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AN EQUAL OPPORTUNITY EMPLOYER

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March 11, 2024

Board of Directors
Rauch, Inc. and The Rauch Foundation, Inc.
Floyd County, Indiana

We have reviewed the audit report of Rauch, Inc and The Rauch Foundation, Inc., which was opined upon by Deming, Malone, Livesay & Ostroff, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Rauch, Inc and The Rauch Foundation, Inc. as of June 30, 2023 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Deming, Malone, Livesay & Ostroff prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

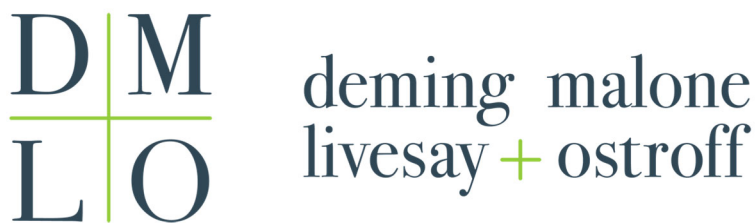
RAUCH, INC. AND THE RAUCH FOUNDATION, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2023 and 2022

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Independent Auditors' Report

To the Officers and Board of Directors
Rauch, Inc. and The Rauch Foundation, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Rauch, Inc. and The Rauch Foundation, Inc. (not-for-profit organizations), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rauch, Inc. and The Rauch Foundation, Inc. as of June 30, 2023 and 2022, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Rauch, Inc. and The Rauch Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, during the year ended June 30, 2023, the Organizations adopted new required accounting guidance for the recognition and disclosure of leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rauch, Inc.'s and The Rauch 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 Rauch, Inc.'s and The Rauch 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rauch, Inc.'s and The Rauch 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Deming, Malone, Lussary & Ostroff

New Albany, Indiana
January 8, 2024

RAUCH, INC. AND THE RAUCH FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

Assets	2023	2022
Current Assets		
Cash	\$ 968,926	\$ 930,810
Accounts receivable, net	688,284	628,675
Grants receivable	236,325	262,655
Inventories	386,311	205,069
Prepaid expenses and other current assets	98,619	133,308
Contribution receivable	13,378	11,500
Total current assets	2,391,843	2,172,017
Other Assets		
Contribution receivable, long-term		13,336
Assets whose use is limited	4,546,516	4,201,383
Property and equipment, net	6,150,192	6,423,782
Right-of-use assets, operating	33,571	
Total other assets	10,730,279	10,638,501
Total assets	\$ 13,122,122	\$ 12,810,518
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 63,237	\$ 66,843
Line of credit	365,000	
Accounts payable and accrued expenses	457,538	363,601
Accrued salaries and related liabilities	316,866	208,533
Lease liabilities - operating, current	15,864	
Total current liabilities	1,218,505	638,977
Long-term Liabilities		
Long-term debt, less current portion	628,635	692,705
Lease liabilities - operating, long-term	18,074	
Total long-term liabilities	646,709	692,705
Total liabilities	1,865,214	1,331,682
Net Assets		
Without donor restrictions:		
Undesignated	2,325,158	2,702,075
Designated - endowment	4,486,670	4,159,800
Total net assets without donor restrictions	6,811,828	6,861,875
With donor restrictions	4,445,080	4,616,961
Total net assets	11,256,908	11,478,836
Total liabilities and net assets	\$ 13,122,122	\$ 12,810,518

See Notes to Consolidated Financial Statements.

RAUCH, INC. AND THE RAUCH FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	2023	2022
Net Assets Without Donor Restrictions		
Revenues and public support:		
Industrial services	\$ 3,468,972	\$ 3,395,778
Medicaid waiver	3,251,135	3,087,281
First steps services	3,055,374	2,265,908
Investment return, net	501,681	(602,661)
County taxes	472,650	451,500
Residential program	293,737	266,602
Government financial assistance	273,364	383,892
Rental income	186,389	149,690
Contributions	156,407	64,215
Gain on insurance proceeds	145,312	
Special events	111,652	85,014
Vocational rehabilitation services	126,441	106,821
Children services	77,556	69,100
Other	31,875	38,977
Gain on disposal of assets	14,301	
Net assets released from restrictions	214,181	54,357
Total revenues and public support without donor restrictions	12,381,027	9,816,474
Expenses:		
Program services:		
Industrial work services	3,405,736	3,562,742
First steps and children services	3,174,830	2,418,245
Community living	2,795,915	2,435,812
Access and adult day services	800,549	750,022
Housing	421,543	361,680
Employment services	249,999	199,426
Total program services	10,848,572	9,727,927
Support services:		
Management and general	1,495,674	1,453,211
Fundraising	86,828	82,171
Total expenses	12,431,074	11,263,309
Change in net assets without donor restrictions	(50,047)	(1,446,835)
Net Assets With Donor Restrictions		
Contributions	42,300	262,216
Net assets released from restrictions	(214,181)	(54,357)
Change in net assets with donor restrictions	(171,881)	207,859
Change in total net assets	(221,928)	(1,238,976)
Net assets at beginning of year	11,478,836	12,717,812
Net assets at end of year	\$ 11,256,908	\$ 11,478,836

See Notes to Consolidated Financial Statements.

RAUCH, INC. AND THE RAUCH FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	Program Services						Support Services		2023 Total	
	First Steps and Children Services	Access and Adult Day Services	Community Living	Housing	Industrial Work Services	Employment Services	Total Program Services	Management and General		Fundraising
Salaries and wages	\$ 210,549	\$ 473,976	\$ 2,195,949	\$ 56,168	\$ 1,602,378	\$ 157,127	\$ 4,696,147	\$ 40,236		\$ 4,736,383
Purchased services	2,821,650	2,040	58,036	14,263	143,656	14,844	3,054,489	1,231,616	\$ 3,035	4,289,140
Supplies	7,624	41,045	6,979	454	1,082,472	1,112	1,139,686	16,358	2,065	1,158,109
Employee benefits	65,390	163,600	332,257	12,180	252,646	25,043	851,116	24,306		875,422
Occupancy	39,273	43,522	11,510	136,835	159,096	26,795	417,031	54,627		471,658
Depreciation	13,377	31,194	74,255	154,929	53,425	3,138	330,318	10,540	362	341,220
Travel and mileage	5,205	31,573	93,122	3,293	27,926	3,904	165,023	5,051		170,074
Other	9,301	8,234	12,511	12,271	21,714	12,948	76,979	60,407	11,558	148,944
Repairs and maintenance	2,461	5,365	5,296	20,819	48,023	1,488	83,452	24,251	78	107,781
Special events									69,730	69,730
Interest				10,331			10,331	28,282		38,613
Bad debt			6,000		14,400	3,600	24,000			24,000
Total expenses	<u>\$ 3,174,830</u>	<u>\$ 800,549</u>	<u>\$ 2,795,915</u>	<u>\$ 421,543</u>	<u>\$ 3,405,736</u>	<u>\$ 249,999</u>	<u>\$ 10,848,572</u>	<u>\$ 1,495,674</u>	<u>\$ 86,828</u>	<u>\$ 12,431,074</u>

See Notes to Consolidated Financial Statements.

RAUCH, INC. AND THE RAUCH FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services						Support Services		2022 Total	
	First Steps and Children Services	Access and Adult Day Services	Community Living	Housing	Industrial Work Services	Employment Services	Total Program Services	Management and General		Fundraising
Salaries and wages	\$ 190,870	\$ 409,402	\$ 1,894,762	\$ 22,169	\$ 1,686,985	\$ 126,974	\$ 4,331,162	\$ 42,373		\$ 4,373,535
Purchased services	2,085,939	35,457	130,453	9,086	187,513	270	2,448,718	1,216,459	\$ 2,273	3,667,450
Employee benefits	70,534	167,567	275,540	11,560	262,699	26,780	814,680	27,976	736	843,392
Supplies	8,667	21,760	3,973	774	1,074,222	344	1,109,740	9,718	160	1,119,618
Occupancy	36,119	38,663	12,904	114,556	153,916	23,155	379,313	45,299	1,439	426,051
Depreciation	13,395	31,943	72,388	153,344	56,780	2,966	330,816	15,819	362	346,997
Travel and mileage	4,215	33,391	23,273	1,205	34,033	4,293	100,410	3,655		104,065
Other	4,999	7,721	11,317	7,914	21,965	9,704	63,620	43,195	12,213	119,028
Repairs and maintenance	3,507	4,118	5,202	29,665	70,229	1,340	114,061	27,852	5,247	147,160
Special events									59,741	59,741
Interest				11,407			11,407	20,865		32,272
Bad debt			6,000		14,400	3,600	24,000			24,000
Total expenses	\$ 2,418,245	\$ 750,022	\$ 2,435,812	\$ 361,680	\$ 3,562,742	\$ 199,426	\$ 9,727,927	\$ 1,453,211	\$ 82,171	\$ 11,263,309

See Notes to Consolidated Financial Statements.

RAUCH, INC. AND THE RAUCH FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in total net assets	\$ (221,928)	\$ (1,238,976)
Adjustments to reconcile change in total net assets to net cash flows from operating activities:		
Depreciation	341,220	346,997
Loss on uncollectable accounts	528	24,000
Other changes on lease obligations	367	
Gain on disposal of assets	(14,301)	(250)
Net realized and unrealized (gains) losses on investments	(425,824)	602,661
Restricted contributions, gifts and bequests		(262,216)
Changes in operating assets and liabilities		
Accounts receivable, net	(60,137)	(167,228)
Grants receivable	26,330	8,190
Inventories	(181,242)	(19,747)
Prepaid expenses and other current assets	34,689	(81,223)
Contribution receivable	11,458	11,459
Accounts payable and accrued expenses	93,937	117,393
Accrued salaries and related liabilities	108,333	(221,893)
Net cash flows used in operating activities	(286,570)	(880,833)
Cash Flows from Investing Activities		
Purchase of property and equipment	(88,670)	(31,331)
Proceeds from sale of assets	35,345	
Purchase of investments	(577,667)	(408,675)
Proceeds from the sale of investments	658,354	446,732
Net cash flows provided by investing activities	27,362	6,726
Cash Flows from Financing Activities		
Restricted contributions, gifts and bequests		262,216
Proceeds from line of credit	365,000	
Principal payments on long-term debt	(67,676)	(72,699)
Net cash flows provided by financing activities	297,324	189,517
Net change in cash	38,116	(684,590)
Cash at beginning of year	930,810	1,615,400
Cash at end of year	\$ 968,926	\$ 930,810
Supplemental Cash Flows Information		
Cash paid for interest	\$ 38,613	\$ 32,272

See Notes to Consolidated Financial Statements.

RAUCH, INC. AND THE RAUCH FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Organizational activities:

Rauch, Inc. is a non-for-profit entity organized in Indiana which provides a wide variety of services and activities primarily for the developmentally disabled citizens of Southern Indiana. These services and activities include day programs for infant stimulation, a sheltered workshop, adult development, speech therapy, housing, counseling, and employment services.

The Rauch Foundation, Inc. was established to assist Rauch in funding services and to assure services are available for people with disabilities.

Summary of significant accounting policies:

The summary of significant accounting policies of Rauch, Inc. and The Rauch Foundation, Inc., hereafter referred to as the “Organizations”, is presented to assist in understanding the Organizations’ consolidated financial statements. The consolidated financial statements and notes are representations of the Organizations’ management who is responsible for the integrity and objectivity of the consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Principles of consolidation:

The accompanying consolidated financial statements include the accounts of Rauch, Inc. (“Rauch”) and The Rauch Foundation, Inc. (“the Foundation”), collectively referred to as “the Organizations.” The majority of the Foundation’s board of directors is comprised of members of Rauch’s board of directors. All material intercompany balances and transactions have been eliminated.

Basis of accounting:

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting whereby revenues and assets are recorded when earned and expenses and liabilities are recorded when incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue recognition:

The Organizations' major revenue sources consist of contributions and grants, client fees, and industrial services.

The Organizations recognize contributions when cash or an unconditional promise to give is received. All contributions are considered to be available for use unless specifically restricted by the donor. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. The Organizations recognize grant revenue based on the terms of the grant. Finally, special event revenue is recognized at the time of the event.

The Organizations recognize revenue from contracts with customers under the provisions of Accounting Standards Update Topic 606 using a five-step revenue model. The five steps used in this process are: 1) identify the contract, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the price to the performance obligations, and 5) recognize the revenue. Under this standard, recognition of revenue occurs when a customer obtains control of promised services or goods in an amount that reflects the consideration which the Organizations expect to receive in exchange for those goods or services. Refer to Note 14 for additional disclosures.

Use of estimates:

The preparation of consolidated 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, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash:

Cash and cash equivalents consist of short-term, highly-liquid investments which are readily convertible into cash within ninety days of purchase, that are not held as part of an investment portfolio.

Accounts receivable and service revenues:

The Organizations have agreements with third-party payors that provide for payments at amounts different from its established rates. Payment arrangements include prospectively determined rates, discounted charges and per diem payments. The allowances offset against accounts receivable represents management's estimate of the expected losses to be realized, and are based on historical experience, current economic conditions, and other relevant factors. As of June 30, 2023 and 2022, the Organizations recorded an allowance for uncollectible accounts of approximately \$45,000 and \$36,500, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Inventories:

Inventories are valued at the lower of cost or net realizable value. Cost is determined on the first-in, first-out method. Inventories consist of industrial services supplies.

Investments:

Investments are recorded at fair value. Donated investments are recorded at their fair value as of the date received. Net investment return is reported on the consolidated statements of activities and consists of interest and dividends, realized and unrealized capital gains and losses, less investment expenses. See Note 5 for discussion of fair value measurements.

Assets whose use is limited:

Assets whose use is limited consist of board-designated funds. The assets are stated at fair value and consist of mutual funds, common stocks, fixed income securities, and cash.

Property, equipment, and depreciation:

Property and equipment are stated at cost if purchased, or, if donated, at fair value on the date of acquisition. Additions and improvements are capitalized based on a dollar threshold of \$2,500 and a useful life greater than one year. Depreciation is provided over the estimated useful lives of the various asset classes on the straight-line method. The estimated useful lives are as follows:

	<u>Years</u>
Buildings and improvements	5-40
Equipment	2-20
Vehicles	5-10

Gifts of long-lived assets such as land, buildings and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the assets are to be used. Gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Leases:

The Organizations evaluate contracts at inception and when terms of an existing contract are changed to determine if an arrangement is or contains a lease. Operating leases with a duration over 12 months are recorded as operating lease right-of-use (ROU) assets and operating lease liabilities on the consolidated statements of financial position. The Organizations have no finance leases.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Short-term leases (i.e. leases with an initial term of 12 months or less that do not contain a purchase option that is likely to be exercised) are not recorded on the consolidated statements of financial position as the Organizations elected to apply the short-term lease exception to these leases.

Operating ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of the future lease payments over the lease term.

The Organizations' leases do not provide an implicit rate, so the Organizations' incremental borrowing rate based on the information available at commencement date was used in determining the present value of lease payments. The incremental borrowing rate is reevaluated upon lease modification. Lease ROU assets include initial direct costs and prepaid lease payments made, if any, less lease incentives, if any. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

Program revenues:

The Organizations receive substantially all of their grant and contract revenue from federal and state agencies. The Organizations recognize contract revenue, up to the contract ceiling, from their contracts to the extent of services provided or expenses incurred. Revenue recognition depends upon the provisions within the contract. The receipt of future revenues is subject to, among other factors, federal and state policies affecting the industry, economic conditions that may include an inability to control expenses in periods of inflation, increased competition, market pressures on premium rates and other conditions, which are impossible to predict.

Under the terms of certain government reimbursement programs, providers of these services are subject to regulation by the program intermediaries. For many programs, payment for the services rendered is based upon "allowable cost" as defined by each program's regulations, and is subject to financial audit by the program intermediary. Laws and regulations related to the government reimbursement programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Grants receivable and grant revenue:

Grants receivable related to the Organizations' programs is recorded at the net realizable amounts based on established charges when the service is rendered, and, therefore, no allowance is considered necessary. Grant revenue is reported at the estimated net realizable amounts due from sponsoring agencies. These grant awards generally specify the purpose for which the funds are to be used. Revenues from sponsored grants are recognized when allowable expenditures are incurred under such agreements. These revenues are recorded as support without donor restrictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contributions:

Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. The Organizations recognize all contributions as income in the period received. All contributions are considered to be available without restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions with donor-imposed restrictions that are met during the same year as the contribution is made are included in support without donor restrictions.

In-kind contributions:

In-kind contributions are reported as contributions at their estimated fair value on the date of receipt and reported as expenses when utilized. Estimated fair value is determined based on information provided by the donor regarding the value of goods and services received. The Organizations did not monetize any in-kind contributions for the years ended June 30, 2023 and 2022.

The value of donated volunteer services is not reflected in the accompanying consolidated financial statements since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time to various fundraising events and programs at the Organizations.

Marketing and community relations:

Marketing and community relations costs are expensed as incurred. The total expense was approximately \$42,000 and \$30,000 for the years ended June 30, 2023 and 2022, respectively and is included in other expense on the consolidated statements of functional expenses.

Functional expenses:

The Organizations provide a full range of services to individuals with disabilities. Certain costs such as salaries and wages and employee benefits have been allocated among the program services, management and general, and fundraising categories based on the actual direct expenditures and cost allocations based upon time spent by the Organizations' personnel. Other expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and repairs and maintenance which are allocated based on the ratio of direct costs charged to the category to total direct costs. Although the methods used were appropriate, alternative methods may provide different results.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Net assets:

Net assets, revenues, gains and losses are classified on the existence or absence of donor imposed restrictions. Accordingly, the net assets of the Organizations are classified and reported as follows:

- Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.
- Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets to be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

Income taxes:

Both Rauch, Inc. and The Rauch Foundation, Inc. are organized as not-for-profit corporations under Section 501(c)(3) of the United States Internal Revenue Code. As such, both organizations are generally exempt from income taxes. However, both are required to file Form 990 - Return of Organization Exempt from Income Tax, which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organizations and recognize a tax liability if either entity has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities.

Management has analyzed the tax positions taken by the Organizations, and has concluded that as of June 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. Both Organizations are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Income from certain activities not directly related to the Organizations' tax-exempt purpose may be subject to taxation as unrelated business income. Management does not believe that the Organizations have unrelated business income for the years ended June 30, 2023 and 2022.

Accounting standard adopted:

Effective July 1, 2022, the Organizations adopted accounting standard FASB ASC 842, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU lease asset and liability on the consolidated statement of financial position for all leases longer than 12 months and provide enhanced disclosures. Leases are classified as either financing or operating, with classification affecting the pattern of expense recognition on the consolidated statement of activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leases with a term of less than 12 months will not record a ROU lease asset and liability and the payments will be recognized into change in net assets or loss on a straight-line basis over the lease term.

The Organizations elected to adopt the standard using the optional transition method that allows the Organizations to initially apply the new lease standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. As a result, the Organizations are reporting the comparative period presented in the consolidated financial statements in accordance with FASB ASC 840. There was no cumulative effect adjustment for the Organizations upon adoption.

The Organizations elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing and expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. For lease agreements with lease and non-lease components, the Organizations elected the practical expedient to account from them as a single lease component. For lease agreements 12 months or less, the Organizations elected not to record a ROU lease asset or liability.

Upon adoption, the Organizations recognized operating lease ROU assets and liabilities of \$44,808. Adoption did not have a material effect on change in net assets or on the consolidated statement of cash flows.

Newly issued standard not yet effective:

The Financial Accounting Standards Board issued the accounting standard, ASU No. 2016-13, *Financial Instruments-Credit Losses*, which will be effective for fiscal years beginning after December 15, 2022.

The Organizations are evaluating the impact of this standard on future financial statements.

Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

Date of management's review:

Management has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2023 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date of the report, which is the date these consolidated financial statements were available to be issued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Liquidity and Availability of Resources

Financial assets available for general expenditures, without donor restrictions, within one year of the June 30, 2023 and 2022 consolidated statements of financial position date include the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 968,926	\$ 930,810
Accounts receivable	688,284	628,675
Grants receivable	<u>236,325</u>	<u>262,655</u>
	\$1,893,535	\$1,822,140
Less restricted amounts	<u>(45,000)</u>	<u>(202,276)</u>
	<u>\$1,848,535</u>	<u>\$1,619,864</u>
Available line of credit	<u>\$ 135,000</u>	<u>\$ 500,000</u>

The accounts and grants receivables are subject to implied time restrictions but are expected to be collected within one year. The Organizations' policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to this, board designated assets could be made available for general expenditure if necessary.

Note 3. Contribution Receivable

The Organizations lease land owned by the New Albany - Floyd County School Corporation, where some of the Organizations' buildings are located. The lease agreement runs through March 2024 at a rate of \$5 per year. The difference between the amount paid and the fair value of the lease is approximately \$11,500 annually. The Organizations have recognized a contribution receivable based on the fair value of the land to lease and the required payments. The Organizations expect full collection on the contribution and have not recognized an allowance as of June 30, 2023 and 2022.

The following is a summary of the contribution receivable as of June 30:

	<u>2023</u>	<u>2022</u>
Contribution receivable	<u>\$13,378</u>	<u>\$24,836</u>
Due in one year	\$13,378	\$11,500
Due in two to five years	<u> </u>	<u>13,336</u>
	<u>\$13,378</u>	<u>\$24,836</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Assets Whose Use is Limited

Assets whose use is limited are reported at fair value and consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 646,866	\$ 429,475
Equities	613,293	522,663
Fixed income securities	697,116	771,802
Mutual funds	<u>2,589,241</u>	<u>2,477,443</u>
	<u>\$4,546,516</u>	<u>\$4,201,383</u>

Investment return, net of related expenses, is comprised of the following for 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Net realized and unrealized gains (losses)	\$425,824	\$(659,886)
Interest and dividends	100,068	78,755
Investment fees	<u>(24,211)</u>	<u>(21,530)</u>
Investment return, net	<u>\$501,681</u>	<u>\$(602,661)</u>

Note 5. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organizations have the ability to access.
- Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during 2023 and 2022:

- *Equities*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organizations are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organizations are deemed to be actively traded.
- *Fixed income securities*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- *Money market funds*: Valued at the face value of the account at year end.

Assets	June 30, 2023		
	Total	Level 1	Level 2
Assets whose use is limited:			
Equities	\$ 613,293	\$ 613,293	
Mutual funds			
Large growth	1,129,098	1,129,098	
Large value	1,096,467	1,096,467	
Mid cap value	147,236	147,236	
Small blend	216,440	216,440	
Fixed income securities	697,116		\$697,116
Money market funds	<u>646,866</u>	<u>646,866</u>	
	<u>\$4,546,516</u>	<u>\$3,849,400</u>	<u>\$697,116</u>

Assets	June 30, 2022		
	Total	Level 1	Level 2
Assets whose use is limited:			
Equities	\$ 522,663	\$ 522,663	
Mutual funds			
Large growth	984,709	984,709	
Large value	1,116,745	1,116,745	
Mid cap value	178,997	178,997	
Small blend	196,992	196,992	
Fixed income securities	771,802		\$771,802
Money market funds	<u>429,475</u>	<u>429,475</u>	
	<u>\$4,201,383</u>	<u>\$3,429,581</u>	<u>\$771,802</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Organizations' policy is to recognize transfers between levels as of the actual date of the event or change in circumstances. During 2023 and 2022, there were no transfers recognized between levels.

Note 6. Property and Equipment

A summary of property and equipment as of June 30 follows:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 788,286	\$ 788,286
Buildings	8,880,292	8,862,299
Building improvements	6,617	6,617
Equipment	1,638,041	1,626,027
Vehicles	<u>942,020</u>	<u>965,416</u>
	12,255,256	12,248,645
Less accumulated depreciation	<u>(6,105,064)</u>	<u>(5,824,863)</u>
Total	<u>\$ 6,150,192</u>	<u>\$ 6,423,782</u>

The Organizations utilize certain property for rental purposes. The cost of the rental property was \$5,775,820 and \$5,757,827 for years ended June 30, 2023 and 2022, respectively, with accumulated depreciation of \$1,499,925 and \$1,344,997 as of June 30, 2023 and 2022, respectively. Rental agreements are annual and are renewable. Total rental income for the years ended June 30, 2023 and 2022, was approximately \$186,000 and \$149,000, respectively. Expected annual rental income is approximately \$205,000 for the year ended June 30, 2024.

Note 7. Endowment Funds

The Organizations' endowment consists of various investment securities, most of which are traded on public markets. The endowment consists of net assets without donor restrictions that have been designated by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The board designated endowment was approximately \$4,490,000 and \$4,160,000 as of June 30, 2023 and 2022, respectively. The income from the endowment is available to be utilized by the Organizations at their discretion. The investment return from the endowment is included in the consolidated statements of activities as a component of revenue and public support.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For 2023 and 2022, the Organizations had the following endowment-related activities:

	<u>2023</u>	<u>2022</u>
Endowment fund:		
Beginning of year	\$4,159,800	\$4,871,100
Interest and dividends, net of fees	71,718	55,544
Net realized and unrealized gains (losses)	425,824	(660,051)
Appropriations	<u>(148,372)</u>	<u>(106,793)</u>
End of year	<u>\$4,508,970</u>	<u>\$4,159,800</u>

Interpretation of Relevant Law

The Organizations' Board of Directors has determined the requirements of Indiana's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to center around the preservation of the fair value of the original investment as of the date of the asset transfers. Investments resulting from donations directing that they be invested in perpetuity are classified as net assets with donor restrictions. The earnings generated by these investments are classified as with donor restriction and are reclassified as without donor restriction upon their appropriation for expenditure by the Organizations in a manner consistent with the standard of prudence prescribed by Indiana's version of the UPMIFA.

The Organizations consider the following factors in making a determination to appropriate or accumulate its endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organizations and the donor-restricted endowment fund
- 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 Organizations
- 7) The investment policies of the Organizations

Return Objectives and Risk Parameters

The Organizations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, all endowment assets are invested in readily marketable securities. The purpose of the endowment fund is to make substantial long-term gifts to the Organizations to develop a source of revenue to support the endeavors of the Organizations and to support the activities of the Organizations' clients.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organizations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organizations target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How Investment Objectives Relate

Annually a spending rate shall be determined by the Board of Directors after a recommendation from the finance committee. The allowable distribution from endowment funds, over and above fees and expenses allocable to the funds, shall be calculated annually by multiplying the current year's spending rate by the average ending market value of the endowment funds for each of the prior twenty quarters, using the Organizations' fiscal year ending June 30.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organizations to retain as a fund of perpetual duration. Cumulative deficiencies of this nature are reported in net assets without donor restrictions. The Organizations had no such deficiencies as of June 30, 2023 and 2022.

The Organizations' endowment funds consist of net assets without donor restrictions as a general endowment fund to support its mission. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported in net assets without donor restrictions. The endowment funds consist of investments held in various brokerage and bank accounts.

Note 8. Line of Credit

In January 2023 the Organizations renewed a line of credit for \$500,000 with German American Bank that expires in January 2024. The line of credit is secured by substantially all assets of the Organizations. The line of credit bears a variable interest rate subject to change based on the prime rate with a floor of 4.0%. The rate on the line of credit as of June 30, 2023 and 2022 was 7.75% and 4.25%, respectively. At June 30, 2023 the line of credit had an outstanding balance of \$365,000. There was no balance on the line of credit as of June 30, 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Long-Term Debt

The following is a summary of long-term debt as of June 30:

	<u>2023</u>	<u>2022</u>
Note due to German American Bank commencing January 2020, due in monthly installments of \$4,950, including principal and interest, until January 2035. Fixed interest rate of 3.74% through January 2025, secured by real property.	\$ 556,242	\$ 593,776
Various notes payable to local financial institutions, due in monthly installments ranging from \$300 to \$700, including principal and interest, maturing various times through March 2027, with interest rates ranging from fixed rate 7.0% as of June 30, 2023, to variable rate of 9.06%, secured by vehicles and real property.	52,127	72,305
Note due to Wesbanco, due in monthly installments of \$678, including principal and interest, until November 2030. Fixed interest rate of 7.0%, secured by real property.	46,827	51,463
Note due to Wesbanco, due in monthly installments of \$679, including principal and interest, until March 2029. Fixed interest rate of 7.0%, secured by real property.	<u>36,676</u>	<u>42,004</u>
	691,872	759,548
Less current portion	<u>63,237</u>	<u>66,843</u>
	<u>\$ 628,635</u>	<u>\$ 692,705</u>

The net book value of all collateralized property is approximately \$4,555,283.

Maturities of long-term debt for the years following June 30, 2023 are as follows:

<u>Years ending June 30,</u>	
2024	\$ 63,237
2025	66,346
2026	66,353
2027	64,456
2028	63,456
Thereafter	<u>368,024</u>
	<u>\$691,872</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Net Assets with Donor Restrictions

The Organizations were awarded various grants from the Indiana Housing & Community Development Authority and Indiana Affordable Housing Program. These grants have a time and purpose restriction that they be used for construction and development of Hawthorn Glen (the Project) for a fifteen year period after the applicable phases of the Project are placed in service. The various phases of the Project were placed in service beginning in November 2010 through June 2015. These grant awards are considered net assets with donor restrictions expiring November 2025 through June 2030 when the time and purpose restrictions have been met.

The following is a summary of net assets with donor restrictions as of June 30:

	<u>2023</u>	<u>2022</u>
Phase I restricted through November 2025	\$1,231,000	\$1,231,000
Phase II restricted through January 2027	1,050,000	1,050,000
Phase IV restricted through March 2029	1,050,000	1,050,000
Phase V restricted through June 2030	1,000,000	1,000,000
Time restricted contributions		200,346
Fairmont Neighborhood Center renovations	91,780	71,780
Hawthorn Glen outdoor improvements	22,300	
Other	_____	13,835
	<u>\$4,445,080</u>	<u>\$4,616,961</u>

Note 11. Operating Leases (prior to the adoption of FASB 842)

The Organizations were party to operating leases under FASB ASC 840. These leases are now included in Note 12 under FASB ASC 842. The Organizations leased office space and equipment under various operating leases. Total rent expense for the year ended June 30, 2022, was approximately \$27,000.

The future minimum lease payments under FASB ASC 840 as of June 30, 2022 were as follows:

<u>Years ending June 30,</u>	
2023	\$ 11,482
2024	6,048
2025	6,048
2026	5,098
2027	2,048
	<u>\$ 30,724</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Leases (after adoption of FASB 842)

The Organizations lease certain office space and equipment under operating leases with 1 to 10-year initial terms. No agreements provide for payments adjusted for inflation or for variable payments. The lease agreements do not include any material residual value guarantees or restrictive covenants. The Organizations also lease various small equipment under lease agreements of 12 months or less with no options to purchase the underlying asset.

The exercise of the renewal options is at the sole discretion of the Organizations, and only lease options that the Organizations believe are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

The following summarizes lease costs for the year ended June 30, 2023:

Lease costs:	
Operating lease costs	\$15,155
Short-term lease costs	<u>12,685</u>
Total lease cost	<u>\$27,840</u>
 Other information:	
Weighted-average remaining lease term-operating leases	2.32 years
Weighted-average discount rate-operating leases	7.75%
 Supplemental cash flows information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$13,712
Right-of-use assets obtained in exchange for new operating lease liabilities	\$44,808

The future minimum lease payments for the next four years are as follows:

<u>Years ending June 30,</u>	
2024	\$15,864
2025	16,964
2026	3,558
2027	<u>616</u>
Total undiscounted cash flows	37,002
Less: present value discount	<u>(3,064)</u>
Total lease liabilities	<u>\$33,938</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Concentration of Revenues and Receivables

Accounts receivable and service revenue from clients and third-party payors were as follows:

	Receivables		Revenue	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Industrial services	60%	67%	48%	49%
Medicaid	22%	20%	45%	45%
Children Services	10%	7%	1%	1%
Other	<u>8%</u>	<u>6%</u>	<u>6%</u>	<u>5%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Note 14. Revenue from Contracts with Customers

Revenue from contracts with customers as of June 30, 2023 and 2022 include the following:

	<u>2023</u>	<u>2022</u>
Industrial services	\$ 3,479,672	\$3,395,778
Medicaid waiver	3,251,135	3,087,281
Indiana First Steps services	3,055,374	2,265,908
Residential program	293,737	266,602
Vocational rehabilitation services	126,441	106,821
Membership dues	<u>500</u>	<u>500</u>
Total	<u>\$10,206,859</u>	<u>\$9,122,890</u>

A description of the Organizations' revenue streams accounted for as contracts with customers follows:

Industrial services – The Organizations earn revenue through various contracts, for which performance obligations are satisfied at a point in time as such services are provided.

Medicaid waiver – The Organizations earn revenue by providing home and community based services to individuals. This consists of several different performance obligations, depending on the type of service. Performance obligations are satisfied at a point in time when the services are provided.

Indiana First Steps services – The Organizations earn revenue by providing therapy services to individuals. Performance obligations for this are satisfied at a point in time as the services are provided.

Residential program – Revenue is recognized for day services provided. Performance obligations for this are satisfied at a point in time as the services are provided.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Vocational rehabilitation services – Performance obligations are satisfied at a point in time when vocational rehabilitation services are provided.

Membership dues – The Organizations recognize revenue earned through membership dues as performance obligations are satisfied over time. This is recorded in other income on the consolidated statements of activities.

For the years ended June 30, 2023 and 2022, essentially all performance obligations were satisfied at a point in time. The time between invoicing and when the performance obligations are satisfied is not significant, and there is not a significant financing component or significant payment terms.

The Organizations recognize revenue and contract assets when services have been provided. Since the Organizations have performed their obligations under the contracts they have unconditional right to consideration recorded as contract assets and, therefore, classified those billed assets as accounts receivable. A portion of the Organizations’ accounts receivable are due under contracts, as defined by ASC 606. The opening balances of all accounts receivable for the years ended June 30, 2023 and 2022 were \$628,675 and \$461,447, respectively.

Note 15. State and Local Awards

Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Government Sources, issued by the Indiana State Board of Accounts, requires Indiana not-for-profit entities to disclose federal, state and local awards expended during the entities’ annual reporting period. During 2022, the Organizations received various COVID funding from the government, but none of the awards were required to be reported under Uniform Guidance for the years ended June 30, 2023 or 2022.

During 2023 and 2022, the Organizations expended the following state and local awards:

	<u>2023</u>	<u>2022</u>
State:		
Indiana Division of Disability and Rehabilitation Services- Vocational Rehab	\$126,441	\$106,821
Local:		
Floyd County	<u>472,650</u>	<u>451,500</u>
	<u>\$599,091</u>	<u>\$558,321</u>

Note 16. Retirement Plan

On July 1, 2019, the Organizations began participating in a defined contribution retirement plan through RBR Alliance, Inc. The Plan allows all employees to make elective deferrals upon commencement of employment. Employer contributions were \$56,410 and \$47,185 for 2023 and 2022, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Related Party Transactions

On July 1, 2019 the Organizations entered into a management services agreement with RBR Alliance, Inc. (RBR). The Organizations contract with RBR for management services, and the Organizations rent office space to RBR. For the year ended June 30, 2023, the Organizations reported the following transactions with RBR: lease revenue of \$8,250, dues revenue of \$500, contract management expense of \$1,142,400, sales commission expense of \$35,944, a receivable from RBR for \$4,175, and a payable to RBR for \$54,038. For the year ended June 30, 2022, the Organizations reported the following transactions with RBR: lease revenue of \$9,000, dues revenue of \$500, contract management expense of \$1,142,424, sales commission expense of \$67,749, and a payable to RBR for \$49,143.

Through its relationship with RBR Alliance, Inc., the Organizations also engaged in transactions with Blue River Services, Inc. (BRS). For the year ended June 30, 2023, the Organizations reported the following transactions with BRS: Day Services revenue of \$51,616, recruitment expense of \$2,445, screen print expense of \$2,263, industrial services performed by BRS on behalf of the Organizations, and a receivable from BRS for \$13,819. For the year ended June 30, 2022, the Organizations reported the following transactions with BRS: Day Services revenue of \$58,984, sponsorship revenue of \$1,500, screen print expense of \$2,745, industrial services performed by BRS on behalf of the Organizations, and a net receivable from BRS for \$242.

Note 18. Concentration of Credit Risk

The Organizations maintain their cash in various financial institutions. Accounts at these institutions are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2023, uninsured cash balances were approximately \$294,000.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. It is reasonably possible that changes in the values of investments could occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position. To address the risk, the Organizations maintain a formal investment policy that sets out investment guidelines, asset allocation guidelines, and requires review of the investment manager's performance.

SUPPLEMENTARY INFORMATION

RAUCH, INC. AND THE RAUCH FOUNDATION, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2023

Assets	<u>Rauch, Inc.</u>	<u>The Rauch Foundation, Inc.</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Current Assets				
Cash	\$ 968,926			\$ 968,926
Accounts receivable, net	679,050	\$ 9,234		688,284
Grants receivable	236,325			236,325
Inventories	386,311			386,311
Prepaid expenses and other current assets	98,619			98,619
Contribution receivable	<u>13,378</u>			<u>13,378</u>
Total current assets	<u>2,382,609</u>	<u>9,234</u>		<u>2,391,843</u>
Other Assets				
Assets whose use is limited		4,546,516		4,546,516
Property and equipment, net	6,150,192			6,150,192
Right-of-use assets, operating	<u>33,571</u>			<u>33,571</u>
Total other assets	<u>6,183,763</u>	<u>4,546,516</u>		<u>10,730,279</u>
Total assets	<u>\$ 8,566,372</u>	<u>\$ 4,555,750</u>		<u>\$ 13,122,122</u>
Liabilities and Net Assets				
Current Liabilities				
Current portion of long-term debt	\$ 63,237			\$ 63,237
Line of credit	365,000			365,000
Accounts payable and accrued expenses	457,538			457,538
Accrued salaries and related liabilities	316,866			316,866
Lease liabilities - operating, current	<u>15,864</u>			<u>15,864</u>
Total current liabilities	<u>1,218,505</u>			<u>1,218,505</u>
Long-term Liabilities				
Long-term debt, less current portion	628,635			628,635
Lease liabilities - operating, long-term	<u>18,074</u>			<u>18,074</u>
Total long-term liabilities	<u>646,709</u>			<u>646,709</u>
Total liabilities	<u>1,865,214</u>			<u>1,865,214</u>
Net Assets				
Without donor restrictions:				
Undesignated	2,325,158			2,325,158
Designated - endowment		<u>\$ 4,486,670</u>		<u>4,486,670</u>
Total net assets without donor restrictions	<u>2,325,158</u>	<u>4,486,670</u>		<u>6,811,828</u>
With donor restrictions	<u>4,376,000</u>	<u>69,080</u>		<u>4,445,080</u>
Total net assets	<u>6,701,158</u>	<u>4,555,750</u>		<u>11,256,908</u>
Total liabilities and net assets	<u>\$ 8,566,372</u>	<u>\$ 4,555,750</u>		<u>\$ 13,122,122</u>

RAUCH, INC. AND THE RAUCH FOUNDATION, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	Rauch, Inc.	The Rauch Foundation, Inc.	Eliminations	Consolidated Total
Net Assets Without Donor Restrictions				
Revenues and public support:				
Industrial services	\$ 3,468,972			\$ 3,468,972
Medicaid waiver	3,251,135			3,251,135
First steps services	3,055,374			3,055,374
Investment return, net	4,139	\$ 497,542		501,681
County taxes	472,650			472,650
Residential program	293,737			293,737
Government financial assistance	273,364			273,364
Rental income	186,389			186,389
Contributions	354,559	1,848	\$ (200,000)	156,407
Gain on insurance proceeds	145,312			145,312
Special events	30,952	80,700		111,652
Vocational rehabilitation services	126,441			126,441
Children services	77,556			77,556
Other	31,875			31,875
Gain on disposal of assets	14,301			14,301
Net assets released from restrictions	214,181			214,181
	<u>12,000,937</u>	<u>580,090</u>	<u>(200,000)</u>	<u>12,381,027</u>
Total revenues and public support without donor restrictions				
Expenses:				
Salaries and wages	4,736,383			4,736,383
Purchased services	4,286,165	2,975		4,289,140
Supplies	1,158,109			1,158,109
Employee benefits	875,422			875,422
Occupancy	471,658			471,658
Depreciation	341,220			341,220
Contributions		200,000	(200,000)	
Travel and mileage	170,074			170,074
Other	148,944			148,944
Repairs and maintenance	107,781			107,781
Special events	19,485	50,245		69,730
Interest	38,613			38,613
Bad debt	24,000			24,000
	<u>12,377,854</u>	<u>253,220</u>	<u>(200,000)</u>	<u>12,431,074</u>
Total expenses				
Change in net assets without donor restrictions				
	(376,917)	326,870		(50,047)
Net Assets With Donor Restrictions				
Contributions	20,000	22,300		42,300
Net assets released from restrictions	(214,181)			(214,181)
Change in net assets with donor restrictions				
	(194,181)	22,300		(171,881)
Change in net assets				
	(571,098)	349,170		(221,928)
Net assets at beginning of year	<u>7,272,256</u>	<u>4,206,580</u>		<u>11,478,836</u>
Net assets at end of year	<u>\$ 6,701,158</u>	<u>\$ 4,555,750</u>	<u>\$</u>	<u>\$ 11,256,908</u>