



Financial Statements

for

**CHRISTIAN APPALACHIAN  
PROJECT, INC.**

Years Ended August 31, 2023 and 2022  
with Report of Independent Auditors

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## Report of Independent Auditors

Board of Directors  
Christian Appalachian Project, Inc.  
Mount Vernon, Kentucky

### **Opinion**

We have audited the financial statements of Christian Appalachian Project, Inc. (CAP), which comprise the statements of financial position as of August 31, 2023 and 2022, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CAP as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 CAP 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 GAAP, 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 CAP'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 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.

***Auditor's Responsibilities for the Audit of the Financial Statements, continued***

In performing an audit in accordance with GAAS, 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 CAP'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 CAP'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.

*Dean Dotson Allen Ford, PLLC*

Lexington, Kentucky  
November 17, 2023

**CHRISTIAN APPALACHIAN PROJECT, INC.**

Statements of Financial Position

August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash	\$ 8,679,922	\$ 8,763,842
Cash, restricted	33,112	-
Accounts receivable	571,012	404,770
Contributions receivable, net	1,454,453	1,000,474
Accrued interest receivable	39,415	32,209
Inventories	1,350,882	1,345,130
Prepaid expenses	142,854	158,095
Investments	17,665,254	16,075,056
Notes receivable	-	4,089
Property and equipment, net	<u>16,981,660</u>	<u>14,140,844</u>
Total assets	<u>\$ 46,918,564</u>	<u>\$ 41,924,509</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 402,380	\$ 408,808
Accrued expenses	631,646	458,184
Annuity obligations	1,100,839	1,190,013
Financing leases payable	<u>91,435</u>	<u>108,898</u>
Total liabilities	<u>2,226,300</u>	<u>2,165,903</u>
Net assets:		
Without donor restrictions:		
Undesignated	19,660,083	17,643,327
Invested in property and equipment, net	16,890,225	14,031,946
Designated by the Board of Directors for:		
Disaster Emergency Relief Program	100,000	100,000
Self-insurance program	633,500	633,500
Annuity obligations	<u>1,560,370</u>	<u>1,684,624</u>
	<u>38,844,178</u>	<u>34,093,397</u>
With donor restrictions	<u>5,848,086</u>	<u>5,665,209</u>
Total net assets	<u>44,692,264</u>	<u>39,758,606</u>
Total liabilities and net assets	<u>\$ 46,918,564</u>	<u>\$ 41,924,509</u>

See accompanying notes.

## CHRISTIAN APPALACHIAN PROJECT, INC.

### Statement of Activities

Year ended August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Contributions of cash and securities	\$ 31,039,501	\$ 1,671,161	\$ 32,710,662
Legacies and bequests	6,349,200	-	6,349,200
Government grants	269,654	-	269,654
Contributions of materials	156,387,800	-	156,387,800
Contributed services	711,482	-	711,482
Program revenue	444,703	-	444,703
Investment income	-	485,890	485,890
Net unrealized gains on investments	1,401,738	387,495	1,789,233
Gain on sale of property and equipment	200,829	-	200,829
Royalty income	423,921	-	423,921
Gift card contributions	9,955	-	9,955
Net assets released from restrictions	2,283,913	(2,283,913)	-
Total revenues, gains, and other support	199,522,696	260,633	199,783,329
Expenses and losses:			
Program services:			
Family services	29,094,220	-	29,094,220
Economic services	198,790	-	198,790
Community services	118,347,522	-	118,347,522
Education services	24,379,465	-	24,379,465
Total program services	172,019,997	-	172,019,997
Supporting services:			
Management and general	5,161,759	-	5,161,759
Fund development	17,113,899	-	17,113,899
Total supporting services	22,275,658	-	22,275,658
Total expenses	194,295,655	-	194,295,655
Investment loss	22,251	-	22,251
Net realized losses on investments	408,388	77,756	486,144
Actuarial adjustment on annuity obligations	45,621	-	45,621
Total expenses and losses	194,771,915	77,756	194,849,671
Change in net assets	4,750,781	182,877	4,933,658
Net assets, beginning of year	34,093,397	5,665,209	39,758,606
Net assets, end of year	\$ 38,844,178	\$ 5,848,086	\$ 44,692,264

See accompanying notes.

**CHRISTIAN APPALACHIAN PROJECT, INC.**

Statement of Activities

Year ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Contributions of cash and securities	\$ 29,961,880	\$ 2,109,813	\$ 32,071,693
Legacies and bequests	5,072,857	-	5,072,857
Government grants	283,375	-	283,375
Contributions of materials	138,570,321	-	138,570,321
Contributed services	667,776	-	667,776
Program revenue	361,399	-	361,399
Investment income	184,693	56,907	241,600
Net realized gains on investments	268,839	136,415	405,254
Actuarial adjustment on annuity obligations	216,535	-	216,535
Royalty income	548,887	-	548,887
Gift card contributions	15,620	-	15,620
Net assets released from restrictions	1,136,811	(1,136,811)	-
Total revenues, gains, and other support	177,288,993	1,166,324	178,455,317
Expenses and losses:			
Program services:			
Family services	28,697,591	-	28,697,591
Community services	95,606,615	-	95,606,615
Education services	29,049,247	-	29,049,247
Total program services	153,353,453	-	153,353,453
Supporting services:			
Management and general	4,611,877	-	4,611,877
Fund development	12,373,514	-	12,373,514
Total supporting services	16,985,391	-	16,985,391
Total expenses	170,338,844	-	170,338,844
Net unrealized losses on investments	1,952,003	622,778	2,574,781
Total expenses and losses	172,290,847	622,778	172,913,625
Change in net assets	4,998,146	543,546	5,541,692
Net assets, beginning of year	29,095,251	5,121,663	34,216,914
Net assets, end of year	\$ 34,093,397	\$ 5,665,209	\$ 39,758,606

See accompanying notes.

**CHRISTIAN APPALACHIAN PROJECT, INC.**

Statement of Functional Expenses

Year ended August 31, 2023

	Program Services				Supporting Services		Total
	Family Services	Economic Services	Community Services	Education Services	Management and General	Fund Development	
Cash grants	\$ -	\$ -	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Specific assistance to individuals	103,530	-	865	9,405	-	-	113,800
Salaries and wages	2,484,379	-	1,435,275	907,456	2,442,182	2,361,860	9,631,152
401(k) contribution	148,357	-	81,608	55,399	119,747	96,986	502,097
Other employee benefits	534,560	2,625	311,582	204,436	395,158	368,496	1,816,857
Payroll taxes	181,656	12,954	105,835	66,428	176,024	172,408	715,305
Professional fundraising fees	-	-	-	-	-	520,259	520,259
Accounting fees	-	-	-	-	48,083	-	48,083
Legal fees	-	-	1,012	-	35,561	17,047	53,620
HR/Payroll Fees	42,929	-	25,983	17,054	28,099	35,365	149,430
Supplies	140,745	1,728	159,317	96,613	133,296	63,737	595,436
Telephone	60,953	22	68,437	49,575	63,245	45,875	288,107
Information technology expense	185,614	21	162,602	75,294	147,757	127,535	698,823
Postage	669	35	754	594,681	111,033	4,676,175	5,383,347
Occupancy	397,522	-	477,153	431,607	(184,229)	194,831	1,316,884
Equipment rental/maintenance	79,238	240	121,367	40,483	61,668	9,257	312,253
Printing and publications	2,803	42	786	1,057,270	196,196	7,352,393	8,609,490
Delivery and freight	-	-	1,153,715	-	-	4,738	1,158,453
Travel	127,587	7,918	199,711	25,492	184,592	268,413	813,713
Depreciation	325,743	-	366,557	186,039	251,861	62,354	1,192,554
Volunteer stipend and insurance	69,365	159,753	(65,990)	15,456	-	12,545	191,129
Donated services used	670,904	-	40,578	-	-	-	711,482
Professional fees - other	2,607	9,631	7,221	5,476	650,671	197,546	873,152
Home repair materials/services	542,281	-	491,514	3,434	(564)	(182)	1,036,483
Donated materials used	22,818,360	-	113,085,197	20,465,465	33,853	-	156,402,875
Miscellaneous	174,418	3,821	101,443	72,402	267,526	526,261	1,145,871
<b>Total</b>	<b>\$ 29,094,220</b>	<b>\$ 198,790</b>	<b>\$ 118,347,522</b>	<b>\$ 24,379,465</b>	<b>\$ 5,161,759</b>	<b>\$ 17,113,899</b>	<b>\$ 194,295,655</b>

See accompanying notes.

**CHRISTIAN APPALACHIAN PROJECT, INC.**

Statement of Functional Expenses

Year ended August 31, 2022

	Program Services			Supporting Services		Total
	Family Services	Community Services	Education Services	Management and General	Fund Development	
Cash grants	\$ -	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Specific assistance to individuals	74,888	49	16,855	-	57	91,849
Salaries and wages	2,047,901	1,134,629	714,228	1,938,816	1,887,127	7,722,701
401(k) contribution	137,351	78,131	52,074	113,539	90,760	471,855
Other employee benefits	433,803	260,601	164,703	306,613	307,070	1,472,790
Payroll taxes	145,726	90,729	53,071	135,399	138,302	563,227
Professional fundraising fees	-	-	-	-	152,015	152,015
Accounting fees	-	-	-	47,450	-	47,450
Legal fees	-	-	-	25,462	4,900	30,362
HR/Payroll fees	27,791	18,769	10,877	19,730	20,728	97,895
Supplies	109,381	262,126	91,858	119,617	47,102	630,084
Telephone	49,202	58,012	35,245	41,760	44,189	228,408
Information technology expense	215,475	153,970	84,339	165,049	148,285	767,118
Postage	940	938	1,112,607	200,704	3,538,854	4,854,043
Occupancy	396,792	400,288	572,368	(269,702)	148,882	1,248,628
Equipment rental/maintenance	81,976	72,243	17,587	62,960	5,317	240,083
Printing and publications	1,339	313	1,977,578	348,285	4,949,194	7,276,709
Delivery and freight	69	958,683	205	-	144	959,101
Travel	101,090	175,557	18,923	117,613	120,473	533,656
Depreciation	218,917	324,003	167,177	160,878	65,253	936,228
Volunteer stipend and insurance	94,207	(26,238)	73,625	25	43,135	184,754
Donated services used	593,824	73,952	-	-	-	667,776
Professional fees - other	381	6,167	2,332	585,671	221,775	816,326
Home repair materials/services	583,843	66,959	1,918	(210)	(19)	652,491
Donated materials used	23,213,071	91,369,330	23,802,959	188,021	-	138,573,381
Miscellaneous	169,624	112,404	78,718	304,197	439,971	1,104,914
<b>Total</b>	<b>\$ 28,697,591</b>	<b>\$ 95,606,615</b>	<b>\$ 29,049,247</b>	<b>\$ 4,611,877</b>	<b>\$ 12,373,514</b>	<b>\$ 170,338,844</b>

See accompanying notes.

**CHRISTIAN APPALACHIAN PROJECT, INC.**

Statements of Cash Flows

Years ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 4,933,658	\$ 5,541,692
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,192,554	936,228
Net recovery for uncollectible accounts	(3,936)	-
Gain on sale of property and equipment	(200,829)	-
Net realized losses (gains) on investments	486,144	(405,254)
Net unrealized (gains) losses on investments	(1,789,233)	2,574,781
Common stock donated to CAP	(157,672)	(148,996)
Annuity obligations incurred	69,098	1,685
Actuarial adjustment on annuity obligations	45,621	(216,535)
Increase (decrease) in cash due to changes in:		
Accounts receivable	(166,242)	(146,716)
Contributions receivable	(450,043)	101,849
Accrued interest receivable	(7,206)	(10,435)
Inventories	(5,752)	(610,372)
Prepaid expenses	15,241	71,255
Accounts payable	(6,428)	(209,116)
Accrued expenses	<u>173,462</u>	<u>16,246</u>
Net cash provided by operating activities	<b>4,128,437</b>	7,496,312
<b>Cash flows from investing activities:</b>		
Change in investments, net	(129,437)	(3,881,197)
Collections on notes receivable	4,089	5,134
Purchases of property and equipment	(4,015,183)	(3,267,308)
Proceeds from sale of property and equipment	<u>202,700</u>	<u>-</u>
Net cash used in investing activities	<b>(3,937,831)</b>	(7,143,371)

**CHRISTIAN APPALACHIAN PROJECT, INC.**

Statements of Cash Flows, continued

Years ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from financing activities:</b>		
Payments on annuity obligations	(203,893)	(231,864)
Payments on financing leases payable	<u>(37,521)</u>	<u>(31,554)</u>
Net cash used in financing activities	<u>(241,414)</u>	<u>(263,418)</u>
Net (decrease) increase in cash	(50,808)	89,523
Cash, including restricted amounts, beginning of year	<u>8,763,842</u>	<u>8,674,319</u>
Cash, including restricted amounts, end of year	<u>\$ 8,713,034</u>	<u>\$ 8,763,842</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ -	\$ 51
Noncash investing and financing transactions:		
Capital lease obligations for acquisition of equipment	20,058	42,711
<b>Reconciliation of cash, including restricted amounts, to the statements of financial position:</b>		
Cash	\$ 8,679,922	\$ 8,763,842
Cash, restricted	<u>33,112</u>	<u>-</u>
Total	<u>\$ 8,713,034</u>	<u>\$ 8,763,842</u>

See accompanying notes.

# CHRISTIAN APPALACHIAN PROJECT, INC.

## Notes to the Financial Statements

### 1. Description of the Organization

Christian Appalachian Project, Inc. (CAP) is organized as a nonprofit corporation under the laws of the Commonwealth of Kentucky, and is tax exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar Kentucky provisions. It has been classified as a publicly supported charitable organization under Section 509(a)(1) of the IRC and qualifies for the maximum charitable contribution deduction by donors.

CAP is an organization committed to serving people in Appalachia by meeting their physical, spiritual and emotional needs. Its articles of incorporation state that the corporation's purpose is "to initiate, foster, encourage and assist any and all programs formed for the purpose of alleviating the social, economic, and spiritual needs of the people and inhabitants of Appalachia, particularly in the area of eastern Kentucky, without regard to color, race, or religious beliefs of any of the beneficiaries hereof, and to educate the general public concerning the social, economic and spiritual needs of Appalachia."

CAP was organized in 1958 and incorporated in 1964. CAP operates 16 Human Service programs in 11 direct service counties in Appalachia and in all 13 Appalachian states. Corporate gifts-in-kind donations valued at more than \$155 million were distributed by CAP's Operation Sharing Program to 1,224 Partners in 13 Appalachian States, plus Missouri.

### 2. Summary of Significant Accounting Policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by CAP in the presentation of its financial statements.

#### Adoption of Recently Issued Accounting Standards

Effective September 1, 2022, CAP adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and associated amendments. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis.

Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement.

CAP adopted Topic 842 using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, CAP has applied Topic 842 to reporting period beginning on September 1, 2022, while prior period continue to be reporting and disclosed in accordance with CAP's historical accounting treatment under Topic 840.

## CHRISTIAN APPALACHIAN PROJECT, INC.

### Notes to the Financial Statements, continued

#### 2. Summary of Significant Accounting Policies, continued

##### Adoption of Recently Issued Accounting Standards, continued

CAP elected the "package of practical expedients" under the transition guidance within Topic 842, in which CAP does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial or direct costs for any existing leases. CAP has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption.

Adoption of Topic 842 resulted in the recharacterization of equipment with a cost of \$209,353 under capital leases to be classified as being under finance leases and \$91,435 of capital lease obligations to finance leases payable. Management determined that the ROU assets and lease liabilities under Topic 842 related to CAP's operating leases were not material to the financial statements as a whole. The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

##### Cash and Restricted Cash

Restricted amounts represents the cash in the Employee Emergency Fund, for which CAP does not have access to, or control over, those funds.

CAP has a concentration of credit risk in that it periodically maintains cash in bank accounts, which at times, may exceed federally insured limits. CAP has not experienced any losses on such accounts. CAP believes it is not exposed to any significant credit risk on cash.

##### Contributions Receivable

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 the discounts is included in contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

##### Inventories

Inventories consist of supplies and printed materials used in direct mailings. These supplies and materials are carried at the lower of cost or net realizable value using the first-in, first-out method.

## CHRISTIAN APPALACHIAN PROJECT, INC.

Notes to the Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### Investments

Investments are stated at fair value (based upon quoted market prices). Net unrealized and realized gains or losses are reflected in the statement of activities. Net appreciation on endowment fund investments, whose income is unrestricted as to use, is reported as unrestricted net assets unless such net appreciation has been permanently restricted by the donor or by law. Kentucky Revised Statutes do not require net appreciation on endowment funds to be permanently restricted unless so specified by the donor. In cases where the donor has placed temporary restrictions on the use of the income from endowed gifts, related net appreciation is subject to those restrictions and is reported as a part of net assets with donor restrictions until the restriction has been met.

Management has elected not to further disaggregate the investments as displayed in Note 5. The investment policies maintained by CAP's board of directors contain certain requirements surrounding quality of investments such that the additional information provided by disaggregation of investments is not deemed material to the financial statements.

#### Property and Equipment

CAP capitalizes all expenditures in excess of \$5,000 for property and equipment at cost. Property and equipment is recorded at cost at the date of acquisition or fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to thirty years.

#### Leases

Lease assets represent CAP's right to use an underlying asset for the lease term and lease liabilities represent CAP's obligation to make lease payments arising from the lease, measured on a discounted basis. CAP determines if an arrangement is, or contains, a lease at inception of the agreement, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) CAP obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. CAP also considers whether its service arrangements include the right to control the use of an asset.

CAP has made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. Lease expense for such leases is recognized on a straight-line basis over the lease term. For all other leases, they are classified as either finance or operating leases.

Finance leases are included in property and equipment, and finance leases payable in the statements of financial position. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. CAP has some operating leases, however, management has determined that they are not material to the financial statements.

## CHRISTIAN APPALACHIAN PROJECT, INC.

Notes to the Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### Leases, continued

Operating and finance lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date of the lease, and are reduced by any lease incentives.

As most of CAP's leases do not provide an implicit rate, CAP has made an accounting policy election to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Lease terms may include options to extend or terminate the lease. Where management concludes that it is reasonably certain that a renewal or termination option will be exercised, that renewal period or termination option is used to determine the lease term and the related payments that are reflected in the ROU asset and lease liability.

#### Annuity Obligations

CAP pays stipulated amounts periodically to individuals (annuitants) who have given to CAP certain assets and who have entered into agreements that such payments cease at the death of the annuitant or their beneficiary, if so stipulated.

The August 31, 2023 and 2022 annuity liability balances of \$1,100,839 and \$1,190,013 are the present values of the monthly, quarterly, semiannual or annual payments to the annuitants based on the life expectancies of the annuitants and interest rates ranging from 4.0% to 20.5%. As of August 31, 2023, the estimated remaining life expectancies of the annuitants range from one to twelve years.

State laws regarding mandated reserves associated with annuity agreements vary from zero to 100% of the initial liability to be set aside. CAP's Board of Directors has gone beyond any legal requirement and designated that the entire amount to be paid under any annuity contract (i.e. before discount) be designated for investment until CAP has made all payments required by the annuity agreement. The \$1,560,370 and \$1,684,624 included on the statements of financial position at August 31, 2023 and 2022, respectively, as net assets without donor restrictions for annuity obligations is equal to the undiscounted balance of annuity contracts under which CAP is obligated.

#### Net Assets

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

Net assets without donor restrictions - net assets available for use in general operations and not subject to donor restrictions.

## CHRISTIAN APPALACHIAN PROJECT, INC.

Notes to the Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### Net Assets, continued

Net assets with donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by a passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The investment return on net assets with donor restriction may be restricted or unrestricted according to the donor's wishes.

#### Revenue Recognition

All of CAP's revenue is recorded at a point in time when contributions are received or performance obligations are achieved. Specifically, CAP recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until conditions on which they depend have been met.

#### *Contributions*

Contributions, including unconditional promises to give, are recognized as revenues in the period the commitments are made. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

#### *Contributions of Materials and Property and Equipment*

Contributions of materials and property and equipment which are received by CAP are valued at their estimated fair value at the date of the gift. Where the value of donated materials cannot be adequately substantiated, no donation is recorded. Contributed supplies received by CAP are recorded as in-kind contribution revenue with the corresponding expense in an amount approximating the estimated fair value at the time of donation.

## CHRISTIAN APPALACHIAN PROJECT, INC.

### Notes to the Financial Statements, continued

#### 2. Summary of Significant Accounting Policies, continued

##### Revenue Recognition, continued

###### *Contributed Services*

CAP receives donated services from a variety of unpaid volunteers assisting CAP in the operation of Human Service programs. The amounts recorded as the value of donated services represents the compensation that would be paid if non-volunteers were to occupy these positions. Contributions are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing these skills and would otherwise be purchased by CAP. The services of those not meeting these criteria are not recognized in the financial statements. CAP recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of donation.

##### Functional Allocation of Expenses

The costs of providing the various programs and other activities of CAP are summarized on a functional basis in the accompanying statements of activities and functional expenses. Directly identifiable expenses are charged to the applicable program and supporting services. Expenses related to more than one function are allocated among the programs and supporting services benefited based on management's time and service estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but to provide for the overall support and direction of CAP.

##### Income Taxes

CAP, a not-for-profit organization operating under Section 501(c)(3) of the IRC, is generally exempt from federal, state and local income taxes. CAP's management does not believe CAP has any unrelated business income. Accordingly, no provision for income taxes is recorded in the financial statements.

##### Reclassifications

Certain 2022 amounts have been reclassified to conform to the 2023 presentation with no effect on total assets, total liabilities, total net assets, or change in net assets.

##### Subsequent Events

CAP's management has evaluated subsequent events for accounting and disclosure requirements through November 17, 2023, the date that the financial statements were available to be issued.

**CHRISTIAN APPALACHIAN PROJECT, INC.**

Notes to the Financial Statements, continued

**3. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

Cash, unrestricted	\$ 8,679,922
Accounts receivable	571,012
Contributions receivable, net	735,556
Investments, excluding donor-restricted endowment funds	<u>13,693,177</u>
	<b><u>\$ 23,679,667</u></b>

As part of CAP's liquidity management plan, CAP typically invests cash in excess of daily requirements in short-term investments and liquid investments.

CAP also has a line of credit available to meet short-term needs. See Note 9.

**4. Contributions Receivable**

Included in contributions receivable are the following unconditional promises to give at August 31:

	<u>2023</u>	<u>2022</u>
Unconditional promises to give before unamortized discount and allowance for uncollectible accounts	\$ 1,675,016	\$ 1,230,806
Less: Unamortized discount, ranging from 0% to 3%	<u>(220,563)</u>	<u>(226,396)</u>
	<b>1,454,453</b>	1,004,410
Less: Allowance for uncollectible accounts	<u>-</u>	<u>(3,936)</u>
	<b><u>\$ 1,454,453</u></b>	<b><u>\$ 1,000,474</u></b>
Amounts due in:		
Less than one year	\$ 735,556	\$ 241,346
One to five years	112,000	162,000
More than five years	<u>827,460</u>	<u>827,460</u>
	<b><u>\$ 1,675,016</u></b>	<b><u>\$ 1,230,806</u></b>

**CHRISTIAN APPALACHIAN PROJECT, INC.**

Notes to the Financial Statements, continued

**5. Investments**

Investments consist of the following as of August 31:

	2023		2022	
	Cost	Market	Cost	Market
Cash equivalents	\$ 1,103,278	\$ 1,103,278	\$ 469,625	\$ 469,625
Equity securities	5,213,544	5,029,622	5,276,716	4,936,683
Debt securities	<u>7,294,326</u>	<u>11,532,354</u>	<u>8,060,957</u>	<u>10,668,748</u>
	<u>\$ 13,611,148</u>	<u>\$ 17,665,254</u>	<u>\$ 13,807,298</u>	<u>\$ 16,075,056</u>

Cash equivalents include certain investments in highly liquid debt instruments purchased with an original maturity of three months or less.

**6. Fair Value Measurements**

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset.

Investments at fair value at August 31, 2023 are summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 1,103,278	\$ -	\$ -	\$ 1,103,278
Equity securities	5,029,622	-	-	5,029,622
Debt securities	<u>11,532,354</u>	<u>-</u>	<u>-</u>	<u>11,532,354</u>
Total investments	<u>\$ 17,665,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,665,254</u>

## CHRISTIAN APPALACHIAN PROJECT, INC.

### Notes to the Financial Statements, continued

#### 6. Fair Value Measurements, continued

Investments at fair value at August 31, 2022 are summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 469,625	\$ -	\$ -	\$ 469,625
Equity securities	4,936,683	-	-	4,936,683
Debt securities	<u>10,668,748</u>	<u>-</u>	<u>-</u>	<u>10,668,748</u>
Total investments	<u>\$ 16,075,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,075,056</u>

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

*Cash equivalents:* Valued at cost, which approximates fair value.

*Equity securities and debt securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

There have been no changes in the methodology used as of August 31, 2023 and 2022.

#### 7. Endowments

CAP follows the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) and its own governing documents. CAP has interpreted UPMIFA as requiring the preservation of the corpus of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CAP classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) 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. CAP has determined that the balance of its endowments includes funds on which there is no restriction on the use of the investment income or net appreciation, as well as funds that require that the income and net appreciation be restricted to certain uses for the benefit of participants.

Upon review, CAP has determined that appropriate expenditures have been made to meet all donor restrictions regarding the balances in the endowment fund, and as such, any amounts in excess of the historic dollar amount of the gift, which is considered as permanently restricted, have been classified as temporarily restricted.

CAP has adopted an investment policy for endowment assets that attempt to provide a reasonable stream of funding to programs supported by the endowments while seeking to protect against erosion of the historic dollar balance of the original gift. The investment policy was developed by the finance committee of the Board of Directors and is reviewed along with the investment performance periodically to determine if the goals and objectives of the endowment funds are being met.

**CHRISTIAN APPALACHIAN PROJECT, INC.**

Notes to the Financial Statements, continued

**7. Endowments, continued**

CAP has adopted a spending policy for endowment assets where the three year average balance of the endowment assets is the basis for computation of the annual flow of funds. Each year the year-end balance for each of the previous three years is averaged, and this three year average ending balance is the basis for computation of the annual flow of funds to the following year's budget. Once the funds available for appropriations is established, the Finance Committee of the Board of Directors shall designate 0% - 5% of the average balance for use in the operations of CAP during the next fiscal year, subject to any restrictions placed on the endowment funds by the donor. In the event that CAP is unable to spend the appropriated funds within the designated fiscal year as budgeted, the unspent appropriation may be carried over for a period of two additional years, at which point the unspent balance reverts back to the endowment balance.

Endowment net asset composition by type of fund as of August 31, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ <u>-</u>	\$ <u>3,972,077</u>	\$ <u>3,972,077</u>

Endowment net asset composition by type of fund as of August 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ <u>-</u>	\$ <u>3,584,836</u>	\$ <u>3,584,836</u>

Changes in endowment net assets as of August 31, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 3,584,836	\$ 3,584,836
Investment income	-	77,502	77,502
Net realized losses on investments	-	(77,756)	(77,756)
Net unrealized gain on investments	<u>-</u>	<u>387,495</u>	<u>387,495</u>
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>3,972,077</u>	\$ <u>3,972,077</u>

## CHRISTIAN APPALACHIAN PROJECT, INC.

Notes to the Financial Statements, continued

### 7. Endowments, continued

Changes in endowment net assets as of August 31, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 4,014,292	\$ 4,014,292
Investment income	-	56,907	56,907
Net realized gains on investments	-	136,415	136,415
Net unrealized losses on investments	-	<u>(622,778)</u>	<u>(622,778)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,584,836</u>	<u>\$ 3,584,836</u>

### 8. Property and Equipment

Property and equipment consists of the following as of August 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 2,684,962	\$ 2,666,085
Buildings	14,505,135	13,672,527
Equipment and vehicles	9,099,182	7,815,199
Leasehold improvements	3,107,105	3,008,202
Construction in progress	<u>1,382,933</u>	<u>83,159</u>
	<b>30,779,317</b>	27,245,172
Less accumulated depreciation	<u>(13,797,657)</u>	<u>(13,104,328)</u>
Property and equipment, net	<b>\$ 16,981,660</b>	<b>\$ 14,140,844</b>

### 9. Line of Credit

CAP has a \$1.5 million revolving line of credit with a financial institution, collateralized by CAP's general investment and annuity fund accounts. Interest is payable quarterly at the greater of the prime rate or 5% (5% as of August 31, 2023). As of August 31, 2023 and 2022, there was no outstanding balance on the account. The line matures in January 2025.

**CHRISTIAN APPALACHIAN PROJECT, INC.**

Notes to the Financial Statements, continued

**10. Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes as of August 31:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purposes:		
Community service program activities	\$ 3,589,975	\$ 3,408,089
Education services program	10,000	10,000
Education services program summer camps	11,250	11,250
Economic development	1,000	1,000
General operations	<u>2,235,861</u>	<u>2,234,870</u>
Total	<u>\$ 5,848,086</u>	<u>\$ 5,665,209</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by other events specified by the donors as follows for the years ended August 31:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Community service program activities	\$ 1,681,702	\$ 392,279
Family services program	418,591	348,816
Education services	106,106	260,961
General operations	127,514	154,755
Contributions receivable	<u>(50,000)</u>	<u>(20,000)</u>
Total	<u>\$ 2,283,913</u>	<u>\$ 1,136,811</u>

## CHRISTIAN APPALACHIAN PROJECT, INC.

Notes to the Financial Statements, continued

### 11. Contributions of Materials

CAP receives products and food to be utilized by the human service programs classified as family, community or education services on the statement of activities. The fair market value of donated materials is determined by the donor valuation or, in the absence of a donor valuation, current retail prices for the materials donated. Fair market value of donated food is determined by rates provided by Feeding America. A summary of donated materials received and used during the years ended August 31 is as follows:

	<u>2023</u>	<u>2022</u>
Materials, supplies and gift cards	<b>\$155,347,303</b>	\$137,798,428
Donations of food and commodities	<u>1,050,452</u>	<u>787,513</u>
Total donated materials received	<b>156,397,755</b>	138,585,941
Add beginning balance gift cards	<b>11,300</b>	-
Less ending balance gift cards	-	(11,300)
Add beginning Christmas Baskets pledges receivable	<b>13,600</b>	12,340
Less ending Christmas Baskets pledges receivable	<u>(19,780)</u>	<u>(13,600)</u>
Total donated materials used	<b><u>\$156,402,875</u></b>	<b><u>\$138,573,381</u></b>

### 12. Contributed Services

During the fiscal years ended August 31, 2023 and 2022, CAP received donated services for assistance with carpentry and teaching assistance from 1,065 and 595 volunteers, respectively, who donated 129,232 and 183,108 hours of service, respectively, with an estimated value of \$2,408,646 and \$1,921,840, respectively. Of these amounts, 44,319 and 41,393 hours, respectively, valued at \$711,482 and \$667,776, respectively, met the criteria for financial statement recognition (see Note 2). The length of service provided by the individual volunteers ranged from one day to the entire year. The volunteers performed a wide variety of program services including, but not limited to, elderly visitation, youth counseling, child care, teaching, and carpentry.

### 13. Employee Benefit Plans

Employees of CAP are eligible to participate in a defined contribution plan. The plan covers substantially all employees who meet certain age requirements. CAP matches 100% of an employee's voluntary contributions up to a maximum of 6% of the employee's annual compensation. The plan also provides for discretionary contributions by CAP, as determined each year. CAP contributed \$480,282 and \$450,878, to the plan for the years ended August 31, 2023 and 2022, respectively.

Additionally, CAP's president participates in a deferred compensation plan. CAP contributes 10% of the president's annual compensation. CAP contributed \$21,815 and \$20,977 to the plan for years ended August 31, 2023 and 2022, respectively.

## **CHRISTIAN APPALACHIAN PROJECT, INC.**

Notes to the Financial Statements, continued

### **14. Related Party Transactions**

The Board of Directors have contributed their financial support and volunteered time to CAP. The contributions are included in contributions of cash and securities on the statements of activities.

### **15. Major Donors**

During the years ended August 31, 2023 and 2022, approximately 88% and 84%, respectively, of CAP's contributed materials were from three donors.