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October 1, 2021


Board of Directors
Family Ark, Inc.
101 Noah's Lane
Jeffersonville, IN 47130

We have reviewed the audit report of Family Ark, Inc. which was opined upon by Bowden & Wood, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Family Ark, Inc. as of December 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Emphasis-of-Matter paragraph included in the Independent Auditors' Report and further detailed in Note L.

In our opinion, Bowden & Wood prepared the audit report in accordance with guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

FAMILY ARK, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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BOWDEN & WOOD

CERTIFIED PUBLIC ACCOUNTANTS

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JESSICA N. FISTER, CPA

October 20, 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Family Ark, Inc.
Jeffersonville, Indiana

We have audited the accompanying financial statements of Family Ark, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Ark, Inc., as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note L, the Organization has suffered recurring losses from operations. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in note L. Our opinion is not modified with respect to this matter.

Respectfully submitted,



Bowden & Wood, PLLC
Certified Public Accountants

FAMILY ARK, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents (note A)	\$ 174 912	\$ 66 023
Investments (notes A and B)	159 441	277 203
Accounts receivable, less allowance for insurance adjustments of \$34,771 (\$57,384 in 2018) (note A)	109 800	284 122
Prepaid expenses	<u>18 571</u>	<u>18 078</u>
Total current assets	<u>462 724</u>	<u>645 426</u>
Property and equipment:		
Construction in process	26 487	-0-
Land	18 919	18 919
Buildings	656 760	656 760
Leasehold improvements	155 110	155 110
Furniture and fixtures	8 650	8 650
Computer and office equipment	229 114	229 114
Automobiles	<u>117 072</u>	<u>89 272</u>
	1 212 112	1 157 825
Less accumulated depreciation	<u>497 514</u>	<u>453 244</u>
Total property and equipment, net (nodes A and D)	<u>714 598</u>	<u>704 581</u>
Other assets:		
Cash and cash equivalents with donor restrictions	<u>498 513</u>	<u>10 000</u>
Total other assets	<u>498 513</u>	<u>10 000</u>
Total assets	<u><u>1 675 835</u></u>	<u><u>1 360 007</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	96 092	92 176
Accrued expenses	70 522	64 175
Note payable (note E)	-0-	12 816
Line of credit (note F)	<u>99 987</u>	<u>-0-</u>
Total current liabilities	<u>266 601</u>	<u>169 167</u>
Net assets:		
Without donor restrictions	910 721	1 180 840
With donor restrictions	<u>498 513</u>	<u>10 000</u>
Total net assets	<u>1 409 234</u>	<u>1 190 840</u>
Total liabilities and net assets	<u><u>1 675 835</u></u>	<u><u>1 360 007</u></u>

See notes to financial statements.

FAMILY ARK, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

			2019	2018
	Without donor restrictions	With donor restrictions	Total	Total
Revenues, gains and other support				
Program service fees:				
Inpatient - foster care	\$ 763 559		\$ 763 559	\$ 951 272
Outpatient - specialized treatment	<u>923 847</u>		<u>923 847</u>	<u>951 696</u>
Total program service fees	1 687 406		1 687 406	1 902 968
Other revenues:				
Contributions and grants	48 600	\$553 000	601 600	61 210
Special events	14 195	-0-	14 195	24 890
Investment income	5 374	-0-	5 374	7 864
(Loss) gain on sale of investments	(6 532)	-0-	(6 532)	8 906
Unrealized gain (loss) on investments	51 771	-0-	51 771	(46 933)
Other income	<u>7 993</u>	<u>-0-</u>	<u>7 993</u>	<u>4 517</u>
Total other revenues	121 401	553 000	674 401	60 454
Net assets released from restrictions:				
Therapist equipment acquired	10 000	(10 000)	-0-	-0-
Funds used towards renovation project	26 487	(26 487)	-0-	-0-
Vehicles acquired	<u>28 000</u>	<u>(28 000)</u>	<u>-0-</u>	<u>-0-</u>
Total net assets released from restrictions	<u>64 487</u>	<u>(64 487)</u>	<u>-0-</u>	<u>-0-</u>
Total revenues, gains and other support	1 873 294	488 513	2 361 807	1 963 422

See notes to financial statements.

FAMILY ARK, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED DECEMBER 31, (continued)

			2019	2018
	Without donor restrictions	With donor restrictions	Total	Total
Expenses				
Program services	\$1 857 466		\$1 857 466	\$1 915 682
General and administrative	252 758		252 758	235 970
Fund-raising	<u>33 189</u>	<u> </u>	<u>33 189</u>	<u>1 543</u>
Total expenses	2 143 413		2 143 413	2 153 195
Net increase (decrease) in total net assets	(270 119)	\$488 513	218 394	(189 773)
Net assets at beginning of year	<u>1 180 840</u>	<u>10 000</u>	<u>1 190 840</u>	<u>1 380 613</u>
Net assets at end of year	<u><u>910 721</u></u>	<u><u>498 513</u></u>	<u><u>1 409 234</u></u>	<u><u>1 190 840</u></u>

See notes to financial statements.

FAMILY ARK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

				2019	2018
	Program	General and	Fund	Total	Total
	services	administrative	raising	expenses	expenses
Salaries	\$1 060 474	\$166 463	\$25 385	\$1 252 322	\$1 217 067
Employee benefits	92 205	14 473	2 208	108 886	119 027
Payroll taxes	82 991	13 027	1 987	98 005	96 831
Foster parent payments	273 207	-0-		273 207	323 610
Professional fees	34 838	6 303		41 141	53 704
Depreciation	37 488	6 782		44 270	47 428
Insurance	40 798	7 381		48 179	43 940
Bad debt	1 648	298		1 946	14 905
IT	37 758	6 831		44 589	28 909
Repairs and maintenance	22 910	4 145		27 055	40 076
Utilities	21 490	3 888		25 378	25 037
Travel	6 593	1 193		7 786	7 235
Telephone	20 406	3 692		24 098	21 606
Professional development	20 293	3 671		23 964	13 324
Interest	2 558	463		3 021	2 876
Supplies	7 296	1 320		8 616	4 306
Licensing	7 160	1 295		8 455	8 990
Investment fees	2 231	404		2 635	3 594
Recruitment	7 062	1 278		8 340	10 631
Dues and subscriptions	7 338	1 327		8 665	7 140
Program activities	12 466	2 255		14 721	5 228
Miscellaneous	15 468	2 798		18 266	10 920
Employment	4 204	761		4 965	5 067
Scholarship award	847	153		1 000	-0-
Advertising and marketing	4 191	758		4 949	2 865
Food	-0-	-0-	3 149	3 149	483
Grants	-0-	-0-		-0-	2 582
Postage	1 148	208		1 356	1 211
Banking fees	2 561	463		3 024	1 972
Foster parent training	975	-0-		975	1 583
Special events	-0-	-0-	460	460	1 060
Rent	2 012	364		2 376	2 351
Printing	4 221	764		4 985	5 491
Billing service	<u>22 629</u>	<u>-0-</u>		<u>22 629</u>	<u>22 146</u>
Total expenses	<u>1 857 466</u>	<u>252 758</u>	<u>33 189</u>	<u>2 143 413</u>	<u>2 153 195</u>

See notes to financial statements.

FAMILY ARK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from services provided	\$1 687 405	\$1 907 485
Cash paid to suppliers and employees	(1 933 141)	(2 055 347)
Contributions and grants received - with donor imposed restrictions	553 000	10 000
Contributions and grants received - without donor imposed restrictions	48 600	51 210
Cash received from other income	22 188	29 407
Interest paid	<u>(3 021)</u>	<u>(2 876)</u>
Net cash provided (used) in operating activities	375 031	(60 121)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(27 800)	(5 109)
Proceeds from sales of investments	<u>163 000</u>	<u>50 000</u>
Net cash provided by investing activities	135 200	44 891
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on line of credit	100 000	-0-
Principal payments on note payable	(12 816)	(74 829)
Principal payments on line of credit	<u>(13)</u>	<u>-0-</u>
Net cash provided (used) in financing activities	<u>87 171</u>	<u>(74 829)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	597 402	(90 059)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>76 023</u>	<u>166 082</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u><u>673 425</u></u>	<u><u>76 023</u></u>

See notes to financial statements

FAMILY ARK, INC.
STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED DECEMBER 31,

	2019	2018
Reconciliation of net increase (decrease) in total net assets to net cash provided (used) in operating activities		
Net increase (decrease) in total net assets	<u>\$218 394</u>	<u>\$(189 773)</u>
Adjustments to reconcile net increase (decrease) in total net assets to net cash provided (used) in operating activities:		
Depreciation	44 270	47 428
Change in allowance accounts	(26 486)	(12 133)
Net investment income reinvested	-0-	7 864
Loss (gain) on sale of investments	6 532	(8 906)
Unrealized (gain) loss on investments	(51 771)	46 933
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	174 322	10 994
Prepaid expenses	(493)	(11 552)
Increase (decrease) in liabilities:		
Accounts payable	3 916	41 593
Accrued expenses	6 347	7 431
Total adjustments	<u>156 637</u>	<u>129 652</u>
Net cash provided (used) in operating activities	<u>375 031</u>	<u>(60 121)</u>

See notes to financial statements.

FAMILY ARK, INC.
NOTES TO FINANCIAL STATEMENTS

A DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ORGANIZATION

Family Ark, Inc. (the Organization), located in Jeffersonville, Indiana, is a not-for-profit organization which operates facilities, develops programs and provides services for the care of children and families in Southern Indiana.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Family Ark, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the 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 financial statements.

CONTRIBUTIONS

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

CONTRIBUTED SERVICES

No amounts have been reflected in the financial instruments for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

SERVICE REVENUES

Service revenues are reported at the estimated net realizable amounts from individuals and third-party payers for services rendered. The principal source of revenue to the Organization is appropriations received from Indiana for the counties served. The courts will appropriate funds for the care of each child who is sent to the Organization for placement in foster homes and home based services. Such funds are then used by the Organization to pay foster parents and operating overhead including staff and counselors' salaries. Approximately 72% of service fees in 2019 and 74% in 2018 were derived from services provided under contracts with the Indiana Department of Child Services (DCS). Receivables from the DCS total approximately 70% of the accounts receivable for services at December 31, 2019 and 90% at December 31, 2018. The current level of the Organization's program services may be impacted if the funding by the DCS significantly changes.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with original maturities of three months or less to be cash and cash equivalents.

FAMILY ARK, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

A DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ACCOUNTS RECEIVABLE

The valuation of accounts receivable is based upon a detailed analysis of past due accounts and the history of uncollectible accounts. The Organization periodically reviews doubtful accounts to determine if write-offs are necessary. Accounts receivable at January 1, 2018 was \$295,116.

INVESTMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, if purchased, or at fair market value as of the date of donation, if donated. The Organization's policy is to capitalize asset purchases exceeding \$2,000. Depreciation is calculated using the straight-line and double-declining balance methods over the assets' useful lives.

COMPENSATED ABSENCES

Employees of the Organization are entitled to paid leave, including vacation and sick time depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future sick pay, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of sick absences when actually paid to employees.

ADVERTISING

The Organization charges the costs of advertising to expense as incurred. Total advertising costs for the years ended December 31, 2019 and 2018 were \$4,949 and \$2,865, respectively.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. However, income from certain activities not directly related to the Organization's tax exempt purpose may be subject to taxation as unrelated business income.

As of December 31, 2019, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the year then ended.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

FAMILY ARK, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

A DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

COST ALLOCATION

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Management believes the best allocation method is based on the percentage of compensation between the program services and General and Administrative expenses.

LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions.

	2019	2018
Financial assets at year-end	\$832 866	\$353 226
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to purchase therapist equipment	-0-	10 000
Donor-restricted to renovation project	<u>498 513</u>	<u>-0-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>334 353</u>	<u>343 226</u>

B INVESTMENTS

Cost and market value of investments consisted of the following as of December 31, 2019:

	Cost	Market value	Unrealized appreciation (depreciation)
Money market accounts	\$ 6 445	\$ 6 445	\$ -0-
Bond funds	121 640	119 360	(2 280)
Equity funds	<u>25 522</u>	<u>33 636</u>	<u>8 114</u>
Total investments	<u>153 607</u>	<u>159 441</u>	<u>(5 834)</u>

FAMILY ARK, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

B INVESTMENTS (continued)

Cost and market value of investments consisted of the following as of December 31, 2018:

	Cost	Market value	Unrealized appreciation (depreciation)
Money market accounts	\$ 6 825	\$ 6 825	\$ -0-
Bond funds	251 722	215 063	(36 659)
Equity funds	<u>56 545</u>	<u>55 315</u>	<u>(1 230)</u>
Total investments	<u>315 092</u>	<u>277 203</u>	<u>(37 889)</u>

C 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 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.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active or 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.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization's assets have been valued using a market approach. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2019 and December 31, 2018.

Bond and equity funds - valued based on quoted prices for similar assets from observable pricing sources.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of December 31,

	2019	2018
	Level 1	Level 1
Money market accounts	\$ 6 445	\$ 6 825
Bond funds	119 360	215 063
Equity funds	<u>33 636</u>	<u>55 315</u>
	<u>159 441</u>	<u>277 203</u>

FAMILY ARK, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

D PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31,

	2019	2018
Description		
Furniture and fixtures	\$ 8 650	\$ 8 650
Computer and office equipment	229 114	229 114
Vehicles	117 072	89 272
Leasehold improvements	155 110	155 110
Buildings	656 760	656 760
Land	18 919	18 919
Construction in process	26 487	-0-
	<u>1 212 112</u>	<u>1 157 825</u>
Less accumulated depreciation and amortization	<u>(497 514)</u>	<u>(453 244)</u>
Net property and equipment	<u>714 598</u>	<u>704 581</u>

Depreciation and amortization expense was \$44,270 and \$47,428 for the years ended December 31, 2019 and 2018, respectively.

E NOTE PAYABLE

The note payable consists of the following as of December 31,

	2019	2018
Mortgage note payable to WesBanco, stated interest rate of 5.59%, payable in monthly principal and interest payments of \$6,502 secured by the real estate. The mortgage note was paid in full in February 2019.	\$-0-	\$12 816
Less current maturities	<u>-0-</u>	<u>(12 816)</u>
	<u>-0-</u>	<u>-0-</u>

F LINE OF CREDIT

The Organization obtained a line of credit in May 2019 with a limit of \$100,000 secured by the real estate at the bank's prime rate (4.75% at December 31, 2019). The line of credit was due to mature on April 30, 2020. However, the Organization obtained a line of credit with another bank in 2020 with a credit limit of \$200,000 and paid off that line of credit.

Total interest expense for the years ending December 31, 2019 and December 31, 2018 was \$3,021 and \$2,876, respectively.

FAMILY ARK, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

G RETIREMENT PLAN

The Organization has a 403(b) plan, which allows employees to defer a percentage of their wages and covers substantially all employees who meet certain requirements. The Organization matches 50% of employee deferrals up to 4% of the employee's wages for a maximum match of 2%. Total expense under the plan was \$15,549 and \$9,503 for the years ended December 31, 2019 and 2018, respectively.

H RESTRICTIONS ON NET ASSETS

CAPITAL CAMPAIGN

The Organization, along with Volunteers of America and Indiana Department of Child Services, have contracted to begin a program for pregnant women with substance addictions. The Organization is renovating one of the buildings on the property to provide the services. To fund the renovation costs, the Organization raised support of \$525,000 in 2019 of which \$26,487 had been spent at December 31, 2019. Renovation of the facilities began in the fall of 2019 with expected completion by December 31, 2020. Cash and promises to give are restricted to payment of the cost of renovating the facility and are not available for operating purposes.

Net assets with donor restrictions during the year ended December 31, 2019 are as follows:

	Balance 12/31/18	Contributions/ grants	Released	Balance 12/31/19
Contributions restricted for:				
Renovation project	\$ -0-	\$525 000	\$(26 487)	\$498 513
Vehicles purchase	-0-	28 000	(28 000)	-0-
Therapist equipment	<u>10 000</u>	-0-	(10 000)	-0-
	<u>10 000</u>	<u>553 000</u>	<u>(64 487)</u>	<u>498 513</u>

I RENTAL INCOME

The Organization currently leases a portion of its property to an unrelated third party. Rental income for the years ended December 31, 2019 and 2018 was \$7,220 and \$0, respectively.

J CONCENTRATION OF CREDIT RISK

The Organization has significant investments in bond and equity funds held by an investment manager and are, therefore, subject to concentrations of credit risk. Investments are made by the investment manager and the investments are monitored by the Board of Directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

FAMILY ARK, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

K ADOPTION OF NEW FINANCIAL INSTRUMENTS AND REVENUE RECOGNITION GUIDANCE

Effective January 1, 2019, the Organization changed its accounting methods for financial instruments as a result of implementing the requirements in the Financial Accounting Standard Board's Accounting Standards Codification ASC 825-10, *Financial Instruments-Overall*.

The new financial instruments guidance removes the classifications regarding equity securities, which results in recognizing the change in fair value of equity securities in net income during the year of the change in value. The Organization adopted the requirements of the new guidance prospectively as of January 1, 2019, with the cumulative effect of this adjustment being applied to net assets as of the date of adoption. The impact of this change is described and noted on the financial statements.

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, which did not have a material effect on the financial statements.

Effective January 1, 2019, the Organization changed its accounting methods for revenue recognition as a result of implementing the requirements in the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*.

The new revenue recognition guidance requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The Organization adopted the requirements of the new revenue recognition guidance as of January 1, 2019, utilizing the full retrospective transition method.

The Organization recognizes revenue when a transfer of control over a service to a customer is satisfied. The Organization's service obligations at January 1, 2018 did not include any items of change in revenue recognition under the new guidance. The adoption of Topic 606 did not result in any significant changes to revenue recognition. Accordingly, no adjustment to net assets was required upon adoption of Topic 606.

L OPERATIONS

For December 31, 2019, the Organization had an increase in net assets of \$218,394. This included restricted contributions of \$498,513 and unrealized gain on investments of \$51,771. Had these not been included, the Organization would have incurred a net loss of \$331,890.

FAMILY ARK, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

L OPERATIONS (continued)

For December 31, 2018, the Organization incurred a net loss of \$189,773. Included in the 2018 net loss was unrealized loss on investments of \$46,933. Had these unrealized losses not been included, the net loss for 2018 would have been \$142,840. Additionally, the Organization used cash of approximately \$60,121 in 2018.

The Organization recently contracted with the Indiana Department of Child Services for two new programs. Family Preservation Services began operations in June 2020, and, according to management, has accumulated revenues of \$48,571 within the first four months. Management believes that the Lotus House will be operational by the end of 2020. Management believes both programs will significantly increase revenues in the future.

In addition, with the recent appraisal of the property at \$4.46 million, the Organization will be able to utilize financing to meet their financial and cash flow needs over the next year from issue of these financial statements.

M SUBSEQUENT EVENTS

COVID-19 and its related economic impact on businesses and organizations of all sizes began prior to the issuance of these financial statements. While it is too early to determine the full impact of COVID-19 or when business operations may return to more normal levels, management anticipates that there will be at least some negative impact on the financial condition of the Organization. In response, the Organization has obtained a Paycheck Protective Program (PPP) loan through the SBA. Management anticipates some of this loan to be forgiven but at the time these financial statements were released, that amount was unknown. In addition, management has reevaluated staffing levels as well as other operational expenses to help mitigate the economic impact of COVID-19.

Subsequent events have been evaluated through the date of this report, which is the date the financial statements were available to be issued.