PRESBYTERIAN HOMES AND FAMILY SERVICES, INC.
dba HumanKind

Financial Statements
For the years ended
December 31, 2022 and 2021

Not-for-Profit Corporation
501c(3)

PRESBYTERIAN HOMES AND FAMILY SERVICES, INC.
dba HumanKind

Contents

DD&H DAVIDSON, DOYLE & HILTON
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

To the Board of Directors of
Presbyterian Homes and Family Services, Inc. dba HumanKind
Lynchburg, Virginia

Opinion

We have audited the accompanying financial statements of Presbyterian Homes and Family Services, Inc. dba HumanKind ("HumanKind") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HumanKind as of December 31, 2022, and the results of its activities and changes in its net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HumanKind 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.

Prior Period Financial Statements

The financial statements of HumanKind as of December 31, 2021 were audited by other auditors whose report dated June 1, 2022 expressed an unmodified opinion on those statements.

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HumanKind's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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, international omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HumanKind's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HumanKind'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.

Other Matters – Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2, U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2023, on our consideration of HumanKind's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HumanKind's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HumanKind's internal control over financial reporting and compliance.

Davidson Doyle + Hilton, LLP

Lynchburg, Virginia
May 24, 2023

PRESBYTERIAN HOMES AND FAMILY SERVICES, INC.
dba HumanKind
Statements of Financial Position
December 31, 2022 and 2021

Assets		2022		2021
Current assets				
Cash and equivalents	$	1,319,953	$	1,127,430
Accounts receivable, net of allowance for uncollectible accounts of $79,758 and $145,314, in 2022 and 2021, respectively		2,648,469		1,561,327
Contributions receivable		111,778		122,931
Prepaid expenses		117,298		124,752
Bequests and gift annuities receivable		17,336		20,850
Beneficial interest in perpetual trusts		4,028,313		5,051,728
Investments		20,710,545		30,141,810
Movie Investment		50,000		50,000
Total current assets		29,003,692		38,200,828
Property and equipment				
Property and equipment, net of accumulated depreciation of $10,320,463 and $9,873,873, in 2022 and 2021, respectively		11,476,569		11,752,652
Total property and equipment		11,476,569		11,752,652
Operating lease right-of use assets		206,660		-
Total assets	$	40,686,921	$	49,953,480
Liabilities and Net Assets				
Current liabilities				
Accounts payable	$	146,775	$	762,752
Accrued compensation expenses and other liabilities		304,055		169,754
Unearned revenue		250,000		-
Current maturities of operating lease obligations		99,039		-
Line of credit		290,935		177,968
Current maturities of notes payable		302,260		292,716
Total current liabilities		1,393,064		1,403,190
Long-term liabilities				
Long-term operating lease obligations		111,730		-
Long-term debt, net of current maturities and unamortized debt issuance costs		3,440,158		4,309,942
Total long-term liabilities		3,551,888		4,309,942
Total liabilities		4,944,952		5,713,132
Net assets				
Without donor restrictions		25,605,584		32,267,062
With donor restrictions		10,136,385		11,973,286
Total net assets		35,741,969		44,240,348
Total liabilities and net assets	$	40,686,921	$	49,953,480

PRESBYTERIAN HOMES AND FAMILY SERVICES, INC.
dba HumanKind
Statement of Activities
Year ended December 31, 2022

	2022 Without Donor Restrictions	2022 With Donor Restrictions	2022 Total
Revenues, gains, and other support			
Contributions			
Contributions	$ 289,721	$ 123,320	$ 413,041
Grants	5,167,203	-	5,167,203
In-kind contributions	-	119,139	119,139
Total contributions	5,456,924	242,459	5,699,383
Program related revenue			
Tuition and resident fees	92,555	-	92,555
Medicaid	5,519,996	-	5,519,996
Therapeutic Foster Care	4,371,611	-	4,371,611
Special events, net of expenses of $106,385	106,465	-	106,465
Other	950,348	-	950,348
Total program related revenue	11,040,976	-	11,040,976
Other revenue			
Investment returns	(4,987,007)	(851,906)	(5,838,913)
Distributions from perpetual trusts	425,087	52,677	477,764
Net unrealized gain(loss) on trusts/annuities	-	(1,026,519)	(1,026,519)
Gain on disposal of assets	16,000	-	16,000
Other	94,375	-	94,375
Total other revenue	(4,451,545)	(1,825,748)	(6,277,293)
Net assets released from restrictions	253,612	(253,612)	-
Total revenues, gains, and other support	12,299,952	(1,836,901)	10,463,051
Operating expenses			
Program services			
Community based services	9,040,766	-	9,040,766
Residential services	5,504,915	-	5,504,915
Supporting services			
Administrative services	3,307,314	-	3,307,314
Development	1,108,435	-	1,108,435
Total operating expenses	18,961,430	-	18,961,430
Increase (decrease) in net assets	(6,661,478)	(1,836,901)	(8,498,379)
Net assets at beginning of year	32,267,062	11,973,286	44,240,348
Net assets at end of year	$ 25,605,584	$ 10,136,385	$ 35,741,969

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PRESBYTERIAN HOMES AND FAMILY SERVICES, INC.
dba HumanKind
Statement of Activities
Year ended December 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions			
Bequests	$ 8,078	$ -	$ 8,078
Contributions	476,591	429,843	906,434
In-kind contributions	-	92,508	92,508
Total contributions	484,669	522,351	1,007,020
Program related revenue			
Tuition and resident fees	216,954	-	216,954
Medicaid	3,205,623	-	3,205,623
Grants	5,882,428	-	5,882,428
Other	1,336,205	-	1,336,205
Total program related revenue	10,641,210	-	10,641,210
Other revenue			
Investment returns	3,153,006	679,682	3,832,688
Distributions from perpetual trusts	155,609	50,679	206,288
Net unrealized gain (loss), perpetual trusts	-	416,362	416,362
Net unrealized gain (loss), gift annuities	-	2,194	2,194
Gain (loss) on disposal of assets	419,454	-	419,454
PPP loan forgiveness	1,576,642	-	1,576,642
Other	373,996	121,211	495,207
Total other revenue	5,678,707	1,270,128	6,948,835
Net assets released from restrictions	609,734	(609,734)	-
Total revenues, gains, and other support	17,414,320	1,182,745	18,597,065
Operating expenses			
Program services			
Community based services	7,133,253	-	7,133,253
Residential services	3,606,287	-	3,606,287
Supporting services			
Administrative services	2,366,834	-	2,366,834
Development	960,481	-	960,481
Total operating expenses	14,066,855	-	14,066,855
Increase in net assets	3,347,465	1,182,745	4,530,210
Net assets at beginning of year	28,919,597	10,790,541	39,710,138
Net assets at end of year	$ 32,267,062	$ 11,973,286	$ 44,240,348

PRESBYTERIAN HOMES AND FAMILY SERVICES, INC.
dba HumanKind
Statement of Functional Expenses
Years Ended December 31, 2022

	Program Services			Supporting Services			
	Community Based Services	Residential Services	Total	Administrative	Development	Total	Total Expenses
Salaries	$ 4,629,681	$ 843,874	$ 5,473,555	$ 1,131,741	$ 606,633	$ 1,738,374	$ 7,211,929
Medicaid Contractor	1,717,068	4,181,861	5,898,929	-	-	-	5,898,929
Employee Insurance	678,193	114,482	792,675	143,063	84,066	227,129	1,019,804
Repairs and Maintenance	650,984	14,618	665,602	-	-	-	665,602
Depreciation	-	-	-	523,196	-	523,196	523,196
Computer Expense	64,543	12,549	77,092	443,240	824	444,064	521,156
Payroll Taxes	331,995	62,100	394,095	76,225	42,972	119,197	513,292
Pensions	229,395	35,066	264,461	54,912	37,930	92,842	357,303
Miscellaneous	5,669	1,081	6,750	326,082	-	326,082	332,832
Professional Resources	17,810	4,730	22,540	222,290	16,929	239,219	261,759
Electricity and Water	163,837	16,516	180,353	10,799	4,600	15,399	195,752
Insurance	70,740	48,007	118,747	27,649	10,805	38,454	157,201
Interest Expense	-	-	-	151,068	-	151,068	151,068
Staff Training	68,238	13,307	81,545	24,788	38,159	62,947	144,492
In-Kind Donations	31,809	-	31,809	-	87,330	87,330	119,139
Travel	22,673	9,921	32,594	46,911	29,306	76,217	108,811
Auto Expense	76,569	20,164	96,733	4,836	4,482	9,318	106,051
Household Supplies	87,246	3,347	90,593	-	-	-	90,593
Promotion	8,057	1,127	9,184	-	70,287	70,287	79,471
Office Supplies	49,287	12,515	61,802	11,700	4,259	15,959	77,761
Professional Fees	21,955	-	21,955	54,845	-	54,845	76,800
Telephone	42,168	9,392	51,560	19,893	2,630	22,523	74,083
Student and Resident Expense	17,036	43,205	60,241	-	-	-	60,241
Rent	14,549	41,241	55,790	-	-	-	55,790
Direct Mail Appeals	-	-	-	-	49,523	49,523	49,523
Fuel	29,633	178	29,811	-	-	-	29,811
Community Relations	-	-	-	23,286	540	23,826	23,826
School and Education	21,772	-	21,772	-	-	-	21,772
Food Purchases	2,585	13,221	15,806	-	-	-	15,806
Dues and subscriptions	8,040	930	8,970	1,242	3,615	4,857	13,827
Postage	1,286	902	2,188	2,457	7,272	9,729	11,917
Medical Attention and Drugs	9,512	581	10,093	-	-	-	10,093
Board Expense	-	-	-	7,091	-	7,091	7,091
Printing	696	-	696	-	6,273	6,273	6,969
Small Equipment and Tools	794	-	794	-	-	-	794
Bad Debt Expense	(33,054)	-	(33,054)	-	-	-	(33,054)
Total expenses	$ 9,040,766	$ 5,504,915	$ 14,545,681	$ 3,307,314	$ 1,108,435	$ 4,415,749	$ 18,961,430

See notes to financial statements.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INC.
dba HumanKind
Statement of Functional Expenses
Years Ended December 31, 2021

	Program Services			Supporting Services			
	Community Based Services	Residential Services	Total	Administrative	Development	Total	Total Expenses
Salaries	$ 4,217,182	$ 1,085,888	$ 5,303,070	$ 993,336	$ 463,965	$ 1,457,301	$ 6,760,371
Medicaid Contractor	103	1,917,830	1,917,933	-	-	-	1,917,933
Employee Insurance	623,057	176,870	799,927	85,143	67,206	152,349	952,276
Repairs and Maintenance	492,229	27,333	519,562	-	-	-	519,562
Payroll Taxes	311,948	75,297	387,245	68,136	33,579	101,715	488,960
Depreciation	-	-	-	431,311	-	431,311	431,311
Rent	341,734	36,355	378,089	-	-	-	378,089
Pensions	186,923	53,780	240,703	67,874	25,027	92,901	333,604
Professional Resources	12,156	10,619	22,775	195,769	58,239	254,008	276,783
Electricity and Water	164,886	22,798	187,684	40,636	19,631	60,267	247,951
Computer Expense	85,008	9,255	94,263	99,385	8,305	107,690	201,953
Auto Expense	132,382	11,871	144,253	2,331	2,281	4,612	148,865
Promotion	6,681	303	6,984	376	135,606	135,982	142,966
Interest Expense	-	-	-	128,570	-	128,570	128,570
Insurance	66,141	29,272	95,413	20,686	7,623	28,309	123,722
School and Education	121,755	-	121,755	-	-	-	121,755
Travel	21,968	7,545	29,513	41,683	36,050	77,733	107,246
Staff Training	43,215	4,257	47,472	28,136	25,406	53,542	101,014
Professional Fees	23,135	-	23,135	64,883	-	64,883	88,018
Household Supplies	61,374	14,330	75,704	-	-	-	75,704
In-Kind Donations	57,900	-	57,900	-	17,553	17,553	75,453
Office Supplies	47,060	11,384	58,444	12,667	3,700	16,367	74,811
Miscellaneous	8,255	16,391	24,646	47,001	6	47,007	71,653
Telephone	40,303	6,250	46,553	18,918	2,142	21,060	67,613
Student and Resident Expense	933	46,039	46,972	-	-	-	46,972
Food Purchases	1,041	32,803	33,844	-	-	-	33,844
Fuel	27,924	3,619	31,543	-	-	-	31,543
Printing	3,564	-	3,564	-	18,502	18,502	22,066
Direct Mail Appeals	-	-	-	-	19,689	19,689	19,689
Postage	2,864	1,247	4,111	3,515	10,968	14,483	18,594
Dues and subscriptions	7,043	1,539	8,582	7,768	1,515	9,283	17,865
Medical Attention and Drugs	15,438	1,756	17,194	-	-	-	17,194
Community Relations	-	-	-	8,012	3,489	11,501	11,501
Bad Debt Expense	7,743	-	7,743	-	-	-	7,743
Small Equipment and Tools	1,306	1,656	2,962	-	-	-	2,962
Board Expense	-	-	-	698	-	698	698
Total expenses	$ 7,133,253	$ 3,606,287	$ 10,739,540	$ 2,366,834	$ 960,481	$ 3,327,315	$ 14,066,855

See notes to financial statements.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INC.
dba HumanKind
Statements of Cash Flows
Years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Increase (decrease) in net assets	$ (8,498,379)	$ 4,530,210
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	523,196	431,311
Gain on disposal of fixed assets	(16,000)	195,429
Gain (loss) on investments	1,026,519	(3,973,444)
Income on investments	-	140,756
Forgiveness of PPP loan	-	(1,576,642)
(Increase) decrease in operating assets:		
Accounts receivable, net	(1,087,142)	(79,869)
Contributions receivable	11,153	(84,507)
Prepaid expenses	7,454	(37,444)
Bequests and gift annuities receivable	-	(2,194)
Beneficial interest in perpetual trusts	-	(416,362)
Increase (decrease) in operating liabilities:		
Accounts payable	(615,977)	(238,019)
Accrued payroll and taxes	134,301	(7,289)
Unearned revenue	250,000	(261,484)
Net cash used in operating activities	(8,264,875)	(1,379,548)
Cash flows from investing activities		
Purchase of fixed assets	(247,113)	(2,404,156)
Proceeds on sale of fixed assets	16,000	-
Net change in investments	9,431,675	1,015,435
Net cash used in (provided by) financing activities	9,200,562	(1,388,721)
Cash flows from financing activities		
Issuance of note payable	-	1,401,000
Proceeds from line of credit	112,967	397,059
Lease adjustments, net	4,109	-
Proceeds from PPP loan	-	1,576,642
Payments on line of credit	-	(219,091)
Principal retirement of notes payable	(860,240)	(476,494)
Net cash provided by (used in) financing activities	(743,164)	2,679,116
Net increase (decrease) in cash	192,523	(89,153)
Cash at beginning of year	1,127,430	1,216,583
Cash at end of year	$ 1,319,953	$ 1,127,430

Supplemental disclosure of cash flow information:

	2022	2021
Interest paid	$ 151,068	$ 128,570

Note 1 – Nature of the organization and summary of significant accounting policies

Nature of the Organization

The financial statements of Presbyterian Homes and Family Services, Inc. dba HumanKind ("HumanKind" or "Organization") provides high-quality prevention, education, economic empowerment, mental health, and residential services to individuals, families, and communities. Various services are provided in many cities and counties across Virginia with offices or residential facilities located in Fredericksburg, Lexington, Lynchburg, Richmond, South Hill, Stuarts Draft, and Zuni, Virginia. Accounting policies considered to be significant are described below.

Basis of financial statement presentation

HumanKind's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenue recognition

Income is derived from several activities including tuition and resident fees, grants, and contributions. Revenue is recognized as the obligation performance is met. Contributions and grants received are recorded depending on the absence or existence and nature of any donor restrictions.

HumanKind recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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 of which they depend have been met.

HumanKind accounts for contributions in accordance with FASB ASC 958-605, Accounting for Contributions Received and Contributions Made. In accordance with FASB ASC 958-605, contributions received are recorded as with or without donor restricted support depending on the existence and/or nature of any donor restrictions. HumanKind recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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.

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Gifts of property and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Performance obligation

For performance obligations related to the providing of services, control transfers to the customer at a point in time in which the service is provided.

Net Assets

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

Net Assets Without Donor Restrictions- Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Note 1 – Nature of the organization and summary of significant accounting policies (continued)

Net assets (continued)

Net Assets With Donor Restrictions- Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that the resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Promises to give

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Accounts receivable

Accounts receivable consist of amounts due from Medicaid, governmental agencies, third-party payers, and individuals for program service fees and are stated at invoiced amount less an allowance for uncollectible accounts. Management's determination of the allowance for uncollectible accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the accounts receivable portfolio.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values, as determined by quoted market prices, in the statements of financial position. Investments in private investment funds are reported at estimated fair value. Realized and unrealized gains and losses on investments are reflected in the statements of activities. Management believes the carrying value of real estate investments is not less than fair market value. Investment return that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires or is satisfied during the reporting period in which the investment return is recognized.

HumanKind has a spending policy, based on the total return concept that governs the rate at which funds are transferred from the Endowment Fund to the operating budget. The spending policy, in general, allows for spending at a specified percentage of average market value for the previous twelve quarters. The spending rate is determined annually by the Programs and Resources Committee and voted upon by the Board of Directors as part of the budgeting process.

Property and equipment

Property and equipment acquisitions are recorded at cost, or fair value if contributed. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Classification	Estimated Useful Life
Building	15-39 years
Leasehold improvements	15 years
Furniture and equipment	5-10 years

Expenses for maintenance and repairs are charged against revenues in the year the cost is incurred. Expenditures for additions and major improvements are capitalized and depreciated. HumanKind capitalizes all property and equipment with a cost of $2,500 or more. Cost and accumulated depreciation are removed from the accounts for property sold or retired, and any resulting gain or loss is included in the statement of activities.

Note 1 – Nature of the organization and summary of significant accounting policies (continued)

Income taxes

No provision for income taxes has been made in the financial statements because HumanKind is a not-for-profit corporation as described in section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC.

The Financial Accounting Standards Board ASC 740-10 prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. HumanKind has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. HumanKind believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on HumanKind's financial condition, results of operations or cash flows. Accordingly, HumanKind has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2022 and 2021. Fiscal years ending on or after December 31, 2019 remain subject to examination by federal and state tax authorities.

Functional expenses

The costs of providing HumanKind's various programs and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. The functional expenses of the various programs and supporting services include those costs directly attributable to the specific program as well as an allocation of supporting service expenditures, which, in the estimation of management, are indirectly attributable to the programs.

Advertising

HumanKind expenses advertising costs as incurred. Such expenses are shown in the statements of activities.

Leases

HumanKind accounts for leases in accordance with FASB ASC 842. HumanKind determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. HumanKind determines if an arrangement conveys the right to use an identified asset and whether HumanKind obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. HumanKind evaluates new and modified leases using the criteria outlined in FASB ASC 842 to determine whether they will be classified as operating leases or finance leases. HumanKind recognizes a lease liability and right-of-use (ROU) asset at the commencement date of the lease. Beginning January 1, 2022, operating lease ROU assets and related current and long-term portions of operating lease liabilities have been presented in the balance sheet.

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, HumanKind uses its incremental borrowing rate. The implicit rates of HumanKind's leases are not readily determinable; accordingly, HumanKind uses its incremental borrowing rate based on the information available at the commencement date for each lease. HumanKind's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment and geographic location. HumanKind determines its incremental borrowing rates by starting with the interest rates on recent borrowings and other observable market rates and adjusting those rates to reflect differences in the amount of collateral and the payment terms of the leases.

Note 1 – Nature of the organization and summary of significant accounting policies (continued)

Leases (continued)

A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, an operating ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued lease payments, less the unamortized balance of lease incentives received. Lease cost for operating lease payments is recognized on a straight-line basis over the lease term. Finance lease ROU assets are subsequently measured throughout the lease term at cost, net of accumulated amortization. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the lease term or the remaining useful life of the asset. Interest expense and amortization expense are recorded in the statement of income for finance leases.

HumanKind has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that HumanKind is reasonably certain to exercise. HumanKind recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

Adoption of new accounting standards

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. HumanKind adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. HumanKind did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to retained earnings as of January 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. The most significant effects of adopting FASB ASC 842 was the recognition of $206,660 of operating lease ROU assets and a total of $210,769 of current and long-term operating lease liabilities on the balance sheet as of January 1, 2022. No cumulative effect adjustment to retained earnings as of January 1, 2022, was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended December 31, 2022. As part of the transition, HumanKind implemented new internal controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients:

Package of practical expedients:

- Election not to reassess whether any expired or existing contracts are or contain leases
- Election not to reassess the lease classification for any expired or existing leases
- Election not to reassess initial direct costs on any existing leases

Other practical expedients:

- Election whereby the lease and nonlease components will not be separated for leases of office space and storage.
- Election not to record ROU assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month. Leases of 1 month or less are not included in short-term lease costs.

Note 2 - Cash balances

HumanKind places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) insured limit is currently $250,000. During the year, HumanKind from time to time may have had amounts on deposit in excess of the federally insured limits. Management does not feel there is a risk of loss with these deposits.

HumanKind has been designated as representative payee for a number of residents receiving benefits from the Social Security Administration ("SSA"). In accordance with SSA guidelines, HumanKind maintains a separate bank account for funds received on behalf of these residents.

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Note 3 - Property and depreciation

A summary of depreciation expense for the year ended December 31, 2022 and accumulated depreciation at December 31, 2022 is as follows:

		Cost		Accumulated Depreciation		Book Value
Land and improvements	$	5,515,659	$	914,493	$	4,601,166
Building and improvements		12,986,715		6,440,374		6,546,341
Machinery and equipment		1,223,112		1,173,281		49,831
Automobiles		1,037,610		864,102		173,508
Furniture and fixtures		918,605		916,713		1,892
Intangibles		11,500		11,500		-
Construction in progress		103,831		-		103,831
	$	21,797,032	$	10,320,463	$	11,476,569

A summary of depreciation expense for the year ended December 31, 2021 and accumulated depreciation at December 31, 2021 is as follows:

		Cost		Accumulated Depreciation		Book Value
Land and improvements	$	5,780,014	$	852,281	$	4,927,733
Building and improvements		11,244,518		6,092,473		5,152,045
Machinery and equipment		1,218,449		1,148,289		70,160
Automobiles		1,053,095		852,983		200,112
Furniture and fixtures		918,605		916,349		2,256
Intangibles		11,500		11,500		-
Construction in progress		1,400,346		-		1,400,346
	$	21,626,527	$	9,873,875	$	11,752,652

Depreciation expense for the year ended December 31, 2022 and 2021, was $523,196 and $431,311, respectively.

Note 4 – Investments

Investments are presented in the financial statements at fair value and are comprised of the following as of December 31, 2022 and 2021:

		2022		2021
Temporary Investments	$	1,180,590	$	445,207
Bonds		2,982,785		4,652,947
Corporate stocks, domestic		7,933,421		9,306,076
Exchange traded funds		5,794,428		5,185,309
Partnerships		731,579		-
Government agencies		2,076,197		734,781
Private investment funds		11,545		9,817,490
	$	20,710,545	$	30,141,810

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Notes to Financial Statements
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Note 4 – Investments (continued)

Investment return for the years ended December 31, 2022 and 2021 consisted of the following:

		2022	
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 5,473	$ -	$ 5,374
Realized and unrealized gains, net	(4,878,112)	(851,906)	(5,730,018)
Management fees	(115,269)	-	(115,269)
Total investment return	$ (4,757,370)	$ (851,906)	$ (5,838,913)

		2021	
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 5,853	$ -	$ 5,853
Realized and unrealized gains, net	3,293,762	679,682	3,973,444
Management fees	(146,609)	-	(146,609)
Total investment return	$ 3,153,006	$ 679,682	$ 3,832,688

HumanKind has investments with two fund managers which invest in private investment funds as part of HumanKind's asset allocation. The investment in private investment funds is an alternative investment strategy with the purpose of increasing the diversification of HumanKind's holdings and is consistent with its overall investment objectives. The private investment funds are not traded on any organized exchange, and accordingly, investments in such funds may not be as liquid as investments in marketable equity or debt securities. The private investment funds may invest in other private investment funds, equity or debt securities which may or may not have readily available fair values, and foreign exchange or commodity forward contracts.

Note 5 – Endowments

HumanKind's endowment (Investment Pool) consists of approximately 12 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

HumanKind has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, HumanKind retained in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not held in perpetuity are appropriated for expenditure by the organization in a manner consistent with the standard of prudence described in SPMIFA.

Note 5 – Endowments (continued)

In accordance with SPMIFA, the Organization considers the following factors, in making a determination to appropriate or accumulate donor restricted endowment funds:

(1) The duration and preservation of the fund.
(2) The purpose of the organization and the donor-restricted endowment fund.
(3) General economic conditions.
(4) The possible effects of inflation and deflation.
(5) The expected total return from income and the appreciation of investments.
(6) Other resources of the organization.
(7) The investment policies of the organization

Spending Policy

The responsibility for investment of all institutional funds is solely the responsibility of the Board of Directors. The spending policy and how the investment objectives relate to the spending policy, which is applicable to the endowments herewith presented, are stated as follows:

HumanKind has a spending policy, based on the total return concept that governs the rate at which funds are transferred from the Endowment Fund to the operating budget. The spending policy, in general, allows for spending at a specified percentage of average investment market value for the previous twelve quarters. The spending rate is determined annually by the Program and Resources Committee and voted upon by the Board of Directors as part of the budgeting process.

Return Objectives and Risk Parameters

The responsibility for investment of all endowment funds of HumanKind is solely the responsibility of the Board of Directors. The return objectives and risk parameters applicable to the endowments herewith presented are as follows:

HumanKind has adopted investment 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. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk.

Strategies Employed for Achieving Objectives

The responsibility for investment of all endowment funds is solely the responsibility of the Board of Directors. The strategies employed for achieving objectives applicable to the endowments herewith presented are as follows:

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

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/SPMIFA requires HumanKind to retain as a fund of perpetual duration. The Board of Trustees have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures under law. At December 31, 2022 and 2021, no deficiencies were reported in net assets with donor restrictions.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INC.
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Note 5 – Endowments (continued)

Endowment Net Asset Composition by Type of Fund
As of December 31, 2022

	Without Donor Restrictions	With Donor Restriction - Purpose	With Donor Restriction - Perpetuity	Total
Donor restricted endowment funds	$ -	$ 767,511	$ 5,211,447	$ 5,978,958
Board-Designated endowment funds	14,731,587	-	-	14,731,587
Total funds	$ 14,731,587	$ 767,511	$ 5,211,447	$ 20,710,545

Changes in Endowment Fund Net Assets
For Fiscal Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restriction - Purpose	With Donor Restriction - Perpetuity	Total
Endowment fund net assets				
Beginning of year	$ 23,364,033	$ 1,005,139	$ 5,772,638	$ 30,141,810
Investment income:				
Investment income	15,299	-	-	15,299
Management fees	(116,048)	-	-	(116,048)
Net depreciation (realized and unrealized)	(4,965,089)	(237,628)	(561,191)	(5,763,908)
	(5,065,838)	(237,638)	(561,191)	(5,864,657)
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	(3,566,608)	-	-	(3,566,608)
Endowment fund net assets				
End of year	$ 14,731,587	$ 767,511	$ 5,211,447	$ 20,710,545

Endowment Net Asset Composition by Type of Fund
As of December 31, 2021

	Without Donor Restrictions	With Donor Restriction - Purpose	With Donor Restriction - Perpetuity	Total
Donor restricted endowment funds				
Funds required to be held in perpetuity	$ -	$ 1,005,139	$ 5,772,638	$ 6,777,777
Board-Designated endowment funds	23,364,033	-	-	23,364,033
Total funds	$ 23,364,033	$ 1,005,139	$ 5,772,638	$ 30,141,810

Note 5 – Endowments (continued)

Changes in Endowment Fund Net Assets
For Fiscal Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restriction - Purpose	With Donor Restriction - Perpetuity	Total
Endowment fund net assets				
Beginning of year	$ 21,226,462	$ 325,457	$ 5,772,638	$ 27,324,557
Investment income:				
Investment income	5,853	-	-	5,853
Management fees	(146,609)	-	-	(146,609)
Net appreciation (realized and unrealized)	3,293,762	679,682	-	3,973,444
	3,153,006	679,682	-	3,832,688
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	(1,015,435)	-	-	(1,015,435)
Endowment fund net assets				
End of year	$ 23,364,033	$ 1,005,139	$ 5,772,638	$ 30,141,810

Note 6 – Fair Value Measurement

HumanKind has adopted FASB ASC 820, *Fair Value Measurements & Disclosures*. FASB ASC 820 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a hierarchy for disclosing assets and liabilities measured at fair value based on the inputs used to value them. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are based on market pricing data obtained from sources independent of HumanKind. Unobservable inputs reflect management's judgment about the assumptions market participants would use in pricing the asset or liability. The fair value hierarchy includes three levels based on the objectivity of the inputs as follows:

- Level 1 inputs are quoted prices in active markets as of the measurement date for identical assets and liabilities that the Organization has the ability to access. This category includes exchange-traded mutual funds and equity securities.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates or yield curves, that are observable at commonly quoted intervals. This category includes mortgage-backed securities, asset-backed securities, corporate debt securities, certificates of deposit, commercial paper, U.S. agency and municipal debt securities, U.S. Treasury securities and derivative contracts.

  HumanKind has investments with one fund manager which invests in private investment funds as part of HumanKind's asset allocation. The investment in private investment funds is an alternative investment strategy with the purpose of increasing the diversification of HumanKind's holdings and is consistent with HumanKind's overall investment objectives. The private investment funds are not traded on any organized exchange, and accordingly, investments in such funds may not be as liquid as investments in marketable equity or debt securities. The private investment funds may invest in other private investment funds, equity or debt securities which may or may not have readily available fair values, and foreign exchange or commodity forward contracts. Investments in private investment funds are reported at estimated fair value provided by fund managers. The framework permits to measure the fair value of its funds' investments as pro-rata interest in the net asset value (NAV) of such investment funds as reported by the fund management if the NAV is prepared on a fair value basis as of December 31, 2022.
- Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The measurements are highly subjective.

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Note 6 – Fair Value Measurement (continued)

Cash & Money Market Funds – Valued at fair market value.

Mutual Funds – Valued at quoted market values of the shares held by HumanKind at year-end.

US government & agency bonds, corporate obligations – Valued using pricing methods 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.

Equity securities – Valued using pricing methods maximizing the use of observable inputs for similar securities.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total at Fair Value
2022				
Temporary Investments	$ 1,180,590	$ -	$ -	$ 1,180,590
Bonds	2,982,785	-	-	2,982,785
Corporate stocks, domestic	7,933,421	-	-	7,933,421
Exchange traded funds	5,794,428	-	-	5,794,428
Partnerships	731,579	-	-	731,579
Government agencies	2,076,197	-	-	2,076,197
Private investment funds	-	11,545	-	11,545
Total	$ 20,699,000	$ 11,545	$ -	$ 20,710,545
2021				
Temporary investments	$ 445,207	$ -	$ -	$ 445,207
Bonds	4,652,947	-	-	4,652,947
Corporate stocks, domestic	9,306,076	-	-	9,306,076
Corporate stocks, foreign	-	5,185,309	-	5,185,309
Government agencies	734,781	-	-	734,781
Private investment funds	-	9,817,490	-	9,817,490
Total	$ 15,139,011	$ 15,002,799	$ -	$ 30,141,810

Note 7 – Beneficial Interest in Perpetual Trusts and Gift Annuities

HumanKind is the beneficiary of various trusts created by donors, the assets of which are not in the possession of HumanKind. HumanKind has enforceable rights and claims to these assets, including the right to the income earned by the trust assets. Net realized and unrealized gains and losses related to the beneficial interests are reported as changes in net assets with donor restrictions. HumanKind's beneficial interests in these trusts are carried at the fair value of the trust assets held for HumanKind's benefit.

The gift annuities provide the annuitants with income for life, after which the designated remaining funds will be distributed to HumanKind as directed by the donor. The amount of gift annuities is reported at present value net of the amounts that are expected to be paid to the donors during their lifetime. The gift annuities are discounted at 6%. These actuarially determined amounts fluctuate over time according to the life expectancies of the donors.

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Note 8 – Contributions, Bequests, and Gift Annuities Receivable

Contributions and bequests receivable at December 31 are as follows:

		2022		2021
Receivable in less than one year	$	113,565	$	132,073
Receivable in one to five years		17,336		20,850
Total contributions and bequests receivable		130,901		152,923
Less discounts to net present value		(1,787)		(9,142)
Net contributions and bequests receivable	$	129,114	$	143,781

Bequests receivable include gifts totaling $17,336 and $20,850 as of December 31, 2022 and 2021, respectively, which represent amounts receivable under gift annuity agreements which are administered by the Presbyterian Church (U.S.A.) Foundation (the "Foundation"). These agreements were established between the Foundation and the donor with HumanKind being named as the beneficiary. The Foundation is responsible for investing these funds and making required payments to annuitants. HumanKind has recorded as assets the net present value of the amounts expected to be received after all required payments to annuitants have been made. Contributions and bequests receivable in more than one year are discounted at 5%. Uncollectible contributions and bequests are expected to be 5% of the balance.

Note 9 – Notes payable

HumanKind's notes payable at December 31, 2022 and 2021 were as follows:

	Maturity		2022		2021
Note payable to Bank of the James issued in February 2021. In 2021, interest payments were due monthly. Beginning in March of 2022, principal and interest are due in monthly payments of $6,499 through February 2026. Monthly payments of $6,762 are then due until maturity in February 2046.	2046	$	779,300	$	1,401,000
In February 2020, HumanKind paid off the promissory note to First National Bank with a promissory note for $3,600,000 from The Northern Trust Company. The note is payable in 119 consecutive principal installments of $20,000 each, payable on the 15th day of each month beginning March 15, 2020, plus one final installment of all then remaining unpaid principal and interest, payable on February 15, 2030. Interest is on the unpaid principal amount is paid from time to time at a rate per year equal to the Overnight LIBOR-Based Rate which shall be equal to the greater 2.75% or the sum of Overnight LIBOR plus the Rate Margin.	2030		2,959,924		3,180,000
Note payable to Bank for purchase of vehicle. Principal and interest are due in monthly payments of $356 through July 2023. Interest at 1.90%. Loan secured by vehicles.	2023		3,194		6,611
Note payable to Bank for purchase of vehicle. Principal and interest are due in monthly payments of $351 through February 2023 Interest at 1.90%. Loan secured by vehicles.	2023		-		4,854
Note payable to Bank for purchase of four vehicles. Principal and interest are due in monthly payments of $1,459 through March 2022. Interest at 3.20%. Loan secured by vehicles.	2022		-		7,269
Note payable to Bank for purchase of four vehicles. Principal and interest are due in monthly payments of $1,459 through March 2022. Interest at 3.20%. Loan secured by vehicles.	2022		-		2,924
Total		$	3,742,418	$	4,602,658

Note 9 – Notes payable (continued)

Aggregate principal payments on long-term debt are scheduled as follows:

Year Ending	Amount
2023	$ 302,260
2024	300,786
2025	302,675
2026	304,562
2027	306,506
Thereafter	2,225,629
	$ 3,742,418

Note 10 – Line of Credit

HumanKind has an operating line of credit in the amount of $400,000 which bears interest at a variable rate based on the monthly prime rate plus 1%. The line of credit is secured by real property owned by HumanKind. The balance outstanding as of December 31, 2022 and 2021 was $290,935 and $177,968, respectively. The terms of the line of credit are for five years with the option of renewal.

Note 11 – PPP Loan forgiveness

During 2021, the Organization received Paycheck Protection Program loans from the Small Business Administration as created by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES" Act) in the amount of $1,576,642. During 2021, the Organization's second Paycheck Protection Program loan was fully forgiven.

Note 12 – In-kind contributions

HumanKind received various donated goods and services during the year. In-kind contributions totaled $119,139 and $92,508 for the years ended December 31, 2022 and 2021.

Contributed services are recognized as in-kind revenues at their estimated fair value if they require specialized skills that would need to be purchased if they were not donated. HumanKind receives donated nutritionist and other services related to the Early Head Start program. HumanKind receives donated services from local police officers to direct traffic and close roads during fundraising races. HumanKind also receives donated advertising time.

HumanKind receives contributed computer equipment. Donations of clothing and household items are received for use in several programs. They are valued at the amount the donor paid for the items.

Note 13 – Donor restricted net assets

Donor restricted net assets at year-end and consisted of the following assets:

	2022	2021
Subject to the passage of time:		
Contributions receivable	$ 111,778	$ 122,931
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Community trust endowment	11,545	10,264
Advanced education	418,829	518,423
Community scholarships	83,594	157,943
Early education	28,901	35,628
Pastoral counseling	224,642	282,881
Total subject to appropriation and expenditure	767,511	1,005,139
Subject to NFP endowment spending policy and appropriation:		
Endowment funds required to be held in perpetuity by donor	5,211,447	5,772,638
Total Endowments	5,978,958	6,777,777
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trusts	4,028,313	5,051,728
Gift annuities receivable	17,336	20,850
Total not subject to appropriation and expenditure	4,045,649	5,072,578
Total	$ 10,136,385	$ 11,973,286

Note 14 – Liquidity and Availability

HumanKind regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, HumanKind considers all expenditures related to its ongoing activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, HumanKind aims to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of HumanKind's cash and shows positive cash generated by operations for fiscal year 2022.

As of December 31, 2022, the following financial assets could readily be made available to meet general expenditures:

Cash and cash equivalents	$ 1,319,953
Accounts receivable, net	2,648,469
Contributions receivable	111,778
	$ 4,080,200

Note 15 – Retirement plan

HumanKind has a tax deferred annuity plan which covers substantially all full-time employees. The plan includes provisions for voluntary employee contributions and discretionary contributions by HumanKind. After twelve months of service, employees are eligible for discretionary contributions made by HumanKind. During the year end December 31, 2022, HumanKind elected to contribute an amount equal to 4% of eligible payroll in addition to matching up to 4% voluntary employee contributions. During the year end December 31, 2021, HumanKind elected to contribute an amount equal to 4% of eligible payroll in addition to matching up to 4% voluntary employee contributions. Contributions to the plan amount to $357,303 and $333,604 in 2022 and 2021, respectively.

Note 16 –Leases

HumanKind has obligations as a lessee for office space and storage with initial noncancelable terms in excess of one year. Generally, the office space leases have an initial term of 2 to 4 years. HumanKind classifies these leases as operating leases. Payments due under lease contracts include fixed payments and, for many leases, variable payments.

The components of lease cost and income statement caption allocation for the year ended December 31, 2022, are as follows:

		2022
Operating lease cost	$	98,473
Total operating lease cost		98,473
Finance lease cost		-
Total lease cost	$	98,473

Other information related to leases as of or for the year ended December 31, 2022 are as follows:

Weighted-average remaining lease term (years)	
Operating leases	2.95 years
Weighted-average discount rate	
Operating leases	4.74%

Supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows – operating leases	98,473
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	297,416
Reductions to right-of-use assets resulting from reduction to lease liabilities	
Operating leases	86,647

Note 16 –Leases (continued)

Maturities of operating lease liabilities as of December 31, 2022, were as follows:

Year Ending		Operating leases
2023	$	106,612
2024		99,148
2025		15,120
2026		-
2027		-
Thereafter		-
Total lease payments		220,880
Less: present value adjustment		(10,111)
Present value of lease liabilities	$	210,769

Note 17 – Related Party Transactions

HumanKind has a contract with a related party, LendingKind to provide management and administrative service. The contract is for $4,640 per month for administrative services and $17 per active loan per month for loan management services. During 2022, LendingKind reimbursed HumanKind $66,753.

Note 18 - Subsequent Events

HumanKind has evaluated subsequent events through May 24, 2023, the date the financial statements were available to be issued. No events requiring disclosure were noted.

Supplemental Information

PRESBYTERIAN HOMES AND FAMILY SERVICES, INC.
dba HumanKind
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Head Start Program	93.600		$ 1,763,833
Head Start Program	93.600		640,131
Head Start Program – COVID	93.600		62,000
Pass-through from:			
Virginia Department of Social Services			
Temporary Assistance for Needy Families	93.558		369,256
Virginia Department of Health, Office of Family Health Services			
Maternal, Child and Early Childhood Homevisiting Grant Program	93.870		280,820
Appomattox County Department of Social Services			
MaryLee Allen Promoting Sage & Stable Families	93.556		10,800
Campbell County Department of Social Services			
MaryLee Allen Promoting Sage & Stable Families	93.556		7,028
Total U.S. Department of Health and Human Services			3,133,868
U.S. Department of Housing and Urban Development			
Pass-through from:			
County of Henrico, Virginia			
Community Development Block Grant – CV	14.218		404,000
County of Chesterfield, Virginia			
Community Development Block Grant	14.218		40,000
Community Development Block Grant – CV	14.218		78,000
Local Initiatives Support Corporation			
Capacity Building for Community Development & Affordable Housing	14.252		32,467
Community Development Block Grant	14.231		250
Total U.S. Department of Housing and Urban Development			554,717
Total expenditures of federal awards			$ 3,688,585

See accompanying notes to schedule of expenditures of federal awards.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INC.
dba HumanKind
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of HumanKind under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of HumanKind, it is not intended to and does not present the financial position, changes in net assets or cash flows of HumanKind.

Note 2 – Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through

Pass-through entity identifying numbers are presented where available.

Note 3 – Indirect Cost Rate

HumanKind has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 – Subrecipients

No awards were passed through to subrecipients.

Note 5 – Relationship to Financial Statements

Federal expenditures and revenues are reported in HumanKind's financial statements as follows:

Grants	$	5,167,203
Less: non-federal grants		(1,478,618)
	$	3,688,585

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Presbyterian Homes and Family Services, Inc. dba HumanKind
Lynchburg, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of HumanKind, which comprise the statement of financial position as of December 31, 2022 and the related statements of activities and cash flows and for the year ended, and the related notes to the financial statements, and have issued our report thereon dated May 24, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HumanKind's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HumanKind 's internal control. Accordingly, we do not express an opinion on the effectiveness of HumanKind 's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HumanKind's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Davidson Doyle & Hitlon, LLP

Lynchburg, Virginia
May 24, 2023

DD&H DAVIDSON, DOYLE & HILTON
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
Presbyterian Homes and Family Services, Inc. dba HumanKind
Lynchburg, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited HumanKind's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of HumanKind's major federal programs for the year ended December 31, 2022. HumanKind's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, HumanKind complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of HumanKind and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of HumanKind's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to HumanKind's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on HumanKind's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

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The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HumanKind's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 HumanKind's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of HumanKind's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of HumanKind's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Davidson, Doyle & Hutton, LLP

Lynchburg, Virginia
May 24, 2023

PRESBYTERIAN HOMES AND FAMILY SERVICES, INC.
dba HumanKind
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Section I- Summary of Auditor's Results

Financial Statements

- The auditor's report expresses an unmodified opinion on whether the financial statements of HumanKind were prepared in accordance with accounting principles generally accepted in the United States of America.
- During the audit of the financial statements, no material weaknesses or significant deficiencies in internal control are disclosed or reported.
- No instances of noncompliance material to the financial statements of HumanKind, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

- During the audit, no material weaknesses or significant deficiencies in internal control over major federal award programs are disclosed or reported.
- The auditor's report on compliance for the major federal award programs for HumanKind expresses an unmodified opinion on all major federal programs.
- The audit disclosed no audit findings relating to the major program in accordance with Section 2 CFR section 200.516(a).
- There are no prior year audit findings that are required to be reported in accordance with the Uniform Guidance.

Identification of Major Programs/Programs Tested

- The programs tested as major programs were:

CFDA Number	Name of Federal Program or Cluster
93.600	Head Start Program

- The threshold used for distinguishing between Type A and Type B programs was $750,000.
- The auditee was determined to be a low-risk auditee.

Section II- Financial Statement Findings

No reportable findings noted.

Section III- Federal Award Findings and Questioned Costs

No reportable findings noted.

PRESBYTERIAN HOMES AND FAMILY SERVICES, INC.
dba HumanKind
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

No reportable prior year findings noted.