMMUNITY SERVICES, INC.**

STATEMENT OF CASH FLOWS

YEAR ENDED June 30, 2022

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**Operating activities**

Change in net assets	\$	348,122
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation		36,080
Changes in operating assets and liabilities:		
Grants receivable		136,519
Refundable advance		(44,555)
Prepaid expenses		(116)
Accounts payable and accrued expenses		<u>13,725</u>
Net cash flows from operating activities		489,775

**Investing activities**

Purchase of property and equipment		<u>(488,056)</u>
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**Financing activities:**

Payments on long-term debt		<u>(2,623)</u>
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Net change in cash and cash equivalents (904)

**Cash, beginning of year** 182,153

**Cash, end of year** \$ 181,249

**Supplemental disclosure of cash flow information**

Cash paid for interest \$ 3,843

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*See accompanying notes to financial statements.*

# WESLEY HOUSE COMMUNITY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Business and Operations

This summary of significant accounting policies of Wesley House Community Services, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These 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.

The Organization's mission is to empower families, individuals and communities toward self-sufficiency, creating hope and opportunity that result in extraordinary change in the lives of those it serves.

#### Management's 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.

#### Basis of Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor imposed restrictions.

Net assets without donor restrictions - Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.

Net assets with donor restrictions - Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

# WESLEY HOUSE COMMUNITY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

### Grants receivable

Grants receivables are initially recorded at net realizable value at the date the grant is received based on estimated future cash flows of the grant. Management estimates an allowance for uncollectible grants receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Organization's donor base. The Organization considers grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. The grants are all due within one year.

### Property and Equipment

Property and equipment are recorded at cost, or if donated, at the approximate fair value at the date of donation. The cost of equipment purchased in excess of \$1,000 is capitalized. Depreciation is computed using primarily the straight-line method over the estimated lives of the assets ranging from five to 39 years.

### Program Service Revenue

Program service revenue represents co-pays for childcare services and are recognized in the period the service is provided.

### Contributions and Grants

Contributions and grants are considered available for the Organization's general operations unless specifically restricted by the donor. Amounts received that are restricted by the donor for use in future periods, or for specific purposes, are reported as restricted support increasing net assets with donor restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

### Donated Goods and Services

The fair value of donated goods and services has been recorded as income and expense in the statement of activities and changes in net assets.

# WESLEY HOUSE COMMUNITY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### Allocation of Expenses

Operating expenses directly identifiable with a functional area are charged to that area and, where expenses affect more than one area, they are allocated on the basis of ratios determined by management. The expenses that are allocated include salaries, payroll taxes and employee benefits which are allocated based on estimates of time and effort, and occupancy costs and depreciation which are allocated based on square footage. While the methods of allocation are considered appropriate, other methods could produce different results.

### Subsequent Events

The Organization has evaluated all subsequent events through December 22, 2023, the date the financial statements were available to be issued.

## **2. INCOME TAXES**

Wesley House Community Services, Inc. is a charitable, nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

# WESLEY HOUSE COMMUNITY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### 3. PROPERTY AND EQUIPMENT

A summary of property and equipment and accumulated depreciation is as follows:

Land improvements	\$	158,616
Building and improvements		930,048
Furniture and fixtures		24,877
Vehicles		<u>36,499</u>
		1,150,040
Less accumulated depreciation		<u>355,157</u>
Property and equipment, net	\$	<u><u>794,883</u></u>

### 4. NOTE PAYABLE

On May 25, 2021, the Organization received a low interest loan in the amount of \$100,000 under the Economic Injury Disaster Loan (EIDL) program administered by the U.S Small Business Administration. The loan is secured by substantially all of the Organization's assets. The loan is payable in equal monthly installments principal and interest of \$428 to be paid beginning in June 2021 through maturity in May 2051, if not paid sooner. The Organization began making loan payments in July 2021. The loan bears interest at 2.75% and the use of the loan proceeds is strictly for working capital to alleviate economic injury caused by the COVID-19 pandemic.

Annual maturities of long-term debt for the years succeeding June 30, 2022 are as follows:

<u>Year ending June 30,</u>		
2023	\$	2,489
2024		2,559
2025		2,630
2026		2,703
2027		2,778
Thereafter		<u>84,218</u>
	\$	<u><u>97,377</u></u>

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# WESLEY HOUSE COMMUNITY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### 5. NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions restricted for specific purposes consist of the following amounts and purposes as of June 30, 2022:

Pledges receivable subject to a time restriction	\$	67,000
Program services		<u>18,219</u>
Total net assets with donor restrictions	\$	<u>85,219</u>

Net assets with donor restrictions were released from restrictions due to satisfaction of time and purpose restrictions during the years ended June 30, 2022:

Program services	\$	345,811
Time restricted		<u>85,000</u>
Total	\$	<u>430,811</u>

### 6. OPERATING LEASE

The Organization leases office equipment under a non-cancelable operating lease. Lease expense was \$1,661 for the year ended June 30, 2022.

Minimum future lease payments under the non-cancelable operating lease as of June 30, 2022, are as follows:

<u>Year ending June 31,</u>		
2023	\$	1,661
2024		1,661
2025		1,661
2026		<u>1,522</u>
	\$	<u>6,505</u>

# WESLEY HOUSE COMMUNITY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### 7. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in one financial institution located in Louisville, Kentucky. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times, there were balances in the bank that exceeded the FDIC limit.

### 8. CONTRIBUTED NONFINANCIAL ASSETS

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new standard is intended to increase transparency around contributed nonfinancial assets (also know as "gifts-in-kind" (GIK)) received by not-for-profit organizations, including information on how those assets are used and how they are valued. The adoption of this new standard in fiscal 2022 resulted in the Organization presenting contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash or other financial assets. In addition, the ASU expanded disclosure requirements for GIK as disclosed below.

For the year ended June 30, 2022, contributed nonfinancial assets recognized in the statement of activities and changes in net assets included:

Donated building improvements	\$ 249,999
Donated food and supplies	<u>9,750</u>
Total donated goods and services	<u>\$ 259,749</u>

The Organization recognized contributed nonfinancial assets within revenue, including contributed building improvements and food and supplies. The contributed nonfinancial assets did not have donor-imposed restrictions.

Donated building improvements are valued based on the cost paid by the donor. Donated food and supplies are valued using estimated wholesale prices of identical or similar products if purchased in the region.

# WESLEY HOUSE COMMUNITY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### 9. LIQUIDITY AND AVAILABILITY

The following table reflects the Organization's financial assets as of June 30, 2022 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions.

<b>Financial assets</b>	
Cash	\$ 181,249
Grants receivable	<u>67,000</u>
Financial assets available in one year	248,249
Donor restricted	<u>85,219</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 333,468</u>

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

### 10. RESTATEMENT OF BEGINNING NET ASSETS

The Organization has restated its financial statements as of June 30, 2021, to correct the recognition of an asset not capitalized resulting in an increase of \$9,380 to previously reported net assets without donor restrictions and an increase in fixed assets as of June 30, 2021. A summary of the restatement as of June 30, 2022 is as follows:

<b>Net assets as of June 30, 2021, as previously reported</b>	\$ 519,483
Prior period adjustment:	
Property and equipment, net	<u>40,479</u>
<b>Net assets as of June 30, 2021, as restated</b>	<u>\$ 559,962</u>

### 11. PAYCHECK PROTECTION PROGRAM

In June 2021, the Organization received a low interest loan in the amount of \$44,555 under the Paycheck Protection Program (PPP) administered by the Small Business Administration. The loan was forgivable to the extent that employers incurred and spent the funds on qualified expenditures, which included payroll, employee health insurance and utilities during the covered period. The Organization satisfied all the criteria, applied for, and received total forgiveness on August 30, 2021. The forgiveness of the PPP loan was recognized as grant income in 2022.

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