

**FERN CREEK HIGH SCHOOL ALUMNI
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

(MODIFIED CASH BASIS)

DECEMBER 31, 2021 AND 2020

CPAs / ADVISORS



FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

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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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Fern Creek High School Alumni Association, Inc.
Louisville, Kentucky

We have reviewed the accompanying financial statements of Fern Creek High School Alumni Association, Inc. (the "Organization"), which comprise the statements of financial position - modified cash basis as of December 31, 2021 and 2020, and the related statements of activities - modified cash basis and functional expenses - modified cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Blue & Co., LLC

Louisville, Kentucky
May 19, 2022

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 92,769	\$ 101,169
Investments	802,050	441,558
Gaming deposit	5,000	5,000
Property and equipment, net	<u>11,267</u>	<u>2,393</u>
Total assets	<u>\$ 911,086</u>	<u>\$ 550,120</u>

NET ASSETS

Without donor restrictions	\$ 844,816	\$ 529,252
With donor restrictions	<u>66,270</u>	<u>20,868</u>
Total net assets	<u>\$ 911,086</u>	<u>\$ 550,120</u>

See review report of independent accountants and accompanying notes to financial statements.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues						
Gaming revenues	\$ 720,577	\$ 0	\$ 720,577	\$ 377,056	\$ 0	\$ 377,056
Contributions	9,541	59,162	68,703	6,704	29,400	36,104
Membership dues	350	0	350	750	0	750
Fundraising events	0	0	0	900	0	900
Dividends	27,779	0	27,779	6,374	0	6,374
Realized gain (loss) on investments	13,587	0	13,587	(274)	0	(274)
Unrealized gain on investments	1,791	0	1,791	62,521	0	62,521
Interest income	45	0	45	18	0	18
Net assets released from restrictions	13,760	(13,760)	0	24,995	(24,995)	0
Total support and revenues	<u>787,430</u>	<u>45,402</u>	<u>832,832</u>	<u>479,044</u>	<u>4,405</u>	<u>483,449</u>
Expenses						
Program services	454,289	0	454,289	302,838	0	302,838
Management and general	17,577	0	17,577	18,955	0	18,955
Fundraising	0	0	0	254	0	254
Total expenses	<u>471,866</u>	<u>0</u>	<u>471,866</u>	<u>322,047</u>	<u>0</u>	<u>322,047</u>
Change in net assets	315,564	45,402	360,966	156,997	4,405	161,402
Net assets, beginning of year	<u>529,252</u>	<u>20,868</u>	<u>550,120</u>	<u>372,255</u>	<u>16,463</u>	<u>388,718</u>
Net assets, end of year	<u>\$ 844,816</u>	<u>\$ 66,270</u>	<u>\$ 911,086</u>	<u>\$ 529,252</u>	<u>\$ 20,868</u>	<u>\$ 550,120</u>

See review report of independent accountants and accompanying notes to financial statements.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020				
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Gaming expense	\$ 264,970	\$ 0	\$ 0	\$ 264,970	\$ 146,977	\$ 0	\$ 0	\$ 146,977
School and student needs	143,524	0	0	143,524	109,734	0	0	109,734
Salaries and wages	38,745	4,305	0	43,050	42,348	4,706	0	47,054
Fundraising events expense	0	0	0	0	0	0	254	254
Supplies	1,350	1,710	0	3,060	535	677	0	1,212
Insurance	0	2,448	0	2,448	0	5,929	0	5,929
Professional fees	0	6,088	0	6,088	0	6,363	0	6,363
Office expense	0	517	0	517	0	674	0	674
Information technology	0	1,676	0	1,676	0	0	0	0
Vehicle expense	0	833	0	833	0	606	0	606
Depreciation	2,063	0	0	2,063	1,477	0	0	1,477
Miscellaneous	3,637	0	0	3,637	1,767	0	0	1,767
	<u>\$ 454,289</u>	<u>\$ 17,577</u>	<u>\$ 0</u>	<u>\$ 471,866</u>	<u>\$ 302,838</u>	<u>\$ 18,955</u>	<u>\$ 254</u>	<u>\$ 322,047</u>

See review report of independent accountants and accompanying notes to financial statements.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Fern Creek High School Alumni Association, Inc. (the "Organization") is a not-for-profit organization whose mission is to provide scholarships and assistance to Fern Creek High School (the "School") graduates as well as to assist with current School projects. The Organization provides funding for facilities and equipment upgrades as well as supporting programs of the school (i.e. band, reserve officer training corps, food club, computer academy, radio station). The Organization also provides newsletters and organizes events for the alumni of the School.

Basis of Accounting

The accompanying financial statements have been prepared using the modified cash basis of accounting 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.

Under this method, revenues are recognized when collected rather than when earned, and expenses generally are recognized when paid rather than when incurred. The cash basis is modified to include investments (at fair value), deposits with vendors and fixed assets, less the related depreciation.

Basis of Presentation

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

Net assets without donor restrictions – Net assets that are currently available for operating purposes under the direction of the board of directors (Board) or designated by the Board for specific use.

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

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with the modified cash basis of accounting. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues, and expenses. Actual results could vary from the estimates that were used.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. At various times throughout the year, the Organization may have balances in excess of federally insured limits.

Investments

The Organization carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of the investments are reflected in the statement of activities in the period in which changes occur.

Property and Equipment

Property and equipment, including expenditures that substantially increase the useful lives of existing assets, are recorded at cost except for donations, which are recorded at fair value at the date of donation. Costs of ordinary maintenance and repairs are expensed as incurred.

The property and equipment of the Organization are being depreciated over their estimated useful lives ranging from three to fifteen years using straight-line and accelerated methods.

Support and Revenue Recognition

Contributions are recognized as support in the period the contribution is received. Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Contributions received with donor imposed restrictions are reported as restricted support and increase net assets with donor restrictions. All other support and revenue is recorded when received.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

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 based on estimates of time and effort. While the methods of allocation are considered appropriate, other methods could produce different results.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Income Taxes

The Organization is exempt from taxation as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. 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. The Organization is subject to routine audits by taxing jurisdictions. However, as of the date the financial statements were available to be issued, there were no audits for any tax periods in progress.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued, which is May 19, 2022.

2. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 32,183	\$ 21,246
Less accumulated depreciation	<u>20,916</u>	<u>18,853</u>
Net property and equipment	<u>\$ 11,267</u>	<u>\$ 2,393</u>

Depreciation expense was \$2,063 and \$1,477 for the years ended December 31, 2021 and 2020, respectively.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

3. NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or programs at December 31, 2021 and 2020:

	2021	2020
Auditorium Fund	\$ 463	\$ 463
Ivy Plus Academy Fund	64,807	19,405
Bailey Award Fund	1,000	1,000
	<u>\$ 66,270</u>	<u>\$ 20,868</u>

Net assets released from restriction during the years ended December 31, 2021 and 2020 were \$13,760 and \$24,995 respectively.

4. 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 hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

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 that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in 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.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2021 and 2020.

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

The following table sets forth by level, within the hierarchy, the Organization's assets measured at fair value on a recurring basis as of December 31, 2021:

	Assets at Fair Value as of December 31, 2021:			
	Level 1	Level 2	Level 3	Total
Exchange traded funds				
Bonds	\$ 24,102	\$ 0	\$ 0	\$ 24,102
Large growth	35,941	0	0	35,941
Large value	60,168	0	0	60,168
Medium blend	<u>16,223</u>	<u>0</u>	<u>0</u>	<u>16,223</u>
Total exchange traded funds	136,434	0	0	136,434
Mutual funds				
Large growth	396,174	0	0	396,174
Large blend	32,222	0	0	32,222
Large value	60,191	0	0	60,191
Medium growth	56,397	0	0	56,397
Small growth	16,077	0	0	16,077
Small blend	24,210	0	0	24,210
High yield bond	<u>80,345</u>	<u>0</u>	<u>0</u>	<u>80,345</u>
Total mutual funds	<u>665,616</u>	<u>0</u>	<u>0</u>	<u>665,616</u>
Total exchange traded and mutual funds	<u>\$ 802,050</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 802,050</u>

See review report of independent accountants.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

The following table sets forth by level, within the hierarchy, the Organization's assets measured at fair value on a recurring basis as of December 31, 2020:

	Assets at Fair Value as of December 31, 2020:			Total
	Level 1	Level 2	Level 3	
Exchange traded funds				
Bonds	\$ 67,652	\$ 0	\$ 0	\$ 67,652
Large growth	21,787	0	0	21,787
Large value	<u>35,212</u>	<u>0</u>	<u>0</u>	<u>35,212</u>
Total exchange traded funds	124,651	0	0	124,651
Mutual funds				
Large growth	157,980	0	0	157,980
Medium growth	38,494	0	0	38,494
Small growth	8,900	0	0	8,900
Large blend	33,613	0	0	33,613
Small blend	18,003	0	0	18,003
Large value	34,775	0	0	34,775
High yield bond	<u>25,142</u>	<u>0</u>	<u>0</u>	<u>25,142</u>
Total mutual funds	<u>316,907</u>	<u>0</u>	<u>0</u>	<u>316,907</u>
Total exchange traded and mutual funds	<u>\$ 441,558</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 441,558</u>

The Organization holds investments, which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

5. LIQUIDITY AND AVAILABILITY

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

The following table reflects the Organization's financial assets as of December 31, 2021 and 2020, 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 or donor restrictions. Amounts not available include donor restricted funds.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 92,769	\$ 101,169
Investments	<u>802,050</u>	<u>441,558</u>
Total financial assets	894,819	542,727
Less donor restricted	<u>(66,270)</u>	<u>(20,868)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 828,549</u>	<u>\$ 521,859</u>

6. CONTINGENCY

On March 11, 2020, the World Health Organization declared coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Organization's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of personnel, shortages of supplies, and delays, loss of, or reduction to, revenue and contributions. Management believes the Organization is taking appropriate actions to respond to the pandemic; however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.