

FRIENDS SCHOOL, INC.

Financial Statements

Years ended June 30, 2022 and 2021

FRIENDS SCHOOL, INC.

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GOODMAN & WEBER, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Friends School, Inc.

We have audited the accompanying financial statements of Friends School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Goodman & Weber, P.S.C.
Louisville, Kentucky
February 28, 2023



Kentucky Society
Certified Public Accountants



BASIC FINANCIAL STATEMENTS

FRIENDS SCHOOL, INC.

Statements of Net Position

Years ended June 30, 2022 and 2021

Assets	6/30/2022	6/30/2021
Current Assets:		
Cash and Cash Equivalents:		
Unrestricted	\$ 1,129,960	\$ 944,572
Restricted	<u>-</u>	<u>-</u>
Total Cash	\$ 1,129,960	\$ 944,572
Tuition and Other Receivables	<u>\$ 35,727</u>	<u>\$ 50,690</u>
Total Current Assets	\$ 35,727	\$ 50,690
Property, Buildings and Equipment, Net	<u>\$ 18,150</u>	<u>\$ 28,688</u>
Total Assets	<u>\$ 1,183,837</u>	<u>\$ 1,023,950</u>
Liabilities and Net Position		
Current Liabilities:		
Accounts Payable	\$ 16,794	\$ 296,082
Tuition Received in Advance	<u>340,773</u>	<u>327,834</u>
Total Current Liabilities	\$ 357,567	\$ 623,916
Notes Payable	<u>\$ -</u>	<u>\$ -</u>
Total Noncurrent Liabilities	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 357,567</u>	<u>\$ 623,916</u>
Net Position:		
Unrestricted	\$ 826,270	\$ 400,034
Temporarily Restricted	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 826,270</u>	<u>\$ 400,034</u>

(See accompanying notes to financial statements.)

FRIENDS SCHOOL, INC.

Statement of Activities

For the Fiscal Year Ended June 30, 2022

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenues:				
Tuition	\$ 1,564,402	\$ -	\$ -	\$ 1,564,402
Registration Fees	<u>33,976</u>	<u>-</u>	<u>-</u>	<u>33,976</u>
Total Operating Revenues	<u>\$ 1,598,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,598,378</u>
Operating Expenses:				
Program Expenses	\$ 1,541,235	\$ -	\$ -	\$ 1,541,235
General & Administrative	<u>340,243</u>	<u>-</u>	<u>-</u>	<u>340,243</u>
Fundraising Expenses	<u>7,615</u>	<u>-</u>	<u>-</u>	<u>7,615</u>
Total Operating Expenses	<u>\$ 1,889,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,889,093</u>
Change in Net Assets from Operations	\$ (290,715)	\$ -	\$ -	\$ (290,715)
Other Income (Expense):				
Fundraising & Donations	\$ 220,061	\$ -	\$ -	\$ 220,061
Grants	<u>106,892</u>	<u>-</u>	<u>-</u>	<u>106,892</u>
Annual/Capital Campaign	<u>943</u>	<u>-</u>	<u>-</u>	<u>943</u>
Other	<u>389,055</u>	<u>-</u>	<u>-</u>	<u>389,055</u>
Total Other Income	\$ 716,951	\$ -	\$ -	\$ 716,951
Change in Net Assets	\$ 426,236	\$ -	\$ -	\$ 426,236
Net Assets at Beginning of Year	<u>\$ 400,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400,034</u>
Net Assets at End of Year	<u>\$ 826,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 826,270</u>

(See accompanying notes to financial statements.)

FRIENDS SCHOOL, INC.

Statement of Activities

For the Fiscal Year Ended June 30, 2021

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenues:				
Tuition	\$ 1,247,617	\$ -	\$ -	\$ 1,247,617
Registration Fees	<u>38,576</u>	<u>-</u>	<u>-</u>	<u>38,576</u>
Total Operating Revenues	<u>\$ 1,286,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,286,193</u>
Operating Expenses:				
Program Expenses	\$ 1,368,941	\$ -	\$ -	\$ 1,368,941
General & Administrative	307,155	-	-	307,155
Fundraising Expenses	<u>124</u>	<u>-</u>	<u>-</u>	<u>124</u>
Total Operating Expenses	<u>\$ 1,676,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,676,220</u>
Change in Net Assets from Operations	\$ (390,027)	\$ -	\$ -	\$ (390,027)
Other Income (Expense):				
Fundraising & Donations	\$ 186,827	\$ -	\$ -	\$ 186,827
Grants	77,800	-	-	77,800
Annual/Capital Campaign	1,194	-	-	1,194
Other	<u>364,152</u>	<u>-</u>	<u>-</u>	<u>364,152</u>
Total Other Income	\$ 629,973	\$ -	\$ -	\$ 629,973
Change in Net Assets	\$ 239,946	\$ -	\$ -	\$ 239,946
Net Assets at Beginning of Year	<u>\$ 160,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,088</u>
Net Assets at End of Year	<u>\$ 400,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400,034</u>

(See accompanying notes to financial statements.)

FRIENDS SCHOOL, INC.

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 426,236	\$ 239,946
Prior Period Adjustment	-	-
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	8,214	8,259
Bad Debt Expense	18,316	788
(Increase)/Decrease in Assets:		
Tuition and Other Receivables	(364)	2,917
Increase/(Decrease) in Liabilities:		
Accounts Payable	(279,288)	23,080
Tuition Received in Advance	<u>12,939</u>	<u>159,861</u>
Net Cash Provided (Used) by Operating Activities	\$ 186,053	\$ 434,851
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	\$ -	\$ -
Net Cash Provided (Used) by Investing Activities	\$ -	\$ -
Cash Flows from Financing Activities:		
Increase/(Decrease) Note Payable	\$ -	\$ -
Net Cash Provided (Used) by Financing Activities	\$ -	\$ -
Net (Decrease)/Increase in Cash	\$ 186,053	\$ 434,851
Cash at Beginning of Year	<u>\$ 943,907</u>	<u>\$ 509,056</u>
Cash at End of Year	<u>\$ 1,129,960</u>	<u>\$ 943,907</u>

(See accompanying notes to financial statements.)

FRIENDS SCHOOL, INC.

Notes to Financial Statements

Years ended June 30, 2022 and 2021

(1) Description of School and Summary of Significant Accounting Policies

(a) Organization

The Friends Preschool was formed in 1980 under the sponsorship of the Friends Council for Social Concerns, Inc., a nonprofit organization. The organization is a cooperative early childhood educational program. As of January 1, 1992, Friends Preschool formed a new corporation named Friends Preschool, Inc. and is now independent of the Friends Council for Social Concerns, Inc. The Board of Directors is a voluntary board comprised of parents, educators, and community leaders. Effective June 30, 1993 the name was changed to Friends School, Inc. (the School).

(b) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Financial statement presentation follows Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets- Net assets that are not subject to donor-imposed restrictions.

Unrestricted net assets may be designated by the Board of Directors for endowment and property and equipment.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time.

Permanently Restricted Net Assets – Net assets received through endowment contributions and are permanently restricted by the donor.

The School reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or expire with the passage of time. When a donor restriction expires, a purpose restriction is accomplished or by occurrence of other events as specified by the donors, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(c) Fund Accounting

To ensure observation of limitations and restrictions placed on the use of resources available to the School, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose.

FRIENDS SCHOOL, INC.

Notes to Financial Statements

Years ended June 30, 2022 and 2021

(1) Description of School and Summary of Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents

The School considers all cash on hand, cash in banks and cash held in brokerage accounts, to be cash and cash equivalents. At June 30, 2022, \$879,960 of The School's bank balance exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limits. At June 30, 2021, \$439,228 of The School's bank balance exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limits.

For purposes of the statement of cash flows, the School considers all investment instruments, exclusive of those held for endowment and other long-term purposes, purchased with a maturity of three months or less to be cash equivalents.

(e) Investment Securities

The School records all investments in equity securities with readily determinable fair values and all investments in debt securities at fair value with gains and losses included in the statement of activities. Fair value is determined based on quoted market prices or dealer quotes. Net unrealized losses on the market value of the investments are recognized in the statement of activities.

(f) Tuition and Other Receivables

The School records student tuition as revenue in the year that it is earned. Accounts receivable consist primarily of fees dues from program services and are non-interest bearing. It is the School's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Deferred tuition income represents tuition for the next school year collected in advance.

(g) Property, Building and Equipment

Property, building and equipment exceeding \$500 are stated at cost less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the building and equipment.

(h) Donations

Donations, including unconditional promises to give, are recorded as revenue in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

FRIENDS SCHOOL, INC.

Notes to Financial Statements

Years ended June 30, 2022 and 2021

(1) Description of School and Summary of Significant Accounting Policies (continued)

(i) Estimates in the Financial Statements

The preparation of financial statements in conformity with the School's basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Advertising Costs

Advertising and promotion cost are expensed as incurred. Advertising expenses for the year ended June 30, 2022 and 2021 were \$2,984 and \$5,399 respectively.

(2) Operating investments are summarized as follows:

	<u>2022</u>	<u>2021</u>
Fair market value of money market accounts	\$ -	\$ -
Fair market value of certificates of deposit	\$ 4,415	\$ 3,679

(3) Property, Building and Equipment

Property, building and equipment are summarized as follows:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 163,242	\$163,109
Less accumulated depreciation	(134,554)	(126,721)
Net Property and Equipment	<u>\$ 28,688</u>	<u>\$ 36,388</u>

(4) Net Assets Released from Temporary Restrictions

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purpose as specified by the donors, or with the passage of time. The purpose of the restricted contributions released during the year was for scholarships to qualified applicants. Net assets released from restrictions were \$0 and \$0 for the years ended June 30, 2022 and 2021, respectively.

(5) Permanently Restricted Net Assets

In an agreement dated December 6, 1999, the School created a permanent endowment building program held the Louisville Community Foundation (the Foundation). The Foundation also

FRIENDS SCHOOL, INC.

Notes to Financial Statements

Years ended June 30, 2022 and 2021

(5) Permanently Restricted Net Assets (continued)

maintains legal ownership of these funds. The net income from the fund will be distributed to the Friends School Fund when submitted in writing to the Foundation. Distributions will not be made more frequently than quarterly. This fund was released from restrictions on April 2, 2010.

Financial statement presentation follows Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. Under SFAS No. 136, the School is required to report the contribution to the foundation, transfer of those assets, and any return on investment as an asset on the financial statements of the School.

(6) Leases

The School entered into a lease agreement dated August 1, 2015 for its facility for a period of three years with rolling one-year extension provisions. Rent expense for the years ended June 30, 2022 and 2021 was \$58,538 and \$70,602, respectively.

(7) Income Tax Status

The School is exempt from federal income taxes as a nonprofit organization under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been reflected in the School's financial statements.

(8) Concentration of Risk

No major donors comprised 5% of total revenues for the year ended June 30, 2022 and two major donor comprised 5% of total revenues for the year ended June 30, 2021. Should these donors discontinue their generous contributions, it could have a long-term effect on the School.

(9) Subsequent Events

The School has evaluated any subsequent events for recognition or disclosures through February 28, 2023, the date these financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

FRIENDS SCHOOL, INC.

Schedule of Functional Expenses

June 30, 2022

	Program Expenses	General and Administrative	Fundraising	Total
Administration Supplies	\$ 57,256	\$ -	\$ -	\$ 57,256
Advertising	2,984	-	-	2,984
Audit	-	4,000	-	4,000
Bad Debt Expense	18,316	-	-	18,316
Depreciation	8,214	-	-	8,214
Fundraising Expense	-	-	7,615	7,615
Insurance	-	14,061	-	14,061
Payroll Expense	8,896	-	-	8,896
Program Supplies	101,146	-	-	101,146
Rent	54,975	11,661	-	66,636
Repairs & Miscellaneous	-	35,115	-	35,115
Wages and Salaries	<u>1,289,448</u>	<u>275,406</u>	<u>-</u>	<u>1,564,854</u>
Total Expenses	<u>\$ 1,541,235</u>	<u>\$ 340,243</u>	<u>\$ 7,615</u>	<u>\$ 1,889,093</u>

(See accompanying notes to financial statements.)

FRIENDS SCHOOL, INC.

Schedule of Functional Expenses

June 30, 2021

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Administration Supplies	\$ 35,877	\$ -	\$ -	\$ 35,877
Advertising	5,399	-	-	5,399
Audit	-	4,054	-	4,054
Bad Debt Expense	787	-	-	787
Depreciation	8,259	-	-	8,259
Fundraising Expense	-	-	124	124
Insurance	-	25,948	-	25,948
Payroll Expense	8,896	1,887	-	10,783
Program Supplies	109,476	-	-	109,476
Rent	64,392	13,659	-	78,051
Repairs & Miscellaneous	20,176	24,781	-	44,957
Wages and Salaries	<u>1,116,466</u>	<u>236,826</u>	<u>-</u>	<u>1,353,292</u>
Total Expenses	<u>\$ 1,369,728</u>	<u>\$ 307,155</u>	<u>\$ 124</u>	<u>\$ 1,677,007</u>

(See accompanying notes to financial statements.)