Children's Home Society of North Carolina, Inc. and Children's Home Society Foundation, Inc.

Consolidated Financial Statements

Year Ended June 30, 2021

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Children's Home Society of North Carolina, Inc.
and Children's Home Society Foundation, Inc.
Consolidated Statement of Financial Position
As of June 30, 2021

(2 pages)

	Without Donor Restrictions		With Donor Restrictions			
	Children's Home Society	**Children's Home Society Foundation, Inc.**	**Children's Home Society**	**Children's Home Society Foundation, Inc.**	**Eliminations**	**Consolidated**
ASSETS						
Cash	$ 765,934	$ 483,605	$ 139,259	$ -	$ -	$ 1,388,798
Interest-earning deposits	8,154,603	1,134,336	4,050,885	-	-	13,339,824
Accounts receivable	2,941,946	-	109,747	-	-	3,051,693
Accrued investment income receivable	-	18,562	-	-	-	18,562
Accrued pension plan asset	16,420	-	-	-	-	16,420
Unconditional promises to give, net	-	-	128,016	127,010	-	255,026
Prepaid expenses	332,035	-	-	-	-	332,035
Note receivable	-	356,574	-	-	(356,574)	-
Due from Society	-	1,613,454	-	-	(1,613,454)	-
Due from Foundation	5,000	-	-	-	(5,000)	-
Investment securities	-	14,112,655	-	578,593	-	14,691,248
Land, buildings and equipment, net	2,784,623	-	-	-	-	2,784,623
Total assets	$ 15,000,561	$ 17,719,186	$ 4,427,907	$ 705,603	$ (1,975,028)	$ 35,878,229

Children's Home Society of North Carolina, Inc.
and Children's Home Society Foundation, Inc.
Consolidated Statement of Financial Position
As of June 30, 2021

(2 pages)

	Without Donor Restrictions		With Donor Restrictions			
	Children's Home Society	Children's Home Society Foundation, Inc.	Children's Home Society	Children's Home Society Foundation, Inc.	Eliminations	Consolidated
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	$ 840,757	$ -	$ -	$ -	$ -	$ 840,757
Notes payable	356,574	356,574	-	-	(356,574)	356,574
Deferred revenue	814,842	-	-	-	-	814,842
Due to Society	-	5,000	-	-	(5,000)	-
Due to Foundation	1,613,454	-	-	-	(1,613,454)	-
Total liabilities	3,625,627	361,574	-	-	(1,975,028)	2,012,173
Net assets:						
Without donor restrictions	11,374,934	17,357,612	-	-	-	28,732,546
With donor restrictions:						
Purpose restricted	-	-	4,427,907	428,068	-	4,855,975
Perpetual endowments	-	-	-	277,535	-	277,535
Total net assets	11,374,934	17,357,612	4,427,907	705,603	-	33,866,056
Total liabilities and net assets	$ 15,000,561	$ 17,719,186	$ 4,427,907	$ 705,603	$ (1,975,028)	$ 35,878,229

Children's Home Society of North Carolina, Inc.
and Children's Home Society Foundation, Inc.
Consolidated Statement of Activities
Year Ended June 30, 2021 **(2 pages)**

	Without Donor Restrictions		With Donor Restrictions		
	Children's Home Society	Children's Home Society Foundation, Inc.	Children's Home Society	Children's Home Society Foundation, Inc.	Consolidated
Public support and revenue:					
Public support:					
Private contributions	$ 1,665,782	$ 18,125	$ 21,070	$ -	$ 1,704,977
United Way support	-	-	138,047	-	138,047
Grants from private foundations	2,507,936	-	-	-	2,507,936
Events	145,937	-	-	-	145,937
Program fees	309,633	-	-	-	309,633
Contracts for financial assistance	5,278,558	-	-	-	5,278,558
Contracts for services	14,032,376	-	-	-	14,032,376
Total public support	23,940,222	18,125	159,117	-	24,117,464
Revenue (expense):					
Investment income	28,494	282,665	-	-	311,159
Realized and unrealized gains on investments, net	-	2,815,221	-	-	2,815,221
Gain on extinguishment of Paycheck Protection Program loan	3,131,800				3,131,800
Other income	18,112	-	-	-	18,112
Total revenue	3,178,406	3,097,886	-	-	6,276,292
Total public support and revenue	27,118,628	3,116,011	159,117	-	30,393,756
Net assets released to/from restrictions:					
Restrictions satisfied by time	464,051	-	(464,051)	-	-
Restrictions satisfied by payment	(242,530)	1,146,017	(757,470)	(146,017)	-
	221,521	1,146,017	(1,221,521)	(146,017)	-
Total public support, revenue (expense) and releases	27,340,149	4,262,028	(1,062,404)	(146,017)	30,393,756

See accompanying notes.

	Without Donor Restrictions		With Donor Restrictions		
	Children's Home Society	Children's Home Society Foundation, Inc.	Children's Home Society	Children's Home Society Foundation, Inc.	Consolidated
Expenses:					
Program services:					
Family foster care services	$ 10,553,395	$ -	$ -	$ -	$ 10,553,395
Permanency services	5,099,429	-	-	-	5,099,429
Family support services	3,889,773	-	-	-	3,889,773
Education services	4,254,772	-	-	-	4,254,772
Total program services	23,797,369	-	-	-	23,797,369
Supporting services:					
Administration:					
General	786,286	-	-	-	786,286
Foundation	-	30,533	-	-	30,533
Fundraising:					
General	1,058,149	-	-	-	1,058,149
Foundation	-	3,000	-	-	3,000
Total supporting services	1,844,435	33,533	-	-	1,877,968
Total expenses	25,641,804	33,533	-	-	25,675,337
Increase (decrease) in net assets	1,698,345	4,228,495	(1,062,404)	(146,017)	4,718,419
Net assets, beginning of year	9,676,589	13,129,117	5,490,311	851,620	29,147,637
Net assets, end of year	$ 11,374,934	$ 17,357,612	$ 4,427,907	$ 705,603	$ 33,866,056

Children's Home Society of North Carolina, Inc.
and Children's Home Society Foundation, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services				Supporting Services				
					Administration		Fundraising		
	Foster Care	Permanency	Family Support	Education	General	Foundation	General	Foundation	Total
Salaries and contract labor	$ 4,336,135	$ 3,552,323	$ 2,560,714	$ 2,702,142	$ 295,236	$ -	$ 647,978	$ -	$ 14,094,528
Benefits	575,058	456,453	374,383	405,282	29,623	-	74,446	-	1,915,245
Other compensation costs	329,301	274,116	198,756	195,653	18,973	-	51,283	-	1,068,082
Professional services	139,201	131,501	71,597	259,451	393,009	30,533	59,320	-	1,084,612
Occupancy costs	208,525	169,698	121,351	131,043	22,682	-	32,277	-	685,576
Equipment expense	127,342	98,632	72,397	97,779	5,921	-	33,578	-	435,649
Office expense	218,420	164,497	109,571	116,498	12,248	-	47,677	3,000	671,911
Marketing	180,906	55,615	34,079	261,032	5,179	-	81,852	-	618,663
Fundraising events	-	-	-	-	-	-	15,840	-	15,840
Staff expenses	286,379	46,642	114,497	42,655	3,415	-	11,581	-	505,169
Assistance to individuals	4,152,128	149,952	232,428	43,237	-	-	2,317	-	4,580,062
Total expenses	$ 10,553,395	$ 5,099,429	$ 3,889,773	$ 4,254,772	$ 786,286	$ 30,533	$ 1,058,149	$ 3,000	$ 25,675,337

See accompanying notes.

Children's Home Society of North Carolina, Inc.
and Children's Home Society Foundation, Inc.
Consolidated Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities:	
Increase in net assets	$ 4,718,419
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Depreciation	118,338
Realized and unrealized gains on investment securities	(2,815,221)
Direct write-off of unconditional promises to give	94,140
Change in discount on unconditional promises to give	(9,829)
Change in provision for uncollectible promises to give	(62,821)
Gain on extinguishment of PPP loan	(3,131,800)
Change in assets and liabilities:	
Accounts receivable	(662,149)
Accrued investment income receivable	2,082
Unconditional promises to give	239,086
Prepaid expenses	(67,320)
Accounts payable and accrued expenses	(273,537)
Accrued pension plan liability	(116,611)
Deferred revenue	(1,145,785)
Net cash used by operating activities	(3,113,008)
Cash flows from investing activities:	
Purchases of investment securities	(6,069,759)
Proceeds from sales of investment securities	4,980,430
Purchase of land, buildings and equipment	(223,245)
Net cash used by investing activities	(1,312,574)
Cash flows from financing activities:	
Payment on notes payable	(75,842)
Net cash used by financing activities	(75,842)
Net decrease in cash and cash equivalents	(4,501,424)
Beginning cash and cash equivalents	19,230,046
Ending cash and cash equivalents	$ 14,728,622
Classified as:	
Cash	$ 1,388,798
Interest-earning deposits	13,339,824
	$ 14,728,622
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	$ 13,861

Notes to Consolidated Financial Statements

1. Description of Organization and Summary of Significant Accounting Policies

Nature of business

The purpose of Children's Home Society of North Carolina, Inc. is to promote the right of every child to a permanent, safe and loving family. Children's Home Society of North Carolina, Inc. is a non-profit, non-sectarian child and family services organization. Programs include foster care, adoption, family preservation and support, and educational services. The Society is funded through private contributions, performance-based contracts with state and federal funding, civic and faith-based organizations, businesses, foundations, and the United Way.

Basis of accounting

The consolidated financial statements of the organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and accordingly reflect all significant estimates, liabilities, revenues, and expenses required by GAAP.

Principles of consolidation

The consolidated financial statements include the accounts of Children's Home Society of North Carolina, Inc. (the "Society") and Children's Home Society Foundation, Inc. (the "Foundation"), collectively referred to as the "Organization." Article III of the Foundation's Articles of Incorporation states that the Foundation was established to (1) hold and invest funds and generate income to maintain, interpret and provide access to biographical data relative to birth and adoption information; and (2) provide financial security to the Society as to funding and continuity of services. Although there are two separate legal entities, the Society and the Foundation, consolidated financial statements are presented because a majority of the Foundation's board members are required to be on the board of the Society and the Foundation provides financial support to the Society. All significant intercompany transactions and balances have been eliminated in consolidation.

Classification of net assts

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

> ***Net assets without donor restrictions*** - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors.
>
> ***Net assets with donor restrictions -*** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donations

Donations received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Donor-restricted support is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of 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 statements of activities as net assets released from restrictions.

Unconditional promises to give

Unconditional promises to give are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions to be received after one year are discounted at an appropriate discount rate as of the date of the gift commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Cash and cash equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts receivable

The majority of accounts receivable represents amounts earned from governmental grants and contracts which were not received by the Organization at year end. A provision for doubtful accounts has not been established, as these amounts are due under governmental contracts and, therefore, are considered fully collectable.

Investment securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. The market values of investments are determined based on quoted market prices or estimated fair values provided by external investment managers or other sources. Unrealized gains and losses are included in the consolidated statement of activities.

Land, building and equipment

The Organization follows the practice of capitalizing all expenditures for land, building, and equipment in excess of $5,000. The estimated fair value of donated land, building, and equipment is similarly capitalized. Land, building, and equipment purchases are recorded at cost. Donations of land, building, and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support 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 land, building, and equipment are reported as restricted support. 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 as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Land, building, and equipment are depreciated over their estimated useful lives, ranging from 2 to 40 years, using the straight-line method.

Deferred revenue

Deferred revenue represents advances from grants for services not yet performed. Services are expected to be performed within the next fiscal year.

Revenue recognition

Effective July 1, 2020, the Organization adopted Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), which replaces most existing revenue recognition guidance in U.S. GAAP, using the modified retrospective approach.

Management analyzed the effect of the adoption and concluded that the adoption of this ASU did not have a material impact on the Organization's financial statements. The majority of the Organization's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No material changes were required to previously reported revenues as a result of the adoption.

As part of the adoption of the ASU, the Organization elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The Organization's revenue from contracts consists of cost-reimbursable federal and state contracts and grants. The Organization's contracts have a single performance obligation. The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring services to the customer. Revenue is recorded based on transaction price, which is a fixed consideration. The Organization recognizes revenue at a point in time when the service is completed for the customer, which typically occurs monthly and is also when customer payment is collected. Revenue from cost-reimbursable contracts are reported net of sales tax collected.

Contributed services

During the year ended June 30, 2021, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was not material and has not been recorded. Many individuals volunteer their time and perform a variety of tasks that assist the Organization.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged to programs and supporting services on the basis of direct salary expense. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income taxes

The Society and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying consolidated financial statements do not reflect a provision or liability for federal and state income taxes. The Organization has determined that it does not have any material unrecognized tax obligations as of June 30, 2021.

Reclassifications

Certain consolidated financial statement and footnote information from the prior year consolidated financial statements have been reclassified to conform to current year presentation format. Such reclassifications had no impact on previously reported changes in net assets.

Subsequent events

The Organization evaluated the effect subsequent events would have on the consolidated financial statements through *.*, 2021, which is the date the consolidated financial statements were available to be issued.

2. Liquidity and Availability of Resources

The following represents the Organization's financial assets at June 30, 2021:

Financial assets at year-end:	
Cash and cash equivalents	$ 14,728,622
Accounts receivable	3,051,693
Promises to give receivable	255,026
Investments	14,691,248
Total financial assets	32,726,589
Less amounts not available to be used within one year:	
Net assets with donor restrictions	40,678
Financial assets available to meet general expenditures over the next 12 months	$ 32,685,911

The Organization's goal is generally to maintain at least three months of operating expenses in cash and cash equivalents. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. Additionally, longer term investments support the future needs of the organization and can be accessed if needed. The Organization also has a $500,000 line of credit available to meet cash flow needs.

3. Promises to Give

Unconditional promises to give at June 30, 2021, discounted at 2.0%, are as follows:

	With Donor Restriction	
	Society	Foundation
Receivable within the next year	$ 148,806	$ 149,550
Receivable in two to five years	46,621	-
Receivable in more than five years	-	-
Total unconditional promises to give	195,427	149,550
Less: Discounts to net present value	(3,825)	(2,745)
Less: Allowance for uncollectible promises receivable	(63,586)	(19,795)
Net unconditional promises to give	$ 128,016	$ 127,010

4. Investment Securities

Investment securities at June 30, 2021 are recorded at fair value as summarized below:

	Cost	Gross Unrealized Losses	Gross Unrealized Gains	Fair Value
Marketable equity securities	$ 10,112,270	$ (433,003)	$ 2,846,909	$ 12,526,176
Marketable debt securities	2,188,304	(114,873)	91,741	2,165,172
	$ 12,303,574	$ (547,876)	$ 2,938,650	$ 14,691,348

The investment return is reported in the consolidated statement of activities for the year ended June 30, 2021 as follows:

	Society	Foundation	Total
Investment income	$ 28,494	$ 282,665	$ 311,159
Realized and unrealized gains on investments, net	-	2,815,221	2,815,221
	$ 28,494	$ 3,097,886	$ 3,126,380

Investment income is reported net of $30,533 in fees for the year ended June 30, 2021.

5. Land, Buildings and Equipment

The following is a summary of land, buildings and equipment as of June 30, 2021:

Land	$ 740,621
Buildings	3,766,489
Equipment	661,869
	5,168,979
Less accumulated depreciation	(2,384,356)
	$ 2,784,623

6. Notes Payable

The Organization has a note payable due to a financial institution that has a balance of $356,574 at June 30, 2021. It is due in monthly installments of $7,475. Interest is paid at a fixed rate of 3.67% on the note which will mature on December 19, 2025. The note is secured by first deed of trust on the related real estate and contain covenants over the liquidity and depository accounts of the Organization. The Organization is in compliance with these covenants at June 30, 2021.

The maturities of notes payable subsequent to June 30, 2020 are as follows:

Year Ending June 30,	
2022	$ 77,299
2023	80,184
2024	83,177
2025	86,281
2026	29,633
	$ 356,574

7. Paycheck Protection Program loan

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act provides for the establishment of the Paycheck Protection Program (PPP), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

In 2020, the Organization received a PPP loan totaling $3,131,800 and had elected to account for the funds received in accordance with ASC Topic 470, Debt. During the period, the Organization spent all funds received under the PPP for qualifying purposes, prepared a forgiveness calculation and submitted an application for forgiveness to its lender. As of the consolidated financial position date, the Organization received notification from the lender and Small Business Administration that the loan had been forgiven and the Organization had been relieved of its obligation for the liability. As a result, the Organization recognized the outstanding principal balance together with the related accrued interest as a gain on extinguishment within the consolidated statement of activities.

8. Restricted Net Assets

At June 30, 2021, the net assets with donor restrictions consisted of the following:

Society:	
Services to clients	$ 237,762
Birth parent services:	3,036
Family foster care and adoption services:	135,122
Post adoption services:	1,102
Institute for Family	4,050,885
	$ 4,427,907
Foundation:	
Ken Tutterow Innovation Fund	$ 250,596
Building Fund	50,462
Promises to give, net	127,010
Perpetual Endowed Fund	277,535
	$ 705,603

9. Restrictions Released

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Restrictions satisfied by time:	
Donations - pledges	$ 134,780
United Way pledges	180,181
Institute for Family	149,090
	$ 464,051

Restrictions satisfied by payment:	
Institute for Family	$ 746,195
Direct assistance for children	11,275
	$ 757,470

10. Operating Leases

The Organization has entered into non-cancelable operating leases for various facilities and pieces of equipment. Rent expense totaled $437,356 for the year ended June 30, 2021.

Future minimum payment requirements on operating leases are as follows:

Year Ending June 30,	
2022	$ 476,846
2023	411,449
2024	362,369
2025	335,235
2026	261,658
Thereafter	328,392
	$ 2,175,949

11. Employee Benefit Plans

The Organization has a noncontributory defined benefit pension plan covering all employees who meet age and service requirements prior to the curtailment of future benefit accruals on February 28, 1993. Pension expense is determined by the plan's actuary using the projected unit credit cost method. The Organization's pension funding policy is based upon actuarially calculated amounts to fund normal pension cost. The assets of the plan were held by TD Ameritrade during the year ended June 30, 2021.

The Organization amended its defined benefit pension plan to cease the accrual of benefits for future years of service and established a 401(k) profit-sharing plan as a replacement plan. Pension benefits accrued prior to the curtailment will be maintained and paid at normal retirement dates in accordance with the provisions of the plan. There may, in the future, be an additional liability related to this plan, but that amount has not been determined.

The Organization's annual pension cost and net obligation to the defined benefit pension plan for the year ended June 30, 2021, are as follows:

Projected benefit obligation at June 30	$ (378,632)
Fair value of plan assets at June 30	395,052
Overfunded status	$ 16,420
Overfunded pension plan asset recognized in the consolidated statement of financial position at June 30, 2021	$ 16,420

Net periodic pension expense for the defined benefit plan for the year ended June 30, 2021 is summarized as follows:

Service cost-benefits earned during the period	$	-
Interest cost on projected benefit obligation		9,668
Expected return on Plan assets		(26,194)
Amortization of prior service cost		97,721
Net periodic pension gain	$	81,195

Change in the fair value of the plan assets for the defined benefit pension plan for the year ended June 30, 2021 are summarized as follows:

Plan assets at the beginning of the period	$	356,671
Actual return on assets		74,135
Employer contributions		60,000
Benefits paid to participants		(95,754)
Plan assets at end of period	$	395,052

Actuarial assumptions used in accounting for the net periodic pension costs of the defined benefit pension plan for the year ended June 30, 2021 are as follows:

Discount rate	2.27%
Expected long-term rate of return on assets	7.75%

Plan assets

The Plan's assets at June 30, 2021 are invested 100% in mutual funds and interest-bearing cash accounts.

Asset allocation policy

The Plan's asset allocation policy calls for investment at the discretion of the Trustees of the Plan.

Expected future benefit payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year Ending June 30,		
2022	$	42,339
2023		40,695
2024		37,277
2025		29,959
2026		27,804
Thereafter		116,610
	$	294,684

Determination of expected long-term rate of return

The expected long-term rate of return for the Plan's total assets is 7.75%. This assumption is based on an analysis of anticipated returns.

Contributions

The** Organization **made cash contributions to the Plan in the amount of $60,000 for the year ended June 30, 2021.

12. Fair Valuation Measurements

The carrying amounts of cash and accounts receivable approximate fair value because of the short maturity of these financial instruments. Unconditional promises to give approximate fair value because these instruments are recorded at net present value. Investments are reported at fair value.

The carrying amounts of accounts payable and accrued liabilities approximate fair value because of the short maturity of these financial instruments.

Fair value, as defined under accounting principles generally accepted in the United States, is an exit price representing 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. Accounting principles generally accepted in the United States establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- **Level 1:** Observable inputs such as quoted prices in active markets.
- **Level 2:** Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- **Level 3:** Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities, and their placement within the fair value hierarchy levels.

Assets measured at fair value on a recurring basis

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include money market mutual funds, common stocks, U.S. Treasury bonds, and corporate bonds.

The Organization does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 2 or Level 3 during the year ended June 30, 2021.

	Assets at Fair Value as of June 30, 2021		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Marketable equity securities	$ 12,526,076	$ -	$ -
Marketable debt securities	2,165,172	-	-
Total	$ 14,691,248	$ -	$ -

The determination of fair value above incorporates various factors required under accounting standards. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Organization's nonperformance risk on its liabilities.

13. Concentrations

The Organization receives approximately 80% of its public support through grants from governmental agencies. In the event this support was to be eliminated, it is likely that the Organization would need to reduce its current operations. The Organization does not expect that the support from these governmental agencies will be lost in the near term.

The Organization maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not currently exposed to any significant credit risk on cash and cash equivalents.

14. Uncertainty

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on operating and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's employees, vendors and governmental and regulatory and private sector responses. The consolidated financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.