

Operation Kindness

Financial Statements

June 30, 2022 and 2021



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Operation Kindness
Carrollton, Texas

Opinion

We have audited the accompanying financial statements of Operation Kindness, which comprise the statements of financial position as of June 30, 2022 and 2021, and 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 financial statements referred to above present fairly, in all material respects, the financial position of Operation Kindness as of June 30, 2022 and 2021, 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.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Operation Kindness 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 these 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 Operation Kindness's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Operation Kindness'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 Operation Kindness'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.



Armanino^{LLP}
Dallas, Texas

January 19, 2023

Operation Kindness
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,949,373	\$ 667,086
Investments, at fair value	7,400,811	6,327,245
Prepaid expenses and other assets	141,168	72,350
Cash restricted for acquisition of property and equipment	199,864	303,290
Contributions receivable restricted for acquisition of property and equipment, net	-	24,975
Property and equipment, net	11,439,591	12,018,647
Total assets	\$ 21,130,807	\$ 19,413,593
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 115,606	\$ 117,529
Accrued expenses and other liabilities	163,468	246,250
Deferred revenue	-	10,000
Total liabilities	279,074	373,779
Net assets		
Without donor restrictions	20,067,712	18,910,771
With donor restrictions	784,021	129,043
Total net assets	20,851,733	19,039,814
Total liabilities and net assets	\$ 21,130,807	\$ 19,413,593

The accompanying notes are an integral part of these financial statements.

Operation Kindness
Statement of Activities
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains (losses) and other support			
Contributions	\$ 3,524,185	\$ 1,472,136	\$ 4,996,321
Contributions from estate settlements	3,583,082	-	3,583,082
Capital campaign contributions	-	81,500	81,500
In-kind donations	103,130	-	103,130
Adoption income	744,226	-	744,226
Event income	768,884	-	768,884
Less: direct benefit to donors	(235,180)	-	(235,180)
Interest and dividends, net	22,464	-	22,464
Net realized and unrealized losses on investments	(92,361)	-	(92,361)
Loss on uncollectible contributions receivable	-	(24,975)	(24,975)
Loss on sale of property and equipment	(6,338)	-	(6,338)
Other income	240,117	-	240,117
Net assets released from restriction	<u>873,683</u>	<u>(873,683)</u>	<u>-</u>
Total revenues, gains (losses) and other support	<u>9,525,892</u>	<u>654,978</u>	<u>10,180,870</u>
Functional expenses			
Program	6,099,209	-	6,099,209
Management and general	1,005,196	-	1,005,196
Fundraising	<u>1,264,546</u>	<u>-</u>	<u>1,264,546</u>
Total functional expenses	<u>8,368,951</u>	<u>-</u>	<u>8,368,951</u>
Change in net assets	1,156,941	654,978	1,811,919
Net assets, beginning of year	<u>18,910,771</u>	<u>129,043</u>	<u>19,039,814</u>
Net assets, end of year	<u>\$ 20,067,712</u>	<u>\$ 784,021</u>	<u>\$ 20,851,733</u>

The accompanying notes are an integral part of these financial statements.

Operation Kindness
Statement of Activities
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains (losses) and other support			
Contributions	\$ 3,490,604	\$ 184,054	\$ 3,674,658
Contributions from estate settlements	3,940,341	-	3,940,341
Capital campaign contributions	-	93,024	93,024
In-kind donations	61,318	-	61,318
Adoption income	418,107	-	418,107
Event income	292,736	-	292,736
Less: direct benefit to donors	(47,815)	-	(47,815)
Interest and dividends, net	11,054	-	11,054
Net realized and unrealized losses on investments	(3,141)	-	(3,141)
Loss on uncollectible contributions receivable	-	(12,300)	(12,300)
Loss on sale of property and equipment	(14,533)	-	(14,533)
Other income	197,284	-	197,284
Net assets released from restriction	<u>490,284</u>	<u>(490,284)</u>	<u>-</u>
Total revenues, gains (losses) and other support	<u>8,836,239</u>	<u>(225,506)</u>	<u>8,610,733</u>
Functional expenses			
Program	4,376,685	-	4,376,685
Management and general	809,848	-	809,848
Fundraising	<u>1,070,879</u>	<u>-</u>	<u>1,070,879</u>
Total functional expenses	<u>6,257,412</u>	<u>-</u>	<u>6,257,412</u>
Change in net assets	2,578,827	(225,506)	2,353,321
Net assets, beginning of year	<u>16,331,944</u>	<u>354,549</u>	<u>16,686,493</u>
Net assets, end of year	<u>\$ 18,910,771</u>	<u>\$ 129,043</u>	<u>\$ 19,039,814</u>

The accompanying notes are an integral part of these financial statements.

Operation Kindness
Statement of Functional Expenses
For the Year Ended June 30, 2022

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Cost of Direct Benefit to Donors</u>	<u>Total</u>
Personnel expenses					
Salaries & wages	\$ 3,177,327	\$ 521,041	\$ 572,577	\$ -	\$ 4,270,945
Employee benefits	472,862	58,230	120,933	-	652,025
Payroll taxes	274,853	41,605	45,587	-	362,045
Total personnel expenses	<u>3,925,042</u>	<u>620,876</u>	<u>739,097</u>	<u>-</u>	<u>5,285,015</u>
Non-personnel expenses					
Professional fees	17,826	255,782	2,646	-	276,254
Office expenses	27,071	3,923	39,775	-	70,769
Occupancy	214,948	14,313	16,014	-	245,275
Technology	75,115	31,903	89,989	-	197,007
Direct animal care	988,062	-	-	-	988,062
Bank & credit card fees	16,006	5,452	38,259	-	59,717
Advertising & recruiting	16,132	1,466	43,057	-	60,655
Insurance	64,303	7,337	2,560	-	74,200
Travel and vehicle expense	51,895	5,270	1,848	-	59,013
Direct event expenses	-	-	-	235,180	235,180
Capital campaign	72,465	9,181	9,981	-	91,627
Letter postage & production	-	-	245,733	-	245,733
Depreciation	609,491	38,886	20,145	-	668,522
Other expenses	20,853	10,807	15,442	-	47,102
Total non-personnel expenses	<u>2,174,167</u>	<u>384,320</u>	<u>525,449</u>	<u>235,180</u>	<u>3,319,116</u>
Less expenses included with revenues on the statement of activities					
Direct event expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(235,180)</u>	<u>(235,180)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 6,099,209</u>	<u>\$ 1,005,196</u>	<u>\$ 1,264,546</u>	<u>\$ -</u>	<u>\$ 8,368,951</u>

The accompanying notes are an integral part of these financial statements.

Operation Kindness
Statement of Functional Expenses
For the Year Ended June 30, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Cost of Direct Benefit to Donors</u>	<u>Total</u>
Personnel expenses					
Salaries & wages	\$ 1,918,932	\$ 479,472	\$ 463,385	\$ -	\$ 2,861,789
Employee benefits	324,936	48,920	83,505	-	457,361
Payroll taxes	<u>157,607</u>	<u>37,560</u>	<u>36,036</u>	-	<u>231,203</u>
Total personnel expenses	<u>2,401,475</u>	<u>565,952</u>	<u>582,926</u>	<u>-</u>	<u>3,550,353</u>
 Non-personnel expenses					
Professional fees	11,643	126,862	2,135	-	140,640
Office expenses	27,071	2,855	18,354	-	48,280
Occupancy	135,360	17,110	19,463	-	171,933
Technology	55,158	35,424	70,104	-	160,686
Direct animal care	620,108	-	-	-	620,108
Bank & credit card fees	10,092	5,468	31,776	-	47,336
Advertising & recruiting	-	5,761	46,436	-	52,197
Insurance	59,558	8,266	4,068	-	71,892
Travel and vehicle expense	14,262	4,618	530	-	19,410
Direct event expenses	-	-	-	47,815	47,815
Grounds and landscaping renovation	414,858	-	-	-	414,858
Capital campaign	119,769	3,482	4,367	-	127,618
Letter postage & production	-	-	252,324	-	252,324
Depreciation	495,853	32,782	32,683	-	561,318
Other expenses	<u>11,478</u>	<u>1,268</u>	<u>5,713</u>	-	<u>18,459</u>
Total non-personnel expenses	<u>1,975,210</u>	<u>243,896</u>	<u>487,953</u>	<u>47,815</u>	<u>2,754,874</u>
 Less expenses included with revenues on the statement of activities:					
Direct event expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,815)</u>	<u>(47,815)</u>
 Total expenses included in the expense section on the statement of activities	<u>\$ 4,376,685</u>	<u>\$ 809,848</u>	<u>\$ 1,070,879</u>	<u>\$ -</u>	<u>\$ 6,257,412</u>

The accompanying notes are an integral part of these financial statements.

Operation Kindness
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 1,811,919	\$ 2,353,321
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	668,522	561,318
Amortization of discount on contributions receivable	-	(1,755)
Net realized and unrealized losses on investments	92,361	3,141
Loss on sale of property and equipment	6,338	14,533
Loss on uncollectible contributions receivable	24,975	12,300
Contributions revenue restricted for property and equipment	(176,970)	(127,024)
Changes in operating assets and liabilities		
Prepaid expenses and other assets	(68,818)	(7,896)
Accounts payable	(1,923)	(325,401)
Accrued expenses and other liabilities	(82,782)	(264,293)
Deferred revenue	(10,000)	8,240
Net cash provided by operating activities	<u>2,263,622</u>	<u>2,226,484</u>
Cash flows from investing activities		
Purchases of investments	(8,843,893)	(4,507,310)
Proceeds from sale of investments	7,677,966	3,229,930
Purchases of property and equipment	(95,804)	(1,706,953)
Net cash used in investing activities	<u>(1,261,731)</u>	<u>(2,984,333)</u>
Cash flows from financing activities		
Cash collected on contributions restricted for property and equipment	176,970	318,691
Net cash provided by financing activities	<u>176,970</u>	<u>318,691</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	1,178,861	(439,158)
Cash, cash equivalents and restricted cash, beginning of year	<u>970,376</u>	<u>1,409,534</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 2,149,237</u>	<u>\$ 970,376</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 1,949,373	\$ 667,086
Cash restricted for acquisition of property and equipment	<u>199,864</u>	<u>303,290</u>
	<u>\$ 2,149,237</u>	<u>\$ 970,376</u>

The accompanying notes are an integral part of these financial statements.

Operation Kindness
Notes to Financial Statements
June 30, 2022 and 2021

1. NATURE OF OPERATIONS

Operation Kindness (the "Organization"), located in Carrollton, Texas, was incorporated in June 1977 in the state of Texas, for the purpose of providing quality care for homeless or unwanted cats and dogs in a compassionate, no-kill environment until they are adopted into responsible, loving homes, and to be a leader in the community in promoting humane values through education and awareness.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

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

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed restrictions. The Organization's governing Board of Directors (the "Board") may designate net assets without restrictions for specific purposes.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors that may be met by the passage of time or other events specified by the donor. 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.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as transfers between the applicable classes of net assets.

Cash and cash equivalents

The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short term maturities of those financial instruments.

Cash and cash equivalents restricted for acquisition of property and equipment represent board-designated and donor-restricted cash within the accompanying statements of financial position.

Operation Kindness
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are recorded at fair value. Investments received by donation are recorded at fair value at the date of donation. Net realized and unrealized gains or losses and interest and dividends are classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor restriction or by law. Interest and dividends are reported net of investment management fees on the accompanying statements of activities.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP requires the Organization to disclose the fair value of each of its assets and liabilities based on the level of observable inputs. The three levels of the fair value hierarchy are as follows:

- *Level 1* - Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- *Level 2* - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- *Level 3* - Unobservable inputs that are supported by little or no market activity, are significant to the fair value of the assets or liabilities and reflect management's assumptions and best estimates on available data.

The Organization held fixed income securities within Level 1 as of June 30, 2022. The Organization held fixed income securities within Level 2 as of June 30, 2021. The fair values of the fixed income investments are based on the market price of the investments at the close of the last business day of the statement period or on the last available market price for each investment.

The Organization holds an investment in a partnership within Level 3. The fair value of the investment in the partnership is based on the Organization's ownership percentage of the partnership's net assets at the close of the last business day of the statement period.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

Operation Kindness
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

The Organization capitalizes all property and equipment with a cost greater than \$3,000 per unit. Property and equipment are recorded at cost or, if donated, at the estimated fair value on the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire or maintain property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Maintenance and repairs are charged to expense when incurred. Major improvements are capitalized.

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	3-39 years
Furniture and equipment	3-10 years
Vehicles	3-5 years
Software	3-5 years

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Organization, using its best estimates and projections, reviews the carrying value of long-lived identifiable assets to be held and used in the future for impairment. No long-lived assets were deemed to be impaired existed as of June 30, 2022 or 2021.

Contributions and contributions receivable, net

Contributions received are reported as net assets with or without donor restrictions, depending upon the presence or absence of donor restrictions, if any.

Contributions, including unconditional promises to give, are recognized as revenue in the period the promise is received. Contributions that are promised in one year but are not expected to be collected until after the end of that year, are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. Management has deemed that no allowance for doubtful contributions receivable was considered necessary at June 30, 2021.

Contributions from estate settlements represent contributions received from bequests made through a will that have been settled through probate and are considered unconditionally payable to the Organization. The Organization has received indications of gifts in the form of bequests and other planned giving instruments which are revocable during the donors' lifetime and through the settlement of the estate. Due to the uncertain nature of these intentions, the Organization has not recognized an asset or contribution revenue from these gifts.

Operation Kindness
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and contributions receivable, net (continued)

Capital campaign contributions represent contributions made by donors in order to help fund the Organization's capital campaign to expand and improve the Organization's facilities.

Conditional promises to give are not recognized until they become unconditional; that is when the barriers on which they depend are substantially overcome, and there is no longer a right of return of the asset or right of release from the obligation. There were no conditional promises to give as of June 30, 2022 or 2021.

Contributed goods and services

During the years ended June 30, 2022 and 2021, the Organization received \$176,715 and \$82,232, respectively, from items contributed and monetized through an auction. These amounts are reflected within event income in the accompanying statements of activities.

Contributed materials and equipment of \$103,130 and \$61,318 are reflected as contributions in the accompanying statements of activities for the years ended June 30, 2022 and 2021, respectively, at their estimated fair values at the date of receipt.

Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No material contributed services meeting the criteria described above were received during the years ended June 30, 2022 and 2021.

Revenue recognition

The Organization recognizes revenue from exchange transactions, primarily adoption income, as the goods or services are provided to the customer. Revenues from special events are recognized when the events are held. Investment income is recognized when earned.

Functional allocation of expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, all costs have been recorded based on the program or supporting services benefited. Depreciation and other occupancy expenses have been allocated based on a square footage study of the Organization. Salaries and related benefit costs are allocated based on the underlying department of the employees' position.

Operation Kindness
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Organization has evaluated its current tax positions and has concluded that as of June 30, 2022 and 2021, the Organization does not have any significant uncertain tax positions for which a reserve would be considered necessary.

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Uses of estimates include, but are not limited to, estimates of the values of in-kind contributions, the estimated useful lives of property and equipment and the allocation of expenses by function. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. Total net assets and change in net assets are unchanged due to these reclassifications.

Subsequent events

The Organization has evaluated subsequent events through January 19, 2023, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

Operation Kindness
Notes to Financial Statements
June 30, 2022 and 2021

3. LIQUIDITY AND FUNDS AVAILABLE

The following disclosure describes assets that are available or expected to be available within one year of June 30, 2022 to fund general expenditures and obligations as they become due:

Financial assets:

Cash and cash equivalents	\$ 1,949,373
Investments, at fair value	7,400,811
Cash restricted for acquisition of property and equipment	<u>199,864</u>
	<u>9,550,048</u>

Less amounts unavailable for general expenditure within one year due to:

Donor-restricted cash for acquisition of property and equipment	(92,172)
Board-designated cash restricted for acquisition of property and equipment	(107,692)
Other purpose restricted net assets	<u>(691,849)</u>
	<u>(891,713)</u>
	<u>\$ 8,658,335</u>

4. INVESTMENTS, AT FAIR VALUE

Investments consisted of the following:

	2022	2021
Cash and cash equivalents	\$ 1,474,400	\$ 6,223,675
Fixed income securities	5,920,925	98,084
Investment in partnership	<u>5,486</u>	<u>5,486</u>
	<u>\$ 7,400,811</u>	<u>\$ 6,327,245</u>

Operation Kindness
Notes to Financial Statements
June 30, 2022 and 2021

4. INVESTMENTS, AT FAIR VALUE (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Fair Value
Fixed income securities	\$ 5,920,925	\$ -	\$ -	\$ 5,920,925
Investment in partnership	-	-	5,486	5,486
	<u>\$ 5,920,925</u>	<u>\$ -</u>	<u>\$ 5,486</u>	5,926,411
Cash and cash equivalents				1,474,400
				<u>\$ 7,400,811</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Fair Value
Fixed income securities	\$ -	\$ 98,084	\$ -	\$ 98,084
Investment in partnership	-	-	5,486	5,486
	<u>\$ -</u>	<u>\$ 98,084</u>	<u>\$ 5,486</u>	103,570
Cash and cash equivalents				6,223,675
				<u>\$ 6,327,245</u>

5. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable restricted for acquisition of property and equipment, net consisted of the following:

	2022	2021
Receivables due in less than one year	\$ -	\$ 25,000
	-	25,000
Less: discounts to net present value	-	(25)
	<u>\$ -</u>	<u>\$ 24,975</u>

Contributions receivable were discounted using a floating rate based on the one-month London Interbank Offer Rate ("LIBOR") plus 1.75 percent as of the date of the contribution.

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6. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

	2022	2021
Land	\$ 213,596	\$ 213,596
Buildings and improvements	12,695,426	12,697,146
Furniture and equipment	1,029,166	1,040,394
Vehicles	235,011	228,616
Software	8,075	8,075
Construction in progress	64,732	-
	14,246,006	14,187,827
Less: accumulated depreciation	(2,806,415)	(2,169,180)
	\$ 11,439,591	\$ 12,018,647

Depreciation expense for the years ended June 30, 2022 and 2021, was \$668,522 and \$561,318, respectively.

7. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board has designated a capital reserve of \$107,692 and \$283,290 from net assets without donor restrictions as of June 30, 2022 and 2021, respectively.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2022	2021
Subject to the passage of time:		
Contributions receivable, net	\$ -	\$ 24,975
Subject to expenditure for specified purpose:		
Technology and capital improvements	92,172	39,076
Other program purpose restrictions	691,849	64,992
	784,021	104,068
	\$ 784,021	\$ 129,043

Net assets released from restriction during the year were as follows:

	2022	2021
Purpose and time restrictions achieved	\$ 873,683	\$ 490,284

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9. RETIREMENT PLAN

The Organization sponsors a defined contribution 403(b) retirement plan (the "Plan") covering part-time and full-time employees. Employees are eligible to participate in the Plan immediately upon employment. The Organization makes a matching contribution of up to 3 percent for participating employees who have been with the Organization for one year. The total contributions to the Plan by the the Organization were \$44,290 and \$38,977 for the years ended June 30, 2022 and 2021, respectively.

10. RISKS AND CONCENTRATIONS

Cash and cash equivalents potentially subject the Organization to concentrations of credit risk. The Organization maintains its cash and cash equivalents at institutions with demonstrated financial strength which, at times, exceeds federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Organization invests in fixed income securities and a partnership. These investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

One donor provided support to the Organization which equaled approximately 19% and 30% of total contribution revenue during the years ended June 30, 2022 and 2021, respectively.