

GEORGIA SHERIFFS' YOUTH HOMES FOUNDATION, INC.

MADISON, GEORGIA

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

GEORGIA SHERIFFS' YOUTH HOMES FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Officers
Georgia Sheriffs' Youth Homes Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Georgia Sheriffs' Youth Homes Foundation, Inc. (a Georgia nonprofit organization) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows and functional expenses for the year 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 Georgia Sheriffs' Youth Homes Foundation, 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.

Basis for Opinion

We conducted our audit 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 Georgia Sheriffs' Youth Homes Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 and events, considered in the aggregate, that raise substantial doubt about Georgia Sheriffs' Youth Homes Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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

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Robert D. Elliott, CPA • Kelly D. Lunceford, CPA • Robert C. Wynens, CPA
Zachary R. Richards, CPA • Yesenia Granados, CPA • Curtis G. Fowler, II, CPA, MBA, MACC

To the Board of Directors and Officers
Georgia Sheriffs' Youth Homes Foundation, Inc.

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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Georgia Sheriffs' Youth Homes Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Georgia Sheriffs' Youth Homes Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Georgia Sheriffs' Youth Homes Foundation, Inc.'s June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Fowler, Holley, Rambo & Stalvey, P.C.

Valdosta, Georgia
December 28, 2022

GEORGIA SHERIFFS' YOUTH HOMES FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

ASSETS

	<u>JUNE 30,</u>	
	<u>2022</u>	<u>2021</u>
Cash, Note 1	\$ 243,740	296,837
Cash-Tribute Fund, Note 1	152,250	148,977
Certificates of deposit, Notes 1 and 8	460,558	357,335
Investments, Notes 1, 2 and 8	15,287,249	18,361,184
Accounts receivable	2,450	16,638
Interest and other receivables	89,685	83,626
Prepaid expenses	17,400	9,982
Property and intangibles, net of accumulated depreciation and amortization, Notes 1 and 3	8,748,579	1,230,477
Other assets	135	966
	<u>25,002,046</u>	<u>20,506,022</u>
Total Assets	<u>\$ 25,002,046</u>	<u>20,506,022</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable, trade	\$ 784,214	22,674
Accounts payable, other, Note 5	4,336,414	1,967,686
Deferred revenue, Note 1	65	135
Accrued compensated absences, Note 1	34,054	29,007
Construction loan line of credit, Notes 3 and 12	4,666,613	-
	<u>9,821,360</u>	<u>2,019,502</u>
Total Liabilities	<u>9,821,360</u>	<u>2,019,502</u>
Net Assets:		
Without donor restrictions	10,367,197	13,726,087
With donor restrictions	4,813,489	4,760,433
Total Net Assets	<u>15,180,686</u>	<u>18,486,520</u>
Total Liabilities and Net Assets	<u>\$ 25,002,046</u>	<u>20,506,022</u>

Note: The accompanying notes to financial statements are an integral part of this statement.

GEORGIA SHERIFFS' YOUTH HOMES FOUNDATION, INC.

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL YEAR ENDED JUNE 30,	
			2022	2021
Revenues:				
Investment income	\$ 454,239	49,507	503,746	357,580
Gains (losses) on sales of investments	680,434	26,119	706,553	1,076,953
Unrealized gain (loss) on investments	(2,956,842)	(180,186)	(3,137,028)	2,373,748
Gains (losses) on sales of other property	18,813	-	18,813	(4,403)
Contributions and bequests-Foundation, Note 5	102,055	10,000	112,055	226,141
Contributions and bequests, Non-cash- Foundation	500	-	500	123,622
Contributions-Tribute Fund, Notes 5 and 10	-	120,686	120,686	140,844
Grant Income	1,314	-	1,314	1,564
Scholarships	-	5,400	5,400	-
Miscellaneous income	51	-	51	12,965
Total Revenues	<u>(1,699,436)</u>	<u>31,526</u>	<u>(1,667,910)</u>	<u>4,309,014</u>
Net assets released from restriction	<u>132,511</u>	<u>(132,511)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>(1,566,925)</u>	<u>(100,985)</u>	<u>(1,667,910)</u>	<u>4,309,014</u>
Expenses:				
Program Services:				
Program Services	<u>1,022,541</u>	<u>-</u>	<u>1,022,541</u>	<u>893,341</u>
Total Program Services Expenses	<u>1,022,541</u>	<u>-</u>	<u>1,022,541</u>	<u>893,341</u>
Supporting Services:				
Management and general	315,244	-	315,244	168,961
Fund raising	<u>300,139</u>	<u>-</u>	<u>300,139</u>	<u>266,557</u>
Total Supporting Services Expenses	<u>615,383</u>	<u>-</u>	<u>615,383</u>	<u>435,518</u>
Total Expenses	<u>1,637,924</u>	<u>-</u>	<u>1,637,924</u>	<u>1,328,859</u>
Change in Net Assets Before Transfers	(3,204,849)	(100,985)	(3,305,834)	2,980,155
Transfers Between Funds, Note 9	<u>(154,041)</u>	<u>154,041</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	(3,358,890)	53,056	(3,305,834)	2,980,155
Net Assets, Beginning of Year	<u>13,726,087</u>	<u>4,760,433</u>	<u>18,486,520</u>	<u>15,506,365</u>
Net Assets, End of Year	<u>\$ 10,367,197</u>	<u>4,813,489</u>	<u>15,180,686</u>	<u>18,486,520</u>

Note: The accompanying notes to financial statements are an integral part of this statement.

GEORGIA SHERIFFS' YOUTH HOMES FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	<u>YEAR ENDED JUNE 30,</u>	
	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Increase (Decrease) in net assets	\$ (3,305,834)	2,980,155
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	73,832	21,832
Amortization	5,767	-
(Gains) losses on sale of capital assets	(18,813)	4,403
Non-cash contributions	(500)	(123,622)
(Gains) losses on sale of investments	(706,553)	(1,076,953)
Unrealized (Gain) loss on investments	3,137,028	(2,373,748)
Change in operating assets and liabilities:		
(Increase) Decrease in accounts receivable	14,188	(11,247)
(Increase) Decrease in accrued interest and other receivables	(6,059)	16,668
(Increase) Decrease in prepaid expenses	(7,418)	(4,155)
(Increase) Decrease in other assets	831	-
Increase (Decrease) in other accounts payable	2,368,728	146,963
Increase (Decrease) in trade accounts payable	761,540	22,674
Increase (Decrease) in deferred revenue	(70)	80
Increase (Decrease) in accrued expenses	-	(1,110)
Increase (Decrease) in accrued compensated absences	5,047	(1,055)
Net Cash Provided (Used) By Operating Activities	<u>2,321,714</u>	<u>(399,115)</u>
Cash Flows From Investing Activities:		
Capital expenditures	(7,646,579)	(928,969)
Net proceeds from sale of capital assets	68,191	4,817
Purchase of securities	(2,232,964)	(949,345)
(Increase) Decrease in certificates of deposit	(103,223)	(7,475)
Net proceeds from sale of securities	<u>2,876,424</u>	<u>2,627,914</u>
Net Cash Provided (Used) By Investing Activities	<u>(7,038,151)</u>	<u>746,942</u>
Cash Flows From Financing Activities:		
Net proceeds from construction loan	<u>4,666,613</u>	-
Net Cash Provided (Used) By Financing Activities	<u>4,666,613</u>	-
Net Increase (Decrease) In Cash And Cash Equivalents	(49,824)	347,827
Cash And Cash Equivalents At Beginning of Year	<u>445,814</u>	<u>97,987</u>
Cash And Cash Equivalents At End of Year	<u>\$ 395,990</u>	<u>445,814</u>
<u>Disclosure of Non-Cash Investing and Financing Activities</u>		
Non-cash contributions of land, securities and other assets	<u>\$ 500</u>	<u>123,622</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Net cash paid during the year for interest (capitalized)	<u>\$ 38,269</u>	-

Note: The accompanying notes to financial statements are an integral part of this statement.

GEORGIA SHERIFFS' YOUTH HOMES FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	SUPPORTING SERVICES			TOTALS	
	PROGRAM SERVICES	MANAGEMENT	FUNDRAISING	YEAR ENDED JUNE 30,	
		AND GENERAL		2022	2021
Contribution to GSYH, Inc.	\$ 885,386	-	-	885,386	742,952
Salaries	-	-	183,797	183,797	167,003
Payroll taxes and retirement	-	-	38,422	38,422	37,083
Insurance	836	21,025	75,579	97,440	71,639
Postage	1,870	1,471	-	3,341	7,919
Telephone	3,043	1,021	-	4,064	4,712
Travel	-	74	1,243	1,317	9
Public relations	-	332	-	332	47
Dues and subscriptions	-	-	1,098	1,098	1,044
Special events	4,644	-	-	4,644	24,391
Professional services	-	8,733	-	8,733	2,017
Allowances	7,700	-	-	7,700	13,118
Hospital, drugs and medical	1,832	-	-	1,832	1,553
Clothing	4,464	-	-	4,464	2,731
Utilities	8,690	22,729	-	31,419	4,430
Vehicle operating costs	6,969	32,241	-	39,210	22,070
Fees, taxes and licenses	652	500	-	1,152	30
Food	7,693	-	-	7,693	9,967
Household items and fixtures	2,784	-	-	2,784	1,022
Bank charges	221	264	-	485	261
Advertising	-	-	-	-	30
Awards	-	-	-	-	50
Educational expense and tuition	14,479	-	-	14,479	31,128
Student housing and occupancy	58,529	-	-	58,529	29,361
Repairs maintenance-buildings	35	33,742	-	33,777	9,065
Personal care	539	-	-	539	519
Lawn care expense	-	7,415	-	7,415	135
Legal and auditing	-	58,215	-	58,215	59,681
Office supplies	-	771	-	771	1,140
Printing	4,924	5,539	-	10,463	8,935
Property taxes	-	9,479	-	9,479	6,261
Training and conferences	-	77	-	77	-
Computer expense	35	4,929	-	4,964	7,096
Investment fees	4,918	25,726	-	30,644	29,327
Rent	-	300	-	300	3,600
Credit card processing fees	1,113	156	-	1,269	2,227
Contributions to other organizations	-	-	-	-	2,488
Meetings	-	2,091	-	2,091	1,986
Amortization	-	5,767	-	5,767	-
Total Expenses Before Depreciation	1,021,356	242,597	300,139	1,564,092	1,307,027
Depreciation, Notes 1 and 3	1,185	72,647	-	73,832	21,832
	<u>\$ 1,022,541</u>	<u>315,244</u>	<u>300,139</u>	<u>1,637,924</u>	<u>1,328,859</u>

Note: The accompanying notes to financial statements are an integral part of this statement.

GEORGIA SHERIFFS' YOUTH HOMES FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Organization and nature of activities: Georgia Sheriffs' Youth Homes Foundation, Inc. (The Organization) is responsible for the management and investment of cash, securities and other assets which have been contributed to the Georgia Sheriffs' Youth Homes Foundation, Inc.

Cash and cash equivalents: The Organization considers funds held in money market investment accounts and other highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At June 30, 2022 and 2021, the Organization had \$1,956 and \$679, respectively, in cash equivalent assets included in cash.

Investments: In conformity with FASB ASC 958-320, all investments are carried at fair value based on quoted market values. Unrealized gains and losses on securities are recognized in the statement of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Cost of securities sold is determined by the specific identification method.

Property and intangibles, net of accumulated depreciation and amortization: Purchased property is recorded at cost. Donated property is reflected as contributions in the accompanying statements at their estimated values. Depreciation of property is computed on the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs, removals and betterments which do not materially prolong the useful lives of the assets are charged to revenues as incurred. The cost of property retired or sold, and the related accumulated depreciation, is removed from the accounts and any gain or loss is transferred to revenues. Intangible assets include amortizable fees associated with the new headquarters facility located in Madison, Georgia. These fees are being amortized over a period of twenty years.

Deferred revenue: The Organization had \$65 and \$135 for the years ended June 30, 2022 and 2021, respectively, related to deferred scholarship funds.

Compensated absences: Compensated absences are accrued as a liability as the benefits are earned if the employee's right to receive compensation are attributable to services already rendered and it is probable that the Organization will compensate employees for the benefits through paid time off or some other means. The Organization accrues a liability for unused leave when earned; however, upon termination of employment, the maximum amount of annual leave that can be paid is 30 days.

Cost allocation: The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Administrative and clerical services of the entity are performed by personnel of the Georgia Sheriffs' Youth Homes, Inc. All salaries allocated to the Foundation are reimbursed to Georgia Sheriffs' Youth Homes, Inc to cover the cost of payroll taxes, group insurance, retirement and other related costs. Substantially all other expenses incurred are directly chargeable to program or supporting function and are not allocated.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization did not have any outstanding uncollected contributions that were, in substance, unconditional. Also, the Organization had no donated services.

Note 1 – Summary of Significant Accounting Policies (Continued)

Financial statement presentation and accounting for contributions received and contributions made: The financial statement presentation is in conformity with the requirements of the Financial Accounting Standards Board in FASB ASC 958. Under FASB ASC 958, the Georgia Sheriffs' Youth Homes Foundation, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, include a statement of cash flows and a statement of function expenses. Under FASB ASC 958, contributions are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. FASB ASC 958 also addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Comparative data: Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Organization's financial position and operations. However, full comparative data for the prior year has not been included since such inclusion would make the financial statements unduly complex and difficult to read.

Concentrations of credit risk: At various times, the Organization has cash deposits in excess of federally insured limits deposited in financial institutions. The Organization has not experienced any losses from cash deposits exceeding federally insured limits.

Accounting for uncertainty in income taxes: The Organization evaluates any income tax benefits generated from uncertain tax positions using a more-likely-than-not of being sustained upon examination analysis. If a tax benefit is not more-likely-than-not of being sustained upon examination, the Organization records a liability for the recognized income tax benefit. The Organization recognizes accrued interest associated with uncertain tax positions as part of interest expense and penalties associated with uncertain tax positions as part of other expenses.

Reclassifications: Certain reclassifications of information presented for the year ended June 30, 2021 have been made to conform to the classifications for the year ended June 30, 2022, without affecting financial position, changes in net assets or cash flows.

New Accounting Standards Pending Implementation:

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842) (ASU 2016-02). The amendments in ASU 2016-02 create FASB ASC Topic 842, Leases and supersede the requirements in ASC Topic 840, Leases. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU, as extended, is effective for fiscal years beginning after December 15, 2021 and will be implemented during the year beginning July 1, 2022. Management does not expect it to have a material effect on the Organization's financial statements.

Note 2 – Investments

Investments consist of the following:

	JUNE 30, 2022			JUNE 30, 2021		
	COST	MARKET VALUE	UNREALIZED APPRECIATION (DEPRECIATION)	COST	MARKET VALUE	UNREALIZED APPRECIATION (DEPRECIATION)
Equity securities	\$ 814,311	965,551	151,240	813,793	1,010,386	196,593
Money and mutual funds	5,394,535	8,593,863	3,199,328	5,533,264	10,942,881	5,409,617
Fixed income securities	6,109,954	5,727,835	(382,119)	5,908,650	6,407,917	499,267
	<u>\$12,318,800</u>	<u>15,287,249</u>	<u>2,968,449</u>	<u>12,255,707</u>	<u>18,361,184</u>	<u>6,105,477</u>

Note 3 – Property and Intangibles, Net of Accumulated Depreciation and Amortization

Property and intangibles, net of accumulated depreciation and amortization, consists of the following:

	JUNE 30,		ESTIMATED USEFUL LIVES
	2022	2021	
Land	\$ 3,002,428	925,678	
Construction in progress	5,557,550	218,464	
Equipment	3,420	3,420	5 years
Vehicles and machinery	138,747	112,841	5 years
Other depreciable assets	31,755	22,448	7 years
Amortizable fees	125,835	-	20 years
	8,859,735	1,282,851	
Accumulated amortization	(5,767)	-	
Accumulated depreciation	(105,389)	(52,374)	
	<u>\$ 8,748,579</u>	<u>1,230,477</u>	

The accompanying statements of activities include charges for depreciation of \$73,832 and \$21,832 and charges for amortization of \$5,767 and \$0 for the years ended June 30, 2022 and 2021, respectively. The accompanying statements of financial position include construction-in-progress of \$5,557,550 and \$218,464 as of June 30, 2022 and 2021, respectively for costs associated with the construction of a new headquarters building. Capitalized interest costs of \$38,269 and \$0 are included in construction-in-progress costs as of as of June 30, 2022 and 2021, respectively. Total remaining estimated construction costs are approximately \$4,242,450. The Organization has acquired a Line of Credit to finance the construction of a new headquarters facility in Madison, GA. The balance of the Line of Credit is \$4,666,613 and \$0 as of June 30, 2022 and 2021, respectively. The project was completed in November 2022.

Note 4 – Income Taxes

Income taxes have not been provided as the Organization is a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code. For the year ended June 30, 2022, management believes there are no material amounts of uncertain tax positions. Additionally, there were no amounts of interest or penalties recognized in the statement of financial position as of June 30, 2022 or the statement of activities for the year then ended. Further, all years subsequent to June 30, 2019 remain subject to examination.

Note 5 – Related Party Transactions

The Georgia Sheriffs' Youth Homes Foundation, Inc. is a supporting organization of the Georgia Sheriffs' Youth Homes, Inc.

The Georgia Sheriffs' Youth Homes, Inc. made contributions of cash in the amount of \$65,725 and \$117,407 to the Georgia Sheriffs' Youth Homes Foundation, Inc. during the years ended June 30, 2022 and 2021, respectively. The current-year and prior-year amounts were contributions of PPP Loan forgiveness proceeds from the Georgia Sheriffs' Youth Homes, Inc.

During the years ended June 30, 2022 and 2021, Georgia Sheriffs' Youth Homes Foundation, Inc. paid or accrued contribution support for the activities of the Georgia Sheriffs' Youth Homes, Inc. of \$885,386 and \$742,952, respectively.

As of June 30, 2022 and 2021, Georgia Sheriffs' Youth Homes Foundation, Inc. owes \$2,236,237 and \$1,966,881, respectively, to Georgia Sheriffs' Youth Homes, Inc. for accrued support and expense reimbursements.

As of June 30, 2022 and 2021, Georgia Sheriffs' Youth Homes Foundation, Inc. had accounts payable to the Georgia Sheriffs' Association, Inc. of \$167 and of \$265, respectively.

During the years ended June 30, 2022 and 2021, Georgia Sheriffs' Youth Homes Foundation, Inc. collected rental income of \$41,802 and \$0, respectively from the Georgia Sheriffs' Youth Homes, Inc. and \$45,246 and \$0, respectively from the Georgia Sheriffs' Association, Inc. for tenant occupancy purposes.

As of June 30, 2022 and 2021, Georgia Sheriffs' Youth Homes Foundation, Inc. had notes payable to the Georgia Sheriffs' Youth Homes, Inc. of \$1,113,005 and \$0, respectively and to the Georgia Sheriffs' Association, Inc. of \$987,005 and \$0, respectively. The notes payable are consideration and related to the disposition and sale of the McDonough, Georgia Headquarters location to the Georgia Sheriffs' Youth Homes Foundation, Inc. The notes payable are expected to be paid off upon the sale of the McDonough, Georgia Headquarters to an outside, unrelated party.

Note 6 – Restrictions on Net Assets

Net assets with donor restrictions are available for the following purposes:

	JUNE 30,	
	2022	2021
With donor restrictions:		
Restricted by the donor to support the activities of the Georgia Sheriffs' Youth Homes, Inc.	\$ 2,063,641	2,012,913
Permanently restricted education endowment	375,000	375,000
Restricted by the donor, the income from which is expendable to support the activities of the Georgia Sheriffs' Youth Homes, Inc.	2,374,848	2,372,520
	<u>\$ 4,813,489</u>	<u>4,760,433</u>

Note 6 – Restrictions on Net Assets (Continued)

In August 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 958-205 (formerly Staff Position No. FAS 117-1, “Endowments of Not-for-Profit Foundations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds”). FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of fair value of the original gift as of the gift date if the donor-restricted endowment funds do not include explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. The Organization engages the services of professional investment advisors to assist in monitoring compliance with its policies in this area.

Spending Policy. The current spending policy is based upon an allocation of 100% of the realized and unrealized income earned as available for current and future expenditures, except where restricted by the donor. However, spending is limited to reasonable and necessary expenses for management, general and fundraising and a contribution to the Georgia Sheriffs’ Youth Homes, Inc. of 5% of the net assets of the Organization as of the beginning of the year.

Management, Reporting and Monitoring. Endowment and other funds are managed by the Organization through management and the Board of Directors with the assistance of professional investment advisors. Investment results are compared to certain predetermined benchmarks.

Note 7 – Retirement Plan

The Organization participates with the Georgia Sheriffs’ Youth Homes, Inc. in a defined contribution employee benefit plan that has money purchase and 401(k) components. The Organization makes matching contributions to the individual account of each eligible participant equal to 100 percent of the amount of the employee’s elective deferrals that do not exceed three percent of compensation, plus 50 percent of the amount of the employee’s elective deferrals that exceed three percent of the employee’s compensation but do not exceed five percent of the employee’s compensation. In addition, the Organization may elect to make additional discretionary contributions to the Plan on an annual basis, but is not required to do so. The Organization made contributions to the plan totaling \$26,921 and \$25,631 for the years ended June 30, 2022 and 2021, respectively.

Note 8 – Fair Value Measurements

Generally accepted accounting principles define fair value, establishes a framework for measuring fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Organization’s own data.)

The following table presents the Organization’s fair value hierarchy for the financial assets measured at fair value on a recurring basis as of June 30, 2022 and 2021:

	<u>ASSETS AT FAIR VALUE JUNE 30, 2022</u>			
	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Mutual Funds:				
Balanced funds	\$ 767,157	-	-	767,157
Blended funds	3,989,345	-	-	3,989,345
Growth funds	3,643,598	-	-	3,643,598
Fixed income funds	5,724,342	-	-	5,724,342
Certificates of deposit	-	460,558	-	460,558
Other funds	197,255	-	-	197,255
Total mutual funds	<u>14,321,697</u>	<u>460,558</u>	<u>-</u>	<u>14,782,255</u>
Equity Securities:				
Common Stocks:				
Consumer	434,723	-	-	434,723
Energy	38,280	-	-	38,280
Finance-Banking	88,899	-	-	88,899
Healthcare-Biotechnology	202,801	-	-	202,801
Industrial	95,678	-	-	95,678
Technology	55,621	-	-	55,621
Telecommunications	8,861	-	-	8,861
Transportation	40,689	-	-	40,689
Total common stocks	<u>965,552</u>	<u>-</u>	<u>-</u>	<u>965,552</u>
Total assets at fair value	<u>\$ 15,287,249</u>	<u>460,558</u>	<u>-</u>	<u>15,747,807</u>

Note 8 – Fair Value Measurements (Continued)

	ASSETS AT FAIR VALUE JUNE 30, 2021			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Mutual Funds:				
Balanced funds	\$ 933,337	-	-	933,337
Blended funds	4,840,040	-	-	4,840,040
Growth funds	4,999,141	-	-	4,999,141
Fixed income funds	6,407,917	-	-	6,407,917
Certificates of deposit	-	357,335	-	357,335
Other funds	170,363	-	-	170,363
Total mutual funds	17,350,798	357,335	-	17,708,133
Equity Securities:				
Common Stocks:				
Consumer	408,654	-	-	408,654
Energy	35,875	-	-	35,875
Finance-Banking	118,630	-	-	118,630
Healthcare-Biotechnology	93,040	-	-	93,040
Industrial	202,131	-	-	202,131
Technology	45,363	-	-	45,363
Telecommunications	12,320	-	-	12,320
Transportation	94,373	-	-	94,373
Total common stocks	1,010,386	-	-	1,010,386
Total assets at fair value	\$ 18,361,184	357,335	-	18,718,519

Note 9 – Transfers between Net Asset Classifications

Transfers between net asset classifications consist of the following:

	YEAR ENDED JUNE 30,	
	2022	2021
Transfer from (to) net assets without donor restrictions	\$ 154,041	2,760
Transfer (to) from net net assets with donor restrictions	(154,041)	(2,760)
Net transfers between funds	\$ -	-

Transfers between funds occur when net assets are released from donor restrictions.

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Note 10 – College Tribute Fund

Activity in the College Tribute Fund consists of the following:

	<u>YEAR ENDED JUNE 30,</u>	
	<u>2022</u>	<u>2021</u>
Net assets beginning of year	\$ 778,805	647,327
Contributions-Other	120,686	140,844
Scholarships	5,400	-
Grant Income	1,314	-
Refunds and Reimbursements	26	1,071
Investment Income	16,618	11,289
Unrealized Gain (Loss)	(119,036)	66,291
Gain (Loss) on Disposal	21,805	38,316
Expenses	<u>(132,511)</u>	<u>(126,333)</u>
 Net assets end of year	 <u>\$ 693,107</u>	 <u>778,805</u>

Note 11 – Liquidity and Availability of Financial Assets

The following represents the Organization’s financial assets as of June 30, 2022, reduced by amounts not available for general use because of contractual, donor-imposed or Board designated restrictions within one year of the statement of financial position date:

Financial assets at year end:

Cash and certificates of deposit	\$ 856,548
Investments	15,287,249
Accounts receivable	2,450
Interest and other receivables	<u>89,685</u>
	<u>16,235,932</u>

Less amounts not available to be used within one year, due to:

Accounts payable - related entities	4,336,414
Net assets with donor restrictions	4,813,489
Less net assets with purpose restrictions expected to be met in less than a year	<u>-</u>
	<u>9,149,903</u>

Financial assets available to meet cash needs for general expenditures within one year

\$ 7,086,029

The Organization engages the services of investment advisors and money managers to ensure that assets are invested for a reasonable return. These professionals in consultation with management plan the composition of investment assets such as to provide sufficient liquidity for operating purposes.

Note 12 – Construction Loan Line of Credit

As of August 1, 2021, the Georgia Sheriffs' Youth Homes Foundation, Inc. (the "Borrower"), entered into a Loan Agreement with the Development Authority of Morgan County, Georgia ("the Issuer"). The Borrower requested that the Issuer issue a Series 2021 Bond (the "Bond") in the principal face amount of \$10,000,000 for the purpose of financing the costs of a new headquarters facility in Morgan County, Georgia for the Borrower and related entities and paying the costs of issuing the Bond. Morris Bank, located in Houston County, Georgia, purchased the bond issuance and financed the Loan. The Facility will be financed for up to 20 years at a rate of 2.95%, with an approximate mortgage payment of \$50,000 per month. The Georgia Sheriffs' Youth Homes Foundation is the borrower of record, with the Georgia Sheriffs' Youth Homes, Inc. being the loan guarantor. Loan collateral is to include the current headquarters location and projected sales proceeds as well as the new headquarters building. Land was purchased at the proposed location of Madison, Georgia on December 29, 2020, in the amount of \$784,370. Construction-in-process amounts were \$5,557,550 on June 30, 2022. The Construction Loan payable balance on June 30, 2022 to Morris Bank was \$4,666,613. The Loan will begin normal amortization when the construction project is completed. In addition to the Georgia Sheriffs' Youth Homes Foundation, Inc. and the Georgia Sheriffs' Youth Homes, Inc., the Georgia Sheriffs' Association, Inc. and the Sheriffs' Retirement Fund of Georgia each will contribute their equitable share of costs associated with the construction, operations and maintenance of the facility as tenants. The construction of the new headquarters was completed in November 2022.

Note 13 – Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 28, 2022, the date on which the financial statements were available to be issued.

Beginning around March 2020, the COVID-19 was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries was severely impacted for months as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Although significantly reduced, the COVID-19 pandemic continues to be a concern worldwide. Management of the Organization is continuing to carefully monitor the ongoing situation and evaluating the necessary responses as issues arise. A Paycheck Protection (PPP) Loan of \$784,600 was received by Georgia Sheriffs' Youth Homes, Inc., a related entity, on April 29, 2020 to assist each of the related Organizations with maintaining their level of employment during the pandemic. The PPP Loan and accrued interest of \$789,188 was forgiven on December 2, 2020. On April 11, 2021, the Organization acquired an additional Paycheck Protection (PPP2) Loan of \$789,700 to continue assisting each of the related Organizations with maintaining their level of employment during the pandemic. The PPP2 Loan was forgiven in November 2021 and the Organization received \$65,725 in contribution proceeds from the Georgia Sheriffs' Youth Homes, Inc. as a result of the extinguishment of debt.