VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

JUNE 30, 2022 and 2021

WITH

INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Vera Lloyd Presbyterian Family Services, Inc.

Opinion

We have audited the consolidated financial statements of Vera Lloyd Presbyterian Family Services, Inc. and affiliate, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, the related consolidated statements of activities and net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Vera Lloyd Presbyterian Family Services, Inc. as of June 30, 2022 and 2021, and the results of their operations and their 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Vera Lloyd Presbyterian Family Services, 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 Vera Lloyd Presbyterian Family Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS and *Government 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 GAAS and *Government 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 Vera Lloyd Presbyterian Family Services, 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 Vera Lloyd Presbyterian Family Services, 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of governmental assistance, schedule of units of service, and supplemental data sheet for the year ended June 30, 2022, as required by the Arkansas Department of Human Services, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2022, on our consideration of Vera Lloyd Presbyterian Family Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Vera Lloyd Presbyterian Family Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vera Lloyd Presbyterian Family Services, Inc.'s and affiliate internal control over financial reporting and compliance.

Hogan Taylor LLP

Little Rock, Arkansas
September 23, 2022

VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 1,130,701	$ 881,903
Certificates of deposit	100,000	530,023
Accounts receivable	321,059	100,287
Investments at fair value	12,129,883	14,815,884
Other assets	142,449	182,991
Total current assets	13,824,092	16,511,088
Property and equipment, net	3,126,725	3,213,076
Total assets	$ 16,950,817	$ 19,724,164
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 89,605	$ 48,364
Accrued liabilities	128,488	108,910
Total current liabilities	218,093	157,274
Net assets:		
Without donor restrictions	13,814,850	16,019,347
With donor restrictions	2,917,874	3,547,543
Total net assets	16,732,724	19,566,890
Total liabilities and net assets	$ 16,950,817	$ 19,724,164

VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND NET ASSETS

Years ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Contributions	$ 641,169	$ -	$ 641,169	$ 551,324	$ 500	$ 551,824
Federal and state contracts and grants	1,300,160	-	1,300,160	1,367,358	-	1,367,358
Interest and dividends	390,316	22,475	412,791	300,445	23,833	324,278
Net realized and unrealized (depreciation) appreciation of investments, net of fees	(2,021,639)	(499,139)	(2,520,778)	2,611,148	547,737	3,158,885
Other revenues	301,198	-	301,198	458,301	-	458,301
Net assets released from restriction	153,005	(153,005)	-	54,781	(54,781)	-
Total support and revenues	764,209	(629,669)	134,540	5,343,357	517,289	5,860,646
Expenses:						
Program services	2,165,678	-	2,165,678	1,884,492	-	1,884,492
Management and general	494,467	-	494,467	456,575	-	456,575
Fundraising	308,561	-	308,561	290,931	-	290,931
Total expenses	2,968,706	-	2,968,706	2,631,998	-	2,631,998
Change in net assets	(2,204,497)	(629,669)	(2,834,166)	2,711,359	517,289	3,228,648
Net assets, beginning of year	16,019,347	3,547,543	19,566,890	13,307,988	3,030,254	16,338,242
Net assets, end of year	$ 13,814,850	$ 2,917,874	$ 16,732,724	$ 16,019,347	$ 3,547,543	$ 19,566,890

VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30, 2022 and 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,098,050	$ 308,890	$ 146,831	$ 1,553,771	$ 944,475	$ 308,998	$ 156,187	$ 1,409,660
Payroll taxes and benefits	206,914	40,194	28,007	275,115	185,634	38,679	29,324	253,637
Travel/training/board/membership	8,515	1,286	11,459	21,260	4,709	622	5,643	10,974
Development	-	-	30,885	30,885	-	-	15,866	15,866
Insurance	68,928	10,219	10,732	89,879	53,617	7,949	8,348	69,914
Depreciation	242,790	3,632	4,083	250,505	255,743	3,826	4,301	263,870
Office supplies/equipment/postage	31,370	10,533	13,016	54,919	28,326	9,512	11,753	49,591
Utilities/telephone	90,416	7,785	6,435	104,636	78,930	6,796	5,618	91,344
Maintenance	122,132	15,005	26,316	163,453	118,821	14,598	25,603	159,022
Automobile	11,279	985	1,963	14,227	5,691	500	990	7,181
Food	76,923	-	-	76,923	71,139	-	-	71,139
Other program costs	100,170	-	-	100,170	84,374	-	-	84,374
Professional and legal fees	108,191	69,848	9,825	187,864	53,033	34,238	4,816	92,087
Rent	-	26,090	19,009	45,099	-	30,857	22,482	53,339
Total	$ 2,165,678	$ 494,467	$ 308,561	$ 2,968,706	$ 1,884,492	$ 456,575	$ 290,931	$ 2,631,998

VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ (2,834,166)	$ 3,228,648
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized depreciation (appreciation) of investments	2,520,778	(3,158,885)
Forgiveness of Paycheck Protection Program note payable	-	(317,900)
Depreciation	250,505	263,870
Loss on disposal of property and equipment	400	10,306
Change in operating assets and liabilities:		
Accounts receivable	(220,772)	1,101,840
Other assets	40,542	(80,268)
Accounts payable	41,241	24,580
Accrued liabilities	19,578	4,411
Net cash provided by (used in) operating activities	(181,894)	1,076,602
Cash Flows from Investing Activities		
Purchase of property and equipment	(164,554)	(61,834)
Purchase of certificates of deposit	(161,000)	(520,000)
Proceeds from maturities of certificates of deposits	591,023	100,737
Purchase of investments	(2,130,356)	(4,892,196)
Proceeds from sale of investments	2,295,579	4,215,087
Net cash provided by (used in) investing activities	430,692	(1,158,206)
Net change in cash and cash equivalents	248,798	(81,604)
Cash and cash equivalents, beginning of year	881,903	963,507
Cash and cash equivalents, end of year	$ 1,130,701	$ 881,903

Note 1 – Organization

Vera Lloyd Presbyterian Family Services, Inc. and affiliate (Vera Lloyd or the Organization) is a nonprofit organization incorporated under Arkansas law. Services provided include residential care, emergency shelter, and family counseling to young people who have suffered through extreme family turmoil. The Organization's business offices are located in Little Rock, Arkansas, and services are provided through facilities located in Monticello, Arkansas. Funding sources include contributions, earnings from investments, and contracts with the Arkansas Department of Human Services (DHS).

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of consolidation

It is the Organization's policy to consolidate the financial statements of Vera Lloyd and Vera Lloyd Presbyterian Foundation, Inc. (the Foundation), which are legally separate entities, as both the control and economic interest factors established in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958-810, *Not-for-Profit Entities – Consolidation*, are met.

The Foundation was incorporated under Arkansas law during the fiscal year ended June 30, 2016, to benefit and support the operations of Vera Lloyd. The financial statements as of and for the years ended June 30, 2022 and 2021, have been consolidated and all significant inter-organizational accounts and transactions are eliminated in consolidation. Summarized financial information of the Foundation as of and for the years ended June 30, is as follows:

	2022	2021
Total assets	$ 11,584,569	$ 14,293,818
Total liabilities	19,818	11,924
Total net assets	11,564,751	14,281,894
Total revenues, including investment income (loss)	(2,614,337)	2,857,735
Total expenses	102,808	31,196

Assets of the Foundation will be distributed to Vera Lloyd in accordance with the Organization's spending policy.

Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Certificates of deposit

The Organization records certificates of deposit at face value plus accrued interest, which includes earnings through the last day of the fiscal year.

Accounts receivable

Accounts receivable for federal and state contracts and awards are recorded, along with the corresponding revenues, when services are performed either through the provision of units of service or through the claim for reimbursement of expenditures. These awards are subject to review by state and federal funding agencies, which could result in a request for reimbursement by these agencies for services disallowed under the terms and conditions of the agreements. In the opinion of management, such disallowances, if any, would not be significant.

Investments at fair value

Investments are stated at estimated fair values as determined primarily by quoted prices on the last day of the fiscal year, with interest, dividends, and realized and unrealized gains and losses recognized in the accompanying statements of activities.

Credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, investments, and accounts receivable. At times throughout the year, the Organization may maintain its bank accounts at levels in excess of the Federal Deposit Insurance Corporation insured limit. Management believes that its policies are adequate to minimize potential credit risk. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Organization's account balances. Credit risk with respect to accounts receivable is limited as the majority of the accounts receivable are due from state agencies and bequests received upon the donor's death.

Property and equipment

The Organization capitalizes expenditures for property and equipment at cost for items exceeding $500. Donated assets are stated at their estimated fair market value at the date of the gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

Net assets classification

The Organization distinguishes between net assets without donor restrictions and net assets with donor restrictions and changes in net assets in the accompanying consolidated financial statements. A description of these net asset classifications is as follows:

> *Net assets without donor restrictions* – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes of the Organization. From time to time the Board may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. Board-designated net assets may be earmarked for the support of both current and future programs, maintenance of the houses, and other uses. See Note 8 for more information on the composition of net assets without donor restrictions.

Net assets with donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Some donor-imposed restrictions are temporary in nature and may or will be met by expenditures or actions of the Organizations. Such restrictions include time and purpose restrictions imposed by donors, as well as restrictions imposed by law that restrict net investment income and gains on donor-restricted endowed funds until appropriated for expenditure. Other donor-imposed restrictions are perpetual in nature but permit the Organization to expend the income generated in accordance with the provision of the related donor agreements. Those net assets of the Organization which include restrictions that are perpetual in nature are comprised of funds whose earnings are to be used to operate and maintain the specific homes, pay for scholarships, and for private referrals for the programs in Monticello. See Note 9 for more information on the composition of net assets with donor restrictions.

Net assets released from restrictions

Net assets that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is recognized. Donor restricted net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose, by the passage of time or by the occurrence of other events specified by the donor.

Spending policy

The Organization's endowment spending is governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was approved by the Uniform Law Commission to serve as a guideline to states to use in enacting legislation. The state of Arkansas has enacted UPMIFA, which requires nonprofit organizations with donor-restricted endowed funds to follow certain standards when making investment and spending policy decisions.

Revenue recognition

Revenues are generally recognized when performance obligations are satisfied, or control of the promised goods or services is transferred to customers in an amount that reflects the consideration Vera Lloyd expects to be entitled to receive in exchange for those goods or services.

Contributions

Unconditional pledges to give cash and other assets are reported at fair value at the date the pledge is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of these discounts is included in contribution revenue. Conditional promises are not recognized as revenue until the donor-imposed barrier is met.

Grants and contracts

The Organization receives government funding, in the form of federal and state contracts, to oversee and administer several programs. These revenues are accounted for as unconditional contributions as the revenue is not received in advance of performance but is rather received based on reports filed with the sponsoring organization for the preceding month. In light of the above, revenue is recorded on a monthly basis when the conditions of receiving the money are met in full.

Concentration of revenues

Approximately 100% of the Organization's revenues from federal and state contracts and grants for the years ended June 30, 2022 and 2021, respectively, were received from DHS, either directly or as funding passed through from the United States Department of Health and Human Services.

Functional expenses

Functional expenses have been allocated between program services, management and general, and fundraising. Personnel related expenses are allocated based on an analysis of personnel time utilized for the related activities. Other expenses are allocated based on other meaningful measures for the particular type of expenditure.

Income taxes

Vera Lloyd and the Foundation are publicly supported organizations exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (the Code) and are classified as other than private foundations. Both are also exempt from state tax under similar provisions of state law. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Fair value measurements

The Organization follows a framework for measuring fair value under U.S. GAAP and establishing disclosures about fair value measurements. This framework applies to all financial instruments that are being measured and recognized at fair value on a recurring and nonrecurring basis.

Reclassification

Certain reclassifications have been made to the 2021 consolidated financial statements to conform to the 2022 financial statement presentation. These reclassifications had no effect on net income.

Recently adopted accounting standards

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*, which modifies the disclosure requirements for fair value measurements. The Organization adopted ASU 2018-13 on a retrospective basis as of July 1, 2021. Adoption of the standard had no material effect on the Organization's financial statements.

In September 2021, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This standard requires that a not-for-profit present contributed nonfinancial assets as a separate line item in the statement of activities. Further, disclosure must be included that disaggregates the types of contributed nonfinancial assets. The Organization adopted ASU 2020-07 on a retrospective basis as of July 1, 2021. Adoption of the standard had no material effect on the Organization's financial statements.

Recent accounting pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of adopting this new standard on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The standard, as amended by ASU 2019-10, is effective for interim and fiscal years beginning after December 15, 2022. At this time, the Organization is evaluating the impact of the adoption of these standards on its financial statements.

Subsequent events

The Organization has evaluated subsequent events for recognition and disclosure that occurred through September 23, 2022, the date the consolidated financial statements were available to be issued.

Note 3 – Liquidity and Availability of Financial Assets

The Organization's financial assets available for general expenditure within one year of the June 30, statements of financial position are as follows:

	2022	2021
Cash and cash equivalents	$ 1,130,701	$ 881,903
Certificates of deposit	100,000	530,023
Accounts receivable	321,059	100,287
Investments at fair value	12,129,883	14,815,884
Total financial assets, at year-end	13,681,643	16,328,097
Less amounts unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Subject to appropriation and satisfaction of donor restrictions	(168,084)	(207,175)
Endowment funds	(2,749,790)	(3,340,368)
Board designated endowment funds after appropriation	(8,082,702)	(10,305,121)
Total financial assets available to management for general expenditure within one year	$ 2,681,067	$ 2,475,433

The Organization's expenses are significantly related to the day-to-day operational costs of the homes owned by the Organization, maintenance costs directly related to general upkeep of the facilities, and salary expenses to run the programs. The majority of the Organization's support and revenues are not restricted by donors. The Organization receives funds at both the federal and state level to assist with the costs incurred at the program level. The Organization has exhibited a prudent spending and investment policy in response to the state's shift away from congregate housing and an environment of declining referrals over the previous years. Although the Organization holds a portion of net assets with donor restrictions, approximately 83% of its net assets are without donor restrictions and, therefore, could be made available for current operations as deemed necessary.

Note 4 – Fair Value of Financial Instruments

In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. These might 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, or inputs that are derived principally from or corroborated by market data by correlation or other means. If the asset or liability has a specified (contractual) term, the input must be observable for substantially the full term of the asset or liability.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair value on a recurring basis

The balances of assets measured at fair value on a recurring basis at June 30, 2022, are as follows:

	Level 1	Level 2	Level 3	Total
Equity securities	$ 2,305,992	$ -	$ -	$ 2,305,992
Mutual funds:				
Large cap funds	1,887,845	-	-	1,887,845
Mid cap funds	36,366	-	-	36,366
Small cap funds	6,432	-	-	6,432
Balanced funds	466,241	-	-	466,241
Income funds	595,307	-	-	595,307
International funds	32,611	-	-	32,611
Emerging markets	139,329	-	-	139,329
Growth funds	40,394	-	-	40,394
Real estate investment trusts	85,638	-	-	85,638
Corporate bonds	1,333,797	-	-	1,333,797
US Government and Municipal Obligations	36,038	-	-	36,038
Private equities	-	-	371,821	371,821
Gift annuities and unitrust	-	-	101,059	101,059
Investments in the fair value hierarchy	$ 6,965,990	$ -	$ 472,880	7,438,870
Investments measured at net asset value (NAV)*				4,691,013
Total investments at fair value				$ 12,129,883

The balances of assets measured at fair value on a recurring basis at June 30, 2021, are as follows:

	Level 1	Level 2	Level 3	Total
Equity securities	$ 2,590,069	$ -	$ -	$ 2,590,069
Mutual funds:				
Large cap funds	2,165,204	-	-	2,165,204
Mid cap funds	46,029	-	-	46,029
Small cap funds	15,833	-	-	15,833
Balanced funds	15,140	-	-	15,140
Income funds	1,324,934	-	-	1,324,934
International funds	528,406	-	-	528,406
Emerging markets	172,852	-	-	172,852
Growth funds	127,727	-	-	127,727
Real estate investment trusts	84,934	-	-	84,934
Corporate bonds	1,256,081	-	-	1,256,081
Private equities	-	-	195,956	195,956
Gift annuities and unitrust	-	-	105,089	105,089
Investments in the fair value hierarchy	$ 8,327,209	$ -	$ 301,045	8,628,254
Investments measured at NAV*				6,187,630
Total investments at fair value				$ 14,815,884

* In accordance with Subtopic 810-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair values presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items on the consolidated statements of financial position.

The Organization had no purchases or transfers into or out of Level 3 during the years ended June 30, 2022 and 2021.

For the years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following table summarizes the quantitative inputs and assumptions used for items categorized in Level 3 of the fair value hierarchy as of June 30, 2022 and 2021, respectively. In addition to the techniques and inputs noted in the table below, according to the Organization's valuation policy, other valuation techniques and methodologies may also be used when determining fair value measurements.

The table below is not intended to be all inclusive, but rather provides information on the significant Level 3 inputs as they relate to fair value measurements.

			Fair Value at June 30,	
Financial Asset	Valuation Technique	Unobservable Inputs	2022	2021
Private equities	Private equities are valued based on a valuation of the stock provided by the management of the companies based on a multiple of taxable income and discounted due to lack of marketability.	15% Discount rate	$ 371,821	$ 195,956
Gift annuities and unitrust	Measured and recorded at the actuarily determined present value as calculated by the administrator of the gift instrument.	N/A	$ 101,059	$ 105,089

Note 5 – Property and Equipment

Property and equipment consist of the following at June 30:

Description	Estimated Useful Life	2022	2021
Buildings and improvements	10 - 40 years	$ 5,819,728	$ 5,729,697
Equipment	3 - 10 years	1,176,805	1,151,692
Furniture and fixtures	5 - 10 years	267,827	261,017
Vehicles	3 - 4 years	212,481	206,984
Land	N/A	41,400	41,400
Construction in progress	N/A	35,387	683
Total		7,553,628	7,391,473
Less accumulated depreciation		(4,426,903)	(4,178,397)
Property and equipment, net		$ 3,126,725	$ 3,213,076

As of June 30, 2022, one vehicle with a net book value of approximately $14,500 is subject to a motor vehicle lien held by the Arkansas State Highway and Transportation Department. Under the terms of the lien, the Organization cannot sell or transfer the title to the vehicle without the knowledge and permission of the lienholder.

Note 6 – Paycheck Protection Program

On May 8, 2020, the Organization executed a $317,900 loan payable with a financial institution under the Small Business Administration's (SBA) Paycheck Protection Program (PPP). Loan forgiveness from the Small Business Administration is contingent upon meeting the conditions of the Paycheck Protection Program. The Organization applied for forgiveness of its PPP loan, and received notification of forgiveness from the SBA in April 2021. The loan forgiveness is presented within "Other revenues" in the Consolidated Statements of Activities and Net Assets for the year ended June 30, 2021.

Note 7 – Endowments

The Organization's endowment consists of 17 individual funds established for a variety of purposes including donor-restricted endowment funds and funds designated by its board of directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of the Organization has interpreted 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 net assets with donor restrictions of a perpetual nature as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund will also remain under the net assets with donor restrictions classification until those amounts are appropriated for expenditure by the Board of the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(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
(7) The investment and spending policies of the Organization

Endowment net asset composition by type of fund as of June 30, is as follows:

	2022	2021
Donor-restricted endowment funds	$ 2,749,790	$ 3,340,368
Board-designated endowment funds, without donor restrictions	8,082,702	10,305,121
Total endowment funds	$ 10,832,492	$ 13,645,489

Changes in endowment net assets for the years ended June 30, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year, July 1, 2020	$ 7,991,609	$ 2,866,588	$ 10,858,197
Investment return:			
Interest and dividends	192,484	9,542	202,026
Appreciation of underwater endowment	(88,909)	88,909	-
Net appreciation (unrealized and realized), net of fees	2,352,517	374,829	2,727,346
Total investment return	2,456,092	473,280	2,929,372
Contributions	1,110	500	1,610
Appropriation of endowment assets for expenditure	(143,690)	-	(143,690)
Endowment net assets, end of year, June 30, 2021	10,305,121	3,340,368	13,645,489
Investment return:			
Interest and dividends	210,305	11,246	221,551
Underwater endowment loss	-	(42,944)	(42,944)
Net depreciation (unrealized and realized), net of fees	(2,398,360)	(558,880)	(2,957,240)
Total investment return	(2,188,055)	(590,578)	(2,778,633)
Appropriation of endowment assets for expenditure	(110,062)	-	(110,062)
Designation by board	75,698	-	75,698
Endowment net assets, end of year, June 30, 2022	$ 8,082,702	$ 2,749,790	$ 10,832,492

Risk objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to support the current and future operations of the Organization, while maintaining the endowed assets at the level restricted by the donor to be held in perpetuity or for a donor-specified period. Under the investment policy, as approved by the Board, the endowment assets are invested in a manner that is intended to preserve the principal value of the assets and to provide for appreciation in value of the assets in order to hedge against the effects of inflation.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending rate

The spending rate of earnings on endowments is determined annually by the Board, and was 5% of the value of the invested endowment assets for each of the years ended June 30, 2022 and 2021. The calculation of the spending amount is based on the quarterly average endowment fund market values as of March 31 and the preceding 20 quarters. This policy was adopted to achieve the objective of maintaining purchasing power of the endowment assets held in perpetuity or for a specified time.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain in perpetuity. Deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2022, a fund with an original gift value of $500,000 had a deficiency of $42,944. This deficiency resulted from unfavorable market fluctuations.

Note 8 – Net Assets Without Donor Restrictions

The Organization's net assets without donor restrictions are comprised of undesignated and Board-designated amounts for the following purposes as of June 30:

	2022	2021
Undesignated	$ 5,732,148	$ 5,714,226
Board designated endowment	8,082,702	10,305,121
Total net assets without donor restrictions	$ 13,814,850	$ 16,019,347

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restriction consist of the following as of June 30:

	2022	2021
Endowment earnings, subject to expenditure for specified purpose:		
Assist with private referrals for programs in Monticello	$ 31,372	$ 42,767
Scholarships	590,276	784,610
Investment (losses) earnings in excess of spend rate	(195,320)	146,585
Total endowment earnings, subject to expenditure for specified purpose	426,328	973,962
Funds restricted in perpetuity:		
Charbeck Fund	302,500	302,500
Pettus Home Endowment	48,278	48,278
Jerry Newbold Memorial	8,096	8,096
General Endowment Donor	714,114	714,114
Barton Home Endowment	137,300	137,300
Williamson Endowment	115,777	115,777
Walton Endowment	457,056	500,000
Wooten Anderson Endowment	114,859	114,859
Marsh Horsfall Fund	25,000	25,000
Lorene Empson Private Placement	25,000	25,000
Icy Gregory Endowment	375,482	375,482
Total funds restricted in perpetuity	2,323,462	2,366,406
Total donor-restricted endowment funds	2,749,790	3,340,368
Subject to expenditure for specified purpose:		
Renovation of facilities	8,100	8,100
Maintenance of the Lewis Home	159,984	199,075
Total subject to expenditure for specified purpose	168,084	207,175
Total net assets with donor restrictions	$ 2,917,874	$ 3,547,543

Note 10 – Employee Benefit Plans

The Organization self-administers two employee benefit plans, which qualify for tax deferment under the Code.

The tax-sheltered annuity plan is under Internal Revenue Service (IRS) Code Section 403(b). Employees enter into a salary reduction agreement, up to IRS limits, for which the proceeds are used to invest in mutual funds. Employees do not pay income tax on these amounts until the benefits are received under the plan. Contributions by the Organization on behalf of the employees for the years ended June 30, 2022 and 2021, totaled approximately $31,000 and $30,000, respectively.

The cafeteria plan is under IRS Code Section 125. Employees enter into a salary reduction agreement, up to IRS limits, for which the proceeds are used as payment toward health or life insurance. Employees do not pay income tax or Social Security/Medicare taxes on these amounts.

Note 11 – Related Party Transactions

The Organization is the beneficiary of the income derived from assets held in the Presbyterian Children's Home Endowment Trust (the Trust). The Trust was established in 1949 as a permanent endowment fund for the use and benefit of the Synod of Arkansas of the Presbyterian Church to be applied to the maintenance, operation, and support of the Organization. The Trust remains in effect until the Organization ceases operations, at which time the Trust shall terminate and the remaining assets shall be distributed to the Synod of Arkansas of the Presbyterian Church.

Income derived from Trust assets and paid to the Organization is recorded by the Organization in the period in which it is received and consists primarily of proceeds from harvesting timber on real estate owned by the Trust. The Trust has delegated the authority for managing the timber to the Organization. The total amount of trust income related to the harvesting of timber for the years ended June 30, 2022 and 2021, was approximately $0 and $8,000, respectively.

The Organization's facilities in Monticello, Arkansas, are located on land owned by the Trust at no cost to the Organization. Due to the undeterminable fair market value of this land, no costs have been capitalized or expensed in the accompanying consolidated financial statements.

SUPPLEMENTAL INFORMATION

VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.

SCHEDULE OF GOVERNMENTAL ASSISTANCE

Year ended June 30, 2022

Program Grantor/Pass Through Entity/Program Title	Federal CFDA Number	Federal/State Revenues	Federal/State Expenditures
Federal Assistance			
United States Department of Health and Human Services/Arkansas Department of Human Services:			
Foster Care – Title IV E	93.658	$ 125,255	$ 125,255
Social Services Block Grant	93.667	109,682	109,682
Independent Living Aftercare	93.674	412	412
National School Lunch Program	10.555	35,796	35,796
Total federal revenues and expenditures		$ 271,145	$ 271,145
State Assistance			
Arkansas Department of Human Services:			
Division of Youth Services		$ 361,600	$ 361,600
Foster Care – Title IV E		47,560	47,560
Foster Care – State		618,243	618,243
Department of Arkansas Heritage:			
Arts & Humanities Arkansas Arts Council		1,612	1,612
Total state revenues and expenditures		$ 1,029,015	$ 1,029,015

See notes to Schedule of Governmental Assistance.

VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.

NOTES TO THE SCHEDULE OF GOVERNMENTAL ASSISTANCE

June 30, 2022

Note 1 – Basis of Presentation

The accompanying Schedule of Governmental Assistance (the Schedule) includes the federal and state grant and contract activity of Vera Lloyd Presbyterian Family Services, Inc. under programs of the federal and state governments for the year ended June 30, 2022. No federal awards were received from passed-through subrecipients. Because the Schedule presents only a portion of the operations of Vera Lloyd Presbyterian Family Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Vera Lloyd Presbyterian Family Services, Inc.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No indirect cost rate has been elected by Vera Lloyd Presbyterian Family Services, Inc.

Note 3 – Subrecipients

Of the federal expenditures presented in the Schedule, no federal and state awards were provided to subrecipients.

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VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.

SCHEDULE OF UNITS OF SERVICE

Year ended June 30, 2022

The following units of service were provided by the Organization:

Month	Year	(1) Supervised Independent Living Days	(1) Emergency Shelter Days	(1) Respite Care Days	(2) Therapeutic Group Home Days	(1) Resource Parent Training Days	(4) Qualified Residential Treatment Days	(3) Lunch Meals	(3) Breakfast Meals
July	2021	18	111	9	284	9	319	707	710
August	2021	-	122	-	288	23	368	544	612
September	2021	-	60	-	256	10	360	319	652
October	2021	-	85	-	252	12	319	356	646
November	2021	-	95	-	279	10	227	292	597
December	2021	-	105	-	310	4	241	438	647
January	2022	-	86	-	296	19	279	372	660
February	2022	-	52	-	241	2	279	264	584
March	2022	-	60	-	297	18	371	375	707
April	2022	-	10	-	294	12	348	243	647
May	2022	-	-	-	270	10	380	296	693
June	2022	-	-	-	293	3	365	495	560
		18	786	9	3,360	132	3,856	4,701	7,715

Funding by DHS is provided through units of service. Units represent number of days of service or meals provided under the programs funded by DHS. The units are applied to a rate per day or amount per meal served to determine the reimbursement under the programs. The Organization recognizes the revenue from these contracts when the services are provided.

(1) Supervised independent living, emergency shelter, respite care, and resource parent training are provided through the Foster Care – Title IV E and Foster Care – State programs.

(2) Therapeutic group home service is provided through the Social Service Block Grant and the Arkansas State General Revenue Division of Youth Services program.

(3) Lunch and breakfast meals are provided through the National School Lunch Program.

(4) Qualified residential treatment is provided through the Foster Care – Title IV E, Division of Children and Family Services IV E TFC – Match Rate, and Foster Care – State programs.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Vera Lloyd Presbyterian Family Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Vera Lloyd Presbyterian Family Services, Inc., which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 23, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Vera Lloyd Presbyterian Family Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vera Lloyd Presbyterian Family Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Vera Lloyd Presbyterian Family Services, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vera Lloyd Presbyterian Family Services, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hogan Taylor LLP

Little Rock, Arkansas
September 23, 2022

VERA LLOYD PRESBYTERIAN FAMILY SERVICES, INC.

SUPPLEMENTAL DATA SHEET

June 30, 2022

Entity Full Name:	Vera Lloyd Presbyterian Family Services, Inc.
Address:	1501 N. University, Suite 345 Little Rock, AR 72207
EIN:	71-0419191
Phone:	501-666-8195

Chief Executive Officer and Contact Person: Ms. Donna Mahurin