

VALERIE'S HOUSE, INC.

**FINANCIAL STATEMENTS TOGETHER WITH
REPORT OF INDEPENDENT AUDITOR**

**Year Ended
December 31, 2022**

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American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Valerie's House, Inc.
1762 Fowler Street
Fort Myers, FL 33901

Opinion

We have audited the accompanying financial statements of Valerie's House, Inc. (a Florida not-for-profit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of Valerie's House, Inc. as of December 31, 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.

Matter of Emphasis

During the year ended December 31, 2022, Valerie's House, Inc. implemented FASB ASU 2016-02 "Leases" (Topic 842) as further described in NOTE H. The prior year net assets were not required to be restated.

Basis for Opinion

We conducted our audit in accordance with the 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 Valerie's House, 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.

Management's Responsibilities 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

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

Board of Directors
Valerie's House, Inc.
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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.

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
August 8, 2023

VALERIE'S HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2022

| ASSETS | <u>Amount</u> |
|--|---------------------|
| CURRENT ASSETS | |
| Cash and cash equivalents (including restricted cash of \$1,880,587) | \$ 3,888,530 |
| Conditional contribution receivable, current portion (restricted) | 100,000 |
| Contribution receivables, current portion (restricted) | 127,050 |
| Other receivables | 575,935 |
| Security deposit | 6,565 |
| Prepaid expenses | <u>25,883</u> |
| TOTAL CURRENT ASSETS | 4,723,963 |
| CONDITIONAL CONTRIBUTION REC., NET (RESTRICTED) | 269,498 |
| CONTRIBUTIONS RECEIVABLE., NET (RESTRICTED) | 142,093 |
| OPERATING LEASE - RIGHT OF USE ASSET (ROU) | 167,983 |
| PROPERTY AND EQUIPMENT, NET | 485,423 |
| CONSTRUCTION IN PROGRESS | <u>468,872</u> |
| TOTAL ASSETS | <u>\$ 6,257,832</u> |
| LIABILITIES AND NET ASSETS | |
| CURRENT LIABILITIES | |
| Accounts payable | \$ 170,526 |
| Accrued liabilities | 28,421 |
| Compensated absences | <u>28,627</u> |
| TOTAL CURRENT LIABILITIES | 227,574 |
| OPERATING LEASE LIABILITY (ROU) | 167,983 |
| COMMITMENTS AND CONTINGENCIES | <u>-</u> |
| TOTAL LIABILITIES | <u>395,557</u> |
| NET ASSETS | |
| Without donor restrictions | 3,343,047 |
| With donor restrictions | |
| Temporarily restricted | 2,519,228 |
| Permanently restricted | <u>-</u> |
| TOTAL NET ASSETS | <u>5,862,275</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 6,257,832</u> |

The accompanying notes are an integral part of this statement.

VALERIE'S HOUSE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | | Total |
|---|----------------------------------|----------------------------|--------------------|----------------------------|
| | | Temporary | Permanent | |
| CHANGES IN NET ASSETS | | | | |
| PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS | | | | |
| Special events and fundraising | \$ 504,855 | \$ 569,058 | \$ - | \$ 1,073,913 |
| Less: direct cost of benefits to donors | <u>(48,926)</u> | <u>(21,956)</u> | <u>-</u> | <u>(70,882)</u> |
| Net proceeds from special events and fundraising | 455,929 | 547,102 | - | 1,003,031 |
| Contributions and other grants | 1,512,662 | 661,497 | - | 2,174,159 |
| United Way | - | 58,238 | - | 58,238 |
| Lee County Partnering for Results | - | 140,449 | - | 140,449 |
| In-kind donations | 517,025 | - | - | 517,025 |
| Investment and other income | <u>350,198</u> | <u>7,181</u> | <u>-</u> | <u>357,379</u> |
| TOTAL PUBLIC SUPPORT AND REVENUES | 2,835,814 | 1,414,467 | - | 4,250,281 |
| Net assets released from restrictions: | | | | |
| Satisfaction of program restrictions | <u>568,657</u> | <u>(568,657)</u> | <u>-</u> | <u>-</u> |
| TOTAL PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS | <u>3,404,471</u> | <u>845,810</u> | <u>-</u> | <u>4,250,281</u> |
| EXPENSES | | | | |
| Program services | 1,673,615 | - | - | 1,673,615 |
| General and administrative | 155,615 | - | - | 155,615 |
| Fundraising | <u>168,794</u> | <u>-</u> | <u>-</u> | <u>168,794</u> |
| TOTAL EXPENSES | <u>1,998,024</u> | <u>-</u> | <u>-</u> | <u>1,998,024</u> |
| INCREASE (DECREASE) IN NET ASSETS | 1,406,447 | 845,810 | - | 2,252,257 |
| NET ASSETS, BEGINNING OF YEAR | <u>1,936,600</u> | <u>1,673,418</u> | <u>-</u> | <u>3,610,018</u> |
| NET ASSETS, END OF YEAR | <u>\$ 3,343,047</u> | <u>\$ 2,519,228</u> | <u>\$ -</u> | <u>\$ 5,862,275</u> |

The accompanying notes are an integral part of this statement.

VALERIE'S HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

| | Supporting Services | | | Total Supporting Services | Total |
|---------------------------------------|---------------------|-------------------------------|-------------------|---------------------------------|---------------------|
| | Program Services | General and Administrative | Fundraising | | |
| Salaries | \$ 870,223 | \$ 84,900 | \$ 106,125 | \$ 191,025 | \$ 1,061,248 |
| Taxes and benefits | <u>131,196</u> | <u>12,800</u> | <u>16,000</u> | <u>28,800</u> | <u>159,996</u> |
| Total salaries and related expenses | 1,001,419 | 97,700 | 122,125 | 219,825 | 1,221,244 |
| Advertising and communications | 30,998 | - | 7,750 | 7,750 | 38,748 |
| Capital campaign | - | 32,732 | - | 32,732 | 32,732 |
| Depreciation | - | - | - | - | - |
| Dues and subscriptions | 9,281 | - | - | - | 9,281 |
| Fundraising | - | - | 29,720 | 29,720 | 29,720 |
| Insurance | 25,128 | 2,792 | - | 2,792 | 27,920 |
| Information technology | 46,205 | - | - | - | 46,205 |
| Office expense | 8,138 | 7,721 | 75 | 7,796 | 15,934 |
| Professional fees | 58,680 | 14,670 | - | 14,670 | 73,350 |
| Program expenses | 268,889 | - | - | - | 268,889 |
| Program subcontract labor | 33,776 | - | - | - | 33,776 |
| Rent expense | 86,316 | - | - | - | 86,316 |
| Repairs and maintenance | 31,934 | - | - | - | 31,934 |
| Shipping and postage | 21,290 | - | 9,124 | 9,124 | 30,414 |
| Training, development and conferences | 26,477 | - | - | - | 26,477 |
| Utilities | <u>25,084</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,084</u> |
| Total expenses | <u>\$ 1,673,615</u> | <u>\$ 155,615</u> | <u>\$ 168,794</u> | <u>\$ 324,409</u> | <u>\$ 1,998,024</u> |

The accompanying notes are an integral part of this statement.

VALERIE'S HOUSE, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

| | <u>Amount</u> |
|--|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from donors and other operating activities | \$ 3,258,972 |
| Cash paid to suppliers and employees | (1,896,036) |
| Interest received | <u>17,472</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>1,380,408</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from sale of equipment | - |
| Purchases of property and equipment | <u>(358,872)</u> |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | <u>(358,872)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Proceeds from PPP loan | <u>-</u> |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | <u>-</u> |
| Net increase in cash and cash equivalents | 1,021,536 |
| CASH AND CASH EQUIVALENTS - BEGINNING | <u>2,866,994</u> |
| CASH AND CASH EQUIVALENTS - ENDING | <u><u>\$ 3,888,530</u></u> |

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

| | <u>Amount</u> |
|--|---------------------|
| Increase (decrease) in Net Assets | \$ 2,252,257 |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided By (Used In) Operating Activities | |
| Depreciation | - |
| In-kind contributions - Pensacola building and land | (485,423) |
| (Increase) decrease in conditional contribution receivable | 100,000 |
| Increase (decrease) in discount on contributions receivable (amortization) | 27,229 |
| Increase (decrease) in contributions receivable | (311,150) |
| (Increase) decrease in other receivables | (366,184) |
| (Increase) decrease in security deposit | (565) |
| (Increase) decrease in prepaid expenses | (8,626) |
| Increase (decrease) in accounts payable | 149,704 |
| Increase (decrease) in accrued liabilities | 10,616 |
| Increase (decrease) in compensated absences | <u>12,550</u> |
| TOTAL ADJUSTMENTS | <u>(871,849)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ 1,380,408</u> |

NON-CASH TRANSACTIONS

Non-cash operating activities have been eliminated and include the following for the year ended December 31, 2022:

| | <u>Support and Revenues</u> | <u>Expenses</u> |
|--|---------------------------------|------------------|
| Donated building (Pensacola building and land) | \$ 485,423 | \$ - |
| Donated program supplies | 16,937 | 16,937 |
| Donated services | <u>14,665</u> | <u>14,665</u> |
| | <u>\$ 517,025</u> | <u>\$ 31,602</u> |

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and description of activities

Valerie's House, Inc. (the "Organization" or "Valerie's House") was established on April 5, 2015 under the laws of Florida as a not-for-profit organization for grieving children in Florida. The mission of Valerie's House is to help children and families work through the loss of a loved one together and go on to live fulfilling lives. Valerie's House has locations in Fort Myers, Naples, Punta Gorda, Port Charlotte, and a new location in Pensacola opened on April 20, 2021.

Valerie's House is a place for children to connect with one another and learn the tools to heal after they have experienced the death of a loved one and learn that their loss doesn't have to limit their dreams. The vision of the Valerie's House is that no child will grieve alone.

Valerie's House provides programs designed to give children and families a safe place to share, grieve, and grow. Valerie's House also supports parents and caregivers as they cope with the loss of a spouse or child. Programs at Valerie's House include open-ended peer support groups and activities to help children to heal after a significant loss in their life. While it is not a formal counseling center, Valerie's House provides a community and a platform for individuals to come together, share and mentor one another through grief, and create supportive bonds they can take into their futures. Programs are provided at no cost to the families.

Basis of accounting

The accounting and reporting policies of the Organization conform to accounting principles generally accepted in the United States of America and are in accordance with the audit guide issued by the American Institute of Certified Public Accountants, "Not-for-Profit Organizations" and ASU 2016-14 and the accounting standards issued by the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC).

The Organization prepares its financial statements on the accrual basis of accounting. Grant revenues are recorded as support when performance occurs under the terms of the specific grant agreement. Grant revenue includes all resources received from another entity in accordance with an entitlement or grant document.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Financial statement presentation

The financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

The Organization reports its contributions in accordance with FASB ASC 958-605. In accordance with FASB ASC 958-605, contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Under FASB ASC 958-605, such contributions are required to be reported as contributions with donor restrictions and are then reclassified to net assets without donor restrictions upon expiration of the time restriction or compliance with the purpose restriction.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, the Organization considers all undesignated, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions receivable

Contributions receivable are conditional promises to give, with donor restrictions, that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and equipment

The Organization's policy is to capitalize assets with a cost of \$3,000 or more and a useful life greater than one (1) year. Property and equipment is recorded at cost, except for donated items (used in operations of the Organization) which are recorded at fair market value as of the date received. Assets are depreciated using the straight-line method over their respective estimated lives, as follows:

| <u>Fixed Asset Category</u> | <u>Useful Lives</u> |
|-----------------------------|---------------------|
| Building and improvements | 5-39 years |
| Furniture and equipment | 3-5 years |

Advertising costs

The Organization's policy is to expense advertising costs as such costs are incurred.

Compensated absences

Valerie's House accumulates and records a contingent liability for compensated absences accrued by employees. Upon termination of employment, employees can receive payment for vacation leave up to 160 hours if they meet certain criteria. Unused vacation leave and related employer costs as of December 31, 2022 have been accrued and recorded as a liability.

Fair value of financial instruments

The FASB ASC Topic "Financial Instruments" clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Valerie's House's financial instruments consist of cash and cash equivalents, receivables, payables, and accrued liabilities. Valerie's House estimates that the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying Statement of Financial Position due to their short term nature.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair value of financial instruments, continued

Valerie's House adheres to the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10-50-1 through 820-10-50-8 (formerly Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements"). FASB ASC 820-10 established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level (1) inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level (2) inputs are from other than quoted market prices included in Level (1) that are observable for the asset or liability either directly or indirectly. These inputs include quoted market prices in active markets for similar assets. Level (3) inputs have the lowest priority and consist of unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. Valerie's House uses appropriate valuation techniques based on the available inputs to measure fair value of its investments. When available, Valerie's House measures fair value using Level (1) inputs because they generally provide the most reliable evidence of fair value. No Level (1), Level (2) or Level (3) inputs were used by Valerie's House at December 31, 2022.

Assets and liabilities such as cash, receivables, payable and accrued liabilities are recorded at cost which approximate fair value due to the short term nature of the assets and liabilities.

Impairment of fixed assets

The Organization adheres to FASB ASC 360-10-50-2 (formerly SFAS No. 144), "Accounting for the Impairment or Disposal of Long-Lived Assets." FASB ASC 360-10-50-2 requires, among other things, that entities identify events or changes in circumstances which indicate that the carrying amount of an asset may not be recoverable.

There was no effect on the Organization's financial statements resulting from FASB ASC 360-10-50-2 for the year ended December 31, 2022.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributions

In order to observe restrictions which donors place on grants and other gifts, as well as designations made by the Board of Directors, all assets, liabilities and activities are accounted for in the following net asset classifications:

Net Assets Without Donor Restrictions - not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions - subject to donor-imposed stipulations that they be retained and invested permanently by the Organization or temporary stipulations that may be fulfilled by actions of the Organization to meet the stipulations or become unrestricted at the date specified by the donor.

Donated services

A number of volunteers, including the Board of Directors, have donated significant amounts of their time and expertise to the Organization's programs and supporting services. No amount has been reflected in the financial statements for these donated services, inasmuch as no objective basis is available to measure the value of such services.

Volunteer Services: Volunteers are a vital part of the success of the programs at Valerie's House, Inc. For the year ended December 31, 2022, there were 118 volunteers who collectively provided 3,311 hours. These in-kind services have not been valued or recorded in these financial statements in accordance with generally accepted accounting standards.

The Organization was provided common-area meeting space to conduct support groups and activities at their Punta Gorda, Port Charlotte and Pensacola locations at no cost. No amounts for rent and related facility use benefits have been recorded by the Organization as no reasonable basis to do so has been determined.

In-Kind Contributions

In-kind contributions are recorded in the accompanying financial statements at their value on the date of the receipt. Contributions of services are recognized only if

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

In-Kind Contributions, continued

services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by the individuals possessing those skills, and would typically be purchased if not provided by donation.

The Organization received various in-kind contributions in the amount of \$517,025 for program supplies, services, and a house. The total of all in-kind donations has been recorded as both a revenue and increase to program supplies, various services, and buildings and land (Pensacola location).

Revenue recognition

Revenue from Exchange Transactions: The Organization recognizes revenue from these types of transactions in accordance with FASB Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Organization records the following exchange transaction revenue in its statement of activities for the year ended December 31, 2022:

Special Event Revenue - The Organization conducts special events in which a portion of the proceeds paid by a donor represents payment for the direct cost of the benefits received by the donor at the event - the exchange component, and a portion represents a contribution to the Organization. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of the benefit is measured at cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the benefit received by the donor. The direct costs of the special event are recorded as direct donor benefits in the statement of activities. The performance obligation is the delivery of the event. The event fee is set by the Organization. FASB ASU 2014-09 requires the Organization allocate the transaction price to the performance obligations. As such, the Organization presents the exchange and contribution components of the gross proceeds from special events. For special event fees received before year-end for an event that will occur after year-end, the Organization follows

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenue recognition, continued

AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as unearned revenue along with the exchange component.

Revenue from Non-Exchange Transactions: The Organization recognizes revenue from these types of transactions in accordance with FASB ASU 2018-08, clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 applies to non-exchanged transactions. The Organization records the following non-exchange transaction revenue in its statement of activities for the years ended December 31, 2022:

Contributions and other grants - Revenue from contributions is recognized at the time the contribution is made. Revenue from grants is recognized as reimbursements are requested and barriers are met.

All grantor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Contributions with donor restrictions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Functional Expenses/Cost Allocation

The cost of providing the various programs and other activities has been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses reports 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. The expenses that are allocated include compensation, related benefits and workers compensation insurance which are allocated on the basis of estimates of time and effort. The remaining expenses were specifically identified according to their purpose and charged directly to program or supporting services according to their natural expenditure classification.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income taxes

No provision for income tax expense has been made in the accompanying financial statements since the Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3). In addition, the Organization is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. Management believes the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax. The Organization's income tax returns for the past three years are open and subject to examination by tax authorities, and may change upon examination. The Organization reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities.

Accounting for Uncertainty in Income Tax Items

The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes and the Organization has adopted this guidance. The Organization has evaluated its tax provision and any estimates utilized in its tax returns, and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expenses, if required.

Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Subsequent events

Subsequent events have been evaluated through August 8, 2023, which is the date the financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2022:

| | <u>Amount</u> |
|---------------------|---------------------|
| Depository accounts | <u>\$ 3,888,530</u> |

At December 31, 2022, capital campaign for a new facility - restricted cash balance was \$1,725,961, \$132,526 for Family Initiatives and \$22,100 for future Endowment totalling \$1,880,587 and is reflected as net assets with donor restrictions.

Concentration of credit risk

The Organization maintains its cash and cash equivalent balances at a financial institution which at times may exceed federally insured limits. The cash and cash equivalents are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured bank balance as of December 31, 2022 was \$3,306,903. The Organization has not experienced any economic losses on such account. The Organization believes it is not exposed to any significant credit risk regarding its cash balances.

NOTE C - CONDITIONAL CONTRIBUTION RECEIVABLE

During the year ended December 31, 2021, the Organization received a conditional promise to give in exchange for the permanent naming of one room in the Valerie's House planned new facility. The Organization met the condition of the pledge by raising an additional \$500,000 toward the construction of the new facility. The receivable is valued at net present value using a discount rate of 3.25%. The Organization collected \$100,000 of the promise to give during the year ended December 31, 2022. Management believes the receivable is fully collectible.

Contributions receivable at December 31, 2022, are due as follows:

| <u>Years ending December 31:</u> | <u>Amount</u> |
|----------------------------------|-------------------|
| 2023 | \$ 100,000 |
| 2024 | 100,000 |
| 2025 | 100,000 |
| 2026 | <u>100,000</u> |
| | 400,000 |
| Less: unamortized discount | <u>(30,502)</u> |
| Net contributions receivable | <u>\$ 369,498</u> |

NOTE C - CONDITIONAL CONTRIBUTIONS RECEIVABLE, CONTINUED

Accumulated discount amortization was \$14,778 at December 31, 2022. Discount amortization was \$14,778 for the year ended December 31, 2022 and is credited to contributions revenue.

NOTE D - CONTRIBUTIONS RECEIVABLE

During the year ended December 31, 2022, the Organization received various contributions of \$402,000 that are restricted for the capital campaign project. The receivables are valued at net present value using a discount rate of 7.50%. The Organization collected \$90,850 of the pledges during the year ended December 31, 2022. Management believes the receivables are fully collectible.

Contributions receivable - restricted at December 31, 2022, are due as follows:

| <u>Years ending December 31:</u> | <u>Amount</u> |
|----------------------------------|-------------------------|
| 2023 | \$127,050 |
| 2024 | 88,100 |
| 2025 | 50,500 |
| 2026 | 45,500 |
| | <u>311,150</u> |
| Less: unamortized discount | <u>(42,007)</u> |
| Net contributions receivable | <u><u>\$269,143</u></u> |

The initial discount was \$42,007 for the year ended December 31, 2022. Accumulated discount amortization was \$ 0 at December 31, 2022. Discount amortization was \$0 for the year ended December 31, 2022.

NOTE E - OTHER RECEIVABLES

During the year ended December 31, 2022, the Organization had other receivables consisting of \$188,004 in donations, \$48,051 in grants, and \$339,880 in Employee Retention Tax Credit totalling \$575,935.

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at December 31, 2022:

| | <u>Amount</u> |
|---------------------------------------|-------------------|
| Land | \$ 103,350 |
| Building | 382,073 |
| Building improvements | - |
| Furniture | - |
| | <u>485,423</u> |
| Less: accumulated depreciation | - |
| Property and equipment, net | <u>\$ 485,423</u> |
| | |
| Construction in progress - Fort Myers | <u>\$ 468,872</u> |

Depreciation expense for the year ended December 31, 2022, was \$0.

The Organization received a parcel of land and building in Pensacola on December 15, 2022. The Organization intends to use the building for operations. It was not in service at December 31, 2022 and therefore, not depreciated for the year then ended.

The Organization began construction on its new Fort Myers location during the year ended December 31, 2022 on the land leased from the City of Fort Myers.

Construction is anticipated to be completed in the fall of 2023. At December 31, 2022 remaining construction cost is anticipated to be approximately \$580,000. Management believes the remaining restricted funds for construction to be sufficient to pay for the remaining construction costs.

NOTE G - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general use because of contractual donor-imposed restrictions within one year.

| | <u>Amount</u> |
|--|---------------------|
| Total current assets | \$ 4,723,963 |
| Less: security deposits | (6,565) |
| Less: prepaid expenses | <u>(25,883)</u> |
| Financial assets at year-end | 4,691,515 |
| Less: those unavailable for general expenditures within one year due to: | |
| Donor restricted for capital campaign - restricted cash | (1,725,961) |
| Donor restricted for family assistance - restricted cash | (132,526) |
| Future donor restricted endowment - restricted cash | (22,100) |
| Conditional contribution receivable - restricted | (100,000) |
| Contributions receivable - restricted | (127,050) |
| Current liabilities | <u>(227,574)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 2,356,304</u> |

The Board had not self imposed any other limits on net assets without donor restrictions at December 31, 2022.

NOTE H - LEASE COMMITMENTS

The Organization leases office space.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This Standard requires lessees to recognize the assets and liabilities that arise from leases in the statement of financial position. Additionally, in July 2018, the FASB issued ASU 2018-11, Leases (Topic 842) - Targeted Improvements, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Valerie's House, Inc. adopted ASU 2016-02 and its related amendments as of January 1, 2022, which resulted in the recognition of operating lease right-of-use assets (ROU assets) of \$167,983 as well as operating lease liability totaling \$167,983. Valerie's House, Inc. elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022, without restating prior-year net asset amounts or disclosures.

NOTE H - LEASE COMMITMENTS, CONTINUED

Total discounted future minimum lease payments on the Naples office space lease is as follows:

| <u>Years Ending December 31</u> | <u>Amount</u> |
|-------------------------------------|-------------------|
| 2023 | \$ 63,300 |
| 2024 | 72,600 |
| 2025 | <u>36,300</u> |
| | 172,200 |
| Impact of present value discount | <u>(4,217)</u> |
| Present value | <u>\$ 167,983</u> |

Valerie's House, Inc. used a discount rate of 1.85%. Valerie's House had no incremental borrowing rate available, therefore the Prime rate as of June 30, 2019 (date of lease inception) was used to determine the future minimum lease payments.

Total rent/lease office expense for the year ended December 31, 2022 was \$83,825.

The Organization leased two additional office spaces in Fort Myers for a twelve (12) month term. The first lease had a beginning of February 1, 2022 and ends January 31, 2023 at a monthly rate of \$2,200. The lease transitioned to a month-to-month basis after the term ended. The second lease had a beginning of August 8, 2022 and ends of August 7, 2023 at a monthly rate of \$700. The office space leases are considered immaterial and therefore, not included in the liability above. These leases will terminate when the new Fort Myers facility is constructed, which is expected to be complete in 2023.

The Organization also rents a storage unit at a cost of \$2,491 for the year ended December 31, 2022 on a short term basis.

VALERIE'S HOUSE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE I - NET ASSETS

Net assets consisted of the following at December 31, 2022:

| | <u>Amount</u> |
|--|---------------------|
| Without donor restrictions: | |
| Unrestricted - undesignated | \$ 3,343,047 |
| Unrestricted - Board designated capital campaign | <u>-</u> |
| | <u>3,343,047</u> |
| With donor restrictions: | |
| <u>Temporarily Restricted</u> | |
| Capital campaign | 2,364,602 |
| Endowment fund - future | 22,100 |
| Family assistance fund | <u>132,526</u> |
| | <u>2,519,228</u> |
| Total Net Assets | <u>\$ 5,862,275</u> |

The Organization had no permanently restricted net assets.

The Organization had restricted cash in the amount of \$1,880,587, restricted conditional contribution receivable of \$369,498, restricted contribution of \$269,143 at December 31, 2022 including temporarily restricted net assets.

NOTE J - ECONOMIC DEPENDENCE CONCENTRATIONS OF RISK

The operations of the Valerie's House, Inc. is dependent on the receipt of support and revenue from grantor agencies, donors and fundraising events. Loss of these funds and/or large decreases in these types of funding would have a material effect on the Organization and a negative impact on overall operations. For the year ended December 31, 2022, the Organization received approximately 92% of its support from donations and grants.

NOTE K - COMMITMENTS AND CONTINGENCIES

The Organization is currently receiving and previously has received grants, contracts, and other third party funds which may be subject to special compliance audits by the grantor and other third party agencies that provided these funds. These audits may result in disallowed expense amounts.

Disallowed amounts, if any, constitute a contingent liability of the Organization. Such liabilities are not reflected within the financial statements of the Organization, as management does not believe any material contingent liabilities exist.

NOTE K - COMMITMENTS AND CONTINGENCIES, CONTINUED

The Organization entered into a lease agreement with the City of Fort Myers for the use of land for a term of ninety-nine (99) years beginning in November 13, 2019, for a sum of a one (1) dollar annually. The Organization has the option to purchase the land in the amount of \$210,000 in year seven (7) through ten (10) of the lease term. The Organization is required to begin construction of a facility that provides children's grief services within thirty six (36) months of the commencement of the lease. The Organization started construction on the facility during the year ended December 31, 2022.

NOTE L - CAPITAL CAMPAIGN

For the last several years the Organization has implemented a capital campaign to fund construction of an operating facility in Fort Myers on the land the City of Fort Myers has offered (NOTE I). The capital campaign goal is \$3,000,000. At December 31, 2022, the capital campaign held \$2,335,841. Permitting began in January 2022. The Organization began construction on their new operating facility in June 2022. The Organization has contracted with a major home builder to lead the construction and act as project manager. During the year ended December 31, 2022, the cost incurred for the project was \$358,872. Total cost incurred at December 31, 2022 was \$468,872. The total project cost is expected to be approximately \$1,500,000, however, the Organization and the project manager are actively seeking additional in-kind contributions to offset the costs of construction. The facility is expected to be completed in the fall of 2023.

NOTE M - SIMPLE IRA

The Organization has established a simple IRA plan (the "Plan") for eligible employees. Employees are eligible to participate in the Plan if they are expected to earn at least \$5,000 in compensation in the calendar year and have received at least \$5,000 in compensation during at least two preceding calendar years. The Organization contributes a matching contribution up to a limit of 3% of the respective employee's compensation for the calendar year. For the year ended December 31, 2022, the Organization contributed \$8,077 in matching contributions, which is included in employee benefits.

NOTE N - IN-KIND DONATIONS

Donated Goods and Services

The Organization receives in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations, special events, and fundraising. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value of the donation.

The Organization received goods and donated services for facilities, technology, and repair services for the year ended December 31, 2022:

| <u>Program or Supporting Service</u> | <u>Donated Goods</u> | <u>Donated Services</u> |
|--|--------------------------|-----------------------------|
| Program* | \$ 502,360 | \$ - |
| General and Administrative | - | 14,665 |
| Special Events and Fundraising | - | - |
| Total | <u>\$ 502,360</u> | <u>\$ 14,665</u> |

* Includes land and building of \$485,423.

The in-kind contributions were recorded as revenue and an offsetting expense or capital asset at December 31, 2022.

All donated goods and services were utilized by the Organization's program and supporting services. There were no donor-imposed restrictions associated with the donated goods and services. Donated program services are valued using the most recent Bureau of Labor Statistics; average hourly wage in the Organizations' metropolitan area. Donated goods are valued at the prices that would be received for selling similar products.

NOTE O - UNITED WAY CONTRIBUTIONS

The Lee County United Way provided the Organization with annual allocated grants of \$38,500 for the year ended December 31, 2022. The United Way of West Florida and United Way of Charlotte provided the Organization with \$10,450 and \$9,288, respectively, for the year ended December 31, 2022.