QUIGLEY HOUSE, INC.
(A Nonprofit Organization)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

For the year ended June 30, 2023
(With summarized financial information for the year ended June 30, 2022)

Quigley House, Inc.
June 30, 2023 and 2022
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Quigley House, Inc.
Jacksonville, Florida

Opinion

We have audited the accompanying financial statements of Quigley House, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAS") issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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.

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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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, 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 Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We audited the financial statements as of and, for the year ended June 30, 2022, expressed an unmodified audit opinion on those audited financial statements in the report dated October 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Requirements by GAS

In accordance with GAS, we have also issued our report dated January 12, 2024, on our consideration of the Organization'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 the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering the Organization's internal control over financial reporting and compliance.

Very truly yours,

Patrick & Raines, LLC

Patrick & Raines, LLC
Jacksonville, Florida
January 12, 2024

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QUIGLEY HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2023
With Summarized information for June 30, 2022

Assets:		June 30, 2023		For Comparative Purposes Only June 30, 2022
Current assets:				
Cash and cash equivalents	$	287,643	$	345,097
Gift cards		0		2,634
Employee advances		0		483
Grants receivable, net		133,826		67,116
Prepaid expenses		19,149		13,262
Total current assets		440,618		428,592
Noncurrent assets:				
Long-term investments		826,495		719,636
Right of use asset, finance lease net of accumulated amortization		9,557		0
Property and equipment net of accumulated depreciation		1,966,040		2,036,457
Other assets		18,418		1,000
Total noncurrent assets		2,820,510		2,757,093
Total assets	$	3,261,128	$	3,185,685

The accompanying notes are an integral part of these statements.

QUIGLEY HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION (continued)
June 30, 2023
With Summarized Information for June 30, 2022

	June 30, 2023	For Comparative Purposes Only June 30, 2022
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 173,195	$ 34,753
Accrued payroll	12,411	0
Current portion of finance lease payable	3,927	0
Current portion of notes payable	29,657	29,657
Total current liabilities	219,190	64,410
Noncurrent liabilities:		
Finance lease payable, net of current portion	5,779	0
Notes payable, net of current portion	488,400	517,646
Total noncurrent liabilities	494,179	517,646
Total liabilities	713,369	582,056
Net assets:		
Without donor restrictions	2,434,811	2,476,257
With donor restrictions	112,948	127,372
Total net assets	2,547,759	2,603,629
Total liabilities and net assets	$ 3,261,128	$ 3,185,685

The accompanying notes are an integral part of these statements.

QUIGLEY HOUSE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
With Summarized Information for the Year Ended June 30, 2022

	June 30, 2023			For Comparative Purposes Only
	Without Donor Restrictions	With Donor Restrictions	Total	June 30 2022 Total
REVENUE AND SUPPORT				
Department of Children and Families	$ 346,621	$ 0	$ 346,621	$ 340,794
Office of Attorney General	830,966	0	830,966	510,875
Florida Council Against Sexual Violence	97,773	0	97,773	35,892
Clay County Board of Commissioners	51,412	0	51,412	54,912
United Way of North Florida	3,484	0	3,484	69,817
Program fees	7,188	0	7,188	4,042
In-kind donations	146,432	0	146,432	148,682
Other grants and contributions	423,849	0	423,849	355,141
Total revenue and support	1,907,725	0	1,907,725	1,520,155
THRIFT STORE REVENUES				
Thrift store sales	0	0	0	56,333
Less: store operations expenses	(3,020)	0	(3,020)	(115,160)
Total thrift store revenues	(3,020)	0	(3,020)	(58,827)
OTHER REVENUES				
Special events, net of direct cost	0	0	0	16,781
Investment income, net	91,395	(14,424)	76,971	5,461
Gain (loss) on disposal of fixed assets	0	0	0	(298,742)
Other income	0	0	0	(228)
Total other revenues	91,395	(14,424)	76,971	(276,728)
TOTAL REVENUE AND SUPPORT	$ 1,996,100	$ (14,424)	$ 1,981,676	$ 1,184,600

The accompanying notes are an integral part of these statements.

QUIGLEY HOUSE, INC.
STATEMENTS OF ACTIVITIES (continued)
FOR THE YEAR ENDED JUNE 30, 2023
With Summarized Information for the Year Ended June 30, 2022

	June 30, 2023			For Comparative Purposes Only
	Without Donor Restrictions	With Donor Restrictions	Total	June 30, 2022 Total
TOTAL REVENUE & SUPPORT	$ 1,996,100	$ (14,424)	$ 1,981,676	$ 1,184,600
FUNCTIONAL EXPENSES				
Program services	1,528,395	0	1,528,395	1,244,586
General and administrative	452,691	0	452,691	625,685
Fundraising	56,460	0	56,460	595
Total functional expenses	2,037,546	0	2,037,546	1,870,866
CHANGE IN NET ASSETS	(41,446)	(14,424)	(55,870)	(686,266)
NET ASSETS, BEGINNING OF THE YEAR	2,476,257	127,372	2,603,629	3,359,780
PRIOR PERIOD ADJUSTMENT	0	0	0	(69,885)
NET ASSETS, END OF THE YEAR	$ 2,434,811	$ 112,948	$ 2,547,759	$ 2,603,629

The accompanying notes are an integral part of these statements.

QUIGLEY HOUSE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
With Summarized Information for the Year Ended June 30, 2022

	June 30, 2023					For Comparative Purposes Only
	Program Services	General & Administrative	Fundraising	Thrift Store	Total	June 30, 2022 Total
COMPENSATION AND RELATED EXPENSES						
Compensation	$ 880,567	$ 170,923	$ 43,470	$ 0	$ 1,094,960	$ 1,028,244
Payroll taxes	60,659	18,140	139	0	78,938	78,304
Health insurance	61,166	20,936	0	0	82,102	79,169
Benefits	36,209	9,002	0	0	45,211	33,451
Staffing costs & payroll fees	16,520	18,258	0	0	34,778	16,167
Total compensation and related expenses	1,055,121	237,259	43,609	0	1,335,989	1,235,335
Accounting and other professional fees	0	31,710	0	0	31,710	5,200
Advertising & marketing	736	1,836	0	0	2,572	1,850
Bad debt expense	0	30,000	0	0	30,000	0
Bank charges	0	1,004	6	0	1,010	5,080
Community education	55	0	0	0	55	6,166
Direct client expenses	138,864	0	0	0	138,864	163,755
Dues and subscriptions	7,913	1,449	3,321	0	12,683	12,552
Fees and licenses	265	847	0	0	1,112	455
Insurance	29,597	12,464	0	1,782	43,843	56,401
Miscellaneous	606	9,148	0	0	9,754	8,228
Office supplies	20,290	8,761	200	0	29,251	22,837
Postage	81	1,734	240	0	2,055	729
Printing	1,058	2,993	805	0	4,856	11,467
Rent	22,540	3,018	3,318	0	28,876	5,094
Repairs and maintenance	22,089	10,958	0	299	33,346	60,480
Security	0	0	0	0	0	26,102
Supplies and small equipment	13,875	7,043	4,890	0	25,808	38,569
Telephone	18,679	11,640	71	354	30,744	42,406
Travel, conferences, and seminars	4,374	11,531	0	0	15,905	8,483
Utilities	31,051	9,917	0	585	41,553	44,157
Vehicle	2,524	13	0	0	2,537	2,270
Website and IT services	75,638	29,080	0	0	104,718	51,171
Interest	17,869	3,743	0	0	21,612	56,400
Depreciation	65,170	26,543	0	0	91,713	120,839
Subtotal	1,528,395	452,691	56,460	3,020	2,040,566	1,959,136
Less: thrift store	0	0	0	(3,020)	(3,020)	(115,160)
Total functional expenses	$ 1,528,395	$ 452,691	$ 56,460	$ 0	$ 2,037,546	$ 1,843,976

The accompanying notes are an integral part of these statements.

QUIGLEY HOUSE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
With Summarized Information for the Year Ended June 30, 2022

	June 30, 2023	For Comparative Purposes Only June 30, 2022
Cash flows from operating activities:		
Changes in net assets	$ (55,870)	$ (686,266)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	91,713	120,839
Amortization of right of use asset	3,955	0
Amortization of debt issuance cost	0	6,004
Net interest payments on finance lease payable	(371)	0
Net unrealized investments (gains) losses	(63,088)	45,873
Net (gains) losses from fixed asset disposals	0	298,742
Changes in operating assets and liabilities:		
Accounts receivable	(66,710)	284,378
Gift cards	2,634	(200)
Employee advances	483	(483)
Prepaid expenses	(5,887)	(5,276)
Accounts payable	127,545	(28,672)
Accrued expenses	10,897	(11,879)
Accrued payroll	12,411	0
Cash provided by operating activities:	57,712	23,060
Cash flows from investing activities:		
Net proceeds (purchases) of investments	(27,915)	230,866
Net proceeds (purchases) of property and equipment	(34,808)	624,329
Change in other assets	(17,418)	0
Cash provided (used) by investing activities:	(80,141)	855,195

The accompanying notes are an integral part of these statements.

QUIGLEY HOUSE, INC.
STATEMENTS OF CASH FLOWS (continued)
FOR THE YEAR ENDED JUNE 30, 2023
With Summarized Information for the Year Ended June 30, 2022

		For Comparative Purposes Only
	June 30, 2023	June 30, 2022
Cash flows from financing activities:		
Net payments on notes payable	(29,246)	(726,738)
Net principal payments on finance lease payable	(5,779)	0
Cash used by financing activities:	(35,025)	(726,738)
Net change in cash	(57,454)	151,517
Cash and Cash Equivalents at Beginning of Year	345,097	193,580
Cash and Cash Equivalents at End of Year	$ 287,643	$ 345,097
Supplemental data:		
Cash paid for interest	$ 21,612	$ 56,400
Noncash investing/financing activities		
Lease liabilities obtained from right of use assets	$ 13,512	$ 0

The accompanying notes are an integral part of these statements.

Note A – Organization

Quigley House, Inc. (the "Organization") is a comprehensive Domestic Violence and Sexual Assault Center serving the Clay County Area in Northeast Florida. The Organization's mission is to provide advocacy and empowerment to victims of domestic violence and sexual assault while providing community education to heighten awareness.

The Organization is a Florida nonprofit corporation and has been approved as a 501(c)(3) charitable organization by the Internal Revenue Service. The Organization was formed in 1988.

The Organization is supported primarily through donor contributions and grants. It is governed by a Board of Directors (the "Board") of not more than 35 members selected by the existing members of the Board.

The Organization operates several programs in order to fulfill its mission.

<u>24 Hour Shelter</u>

The Organization's shelter is staffed 24 hours a day, 7 days a week by trained resident advocates. Victims of domestic violence and sexual assault typically stay 8 weeks, depending on the individual case. The Organization does not discriminate on the basis of age, gender, race, color, ethnicity, national origin, religion, marital status, sexual orientation, disability, gender identification or any other characteristic protected by law.

<u>24 Hour Crisis Hotline</u>

The Hotline is staffed by trained advocates who provide crisis intervention, safety planning, information, and referral to primary and/or secondary victims of domestic violence and/or sexual assault.

<u>Sexual Assault Crisis Center</u>

Trained sexual assault advocates provide crisis counseling, create safety plans, assist during optional forensic medical examinations, etc.

<u>Community Education</u>

Presentations are provided to community businesses, practices, faith-based organizations, schools, and other similar organizations. The purpose of these presentations is to educate the community on the prevalence of domestic violence and sexual assault, identify tools for prevention and intervention, and build general awareness of Quigley House, Inc.'s services.

Note A – Organization (continued)

Case Management

The Organization's in-house case manager provides support and step-by-step assistance to individuals or families by helping them create a sustainable living situation for themselves once they leave the shelter.

Pet Kennel

Statistics indicate that abusers will often use pets to gain power and control over their victims by neglect, physical abuse, or threatening to kill them. Since pets are part of the family, it is incredibly difficult to leave them behind. This will often deter victims from leaving their situations. With the additions of the pet kennel and small animal facility, the Organization is able to accommodate participants who bring their pets with them.

Note B – Summary of Significant Accounting Policies

Recently Adopted Accounting Policy: Finance Leases

The Organization has adopted Financial Accounting Standards Boards ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases*, effective July 1, 2022, in accordance with the FASB requirements for nonpublic companies to adopt in fiscal years beginning after December 15, 2021. The adoption of this standard is expected to more properly reflect the economic reality of the leases in effect during the fiscal year ended June 30, 2023, and future reporting periods. Management has evaluated and applied the following definitions, as enumerated in FASB ASC Topic 842;

Contract: An agreement between two or more parties that creates enforceable rights and obligations.

Lease: A **contract**, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration.

Underlying Asset: An asset that is the subject of a lease for which a right to use that asset has been conveyed to a lessee. The underlying asset could be a physically distinct portion of a single asset.

Right-of-Use Asset: An asset that represents a lessee's right to use an **underlying asset** for the lease term.

Note B – Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Policy: Finance Leases (continued)

Management has evaluated all significant leases in light of the following criteria, as outlined in FASB ASC 842-10-65-1;

1. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.

2. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

3. The lease term is for the major part of the remaining economic life of the underlying asset. However, if the commencement date falls at or near the end of the economic life of the underlying asset, this criterion shall not be used for purposes of classifying the lease.

4. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments in accordance with FASB ASC 842-10-30-5(f) equals or exceeds substantially all of the fair value of the underlying asset.

5. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

In evaluating the criteria above, management has determined that the following contracts contain leases, which are appropriately classified as a finance leases. See descriptions below.

The Organization leases a large printer from Dex Imaging, LLC (“HP Laserjet”). The lease agreement expires in August 2026. Absent an event of default, the lease will automatically renew for a 90 day period followed by successive month-to-month periods. In order to opt out of automatic renewal or terminate the existing lease team, the Organization must submit a written notice at least 90 days in advance, but not more than 150 days in advance, evidencing the intent to return or purchase the equipment. Management has elected for expense all payments under this lease due to the lack of incremental decision making usefulness that would be garnered from a full adoption (including discounting cash flows) under ASC 842. Lease payments under this lease were approximately $1,000 during the year ended June 30, 2023.

Note B – Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Policy: Finance Leases (continued)

The Organization leases office equipment from Dex Imaging, LLC ("Dex Imaging"). The lease agreement expires in November 2025. Absent an event of default, the lease will automatically renew for a 90 day period followed by successive month-to-month periods. In order to opt out of automatic renewal or terminate the existing lease team, the Organization must submit a written notice at least 90 days in advance, but not more than 150 days in advance, evidencing the intent to return or purchase the equipment. Neither the option to terminate nor the option to renew are included in the value of the right of use asset or finance lease payable associated with this agreement. Lease payments under this lease were approximately $4,200 during the year ended June 30, 2023.

Under FASB ASC 842-20-50-9, the board of directors has elected not to separate lease and non-lease components in substantially all classes of underlying assets. Under FASB ASU 2021-09, the board of directors has elected to discount the cash flows at the risk-free rates for instruments of comparable maturity at the time of commencement. The discount rates and the remaining lease terms have been summarized below.

Agreement	Commencement Date	Discount Rate	Remaining Lease Term
HP Laserjet	9/7/2022	-	38 mths
Dex Imaging	9/16/2020	3.146%	29 mths
Weighted Average Discount Rate			3.146%
Weighted Average Remaining Lease Term			33.5 mths

Management adopted FASB ASU 2016-02 via a cumulative effect adjustment, including the recognition of a finance leases payable in amount of $13,512 and the associated right-of-use assets for that same total amount as of the later of the lease commencement date or July 1, 2022. The adjustment also captured accumulated amortization of the right-of-use asset of $3,955 as of June 30, 2023. These items did not impact unrestricted net assets as of June 30, 2023, but resulted in a decrease in income from operations of $149 for the year then ended.

Management deemed the cumulative effect adjustment, rather than retrospective application as the preferrable method of adoption, given the lack of incremental decision-making usefulness that would be derived from the latter method.

Note B – Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Policy: Finance Leases (continued)

Finance lease payments for the years ended June 30, 2023 totaled $5,200. Future minimum lease payments under the finance leases as of June 30, 2023, are:

2024	$	5,311
2025		5,311
2026		2,875
2027		189
	$	13,686

See the Organization's reconciliation of discounted and undiscounted cash flows from the finance lease payable below.

		HP Laserjet		Dex Imaging		Total
Finance lease payable, current portion	$	-	$	3,927	$	3,927
Finance lease payable, long-term		-		5,779		5,779
Total finance lease payable (discounted)		-		9,706		9,706
Discount rate (applied monthly)		-		3.146%		
Total finance lease payable (undiscounted)	$	3,594	$	10,092	$	13,686

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with U.S. GAAP. Accrual basis accounting allows for revenue to be recognized when earned and expenses to be recognized when goods or services are received, without regard to the receipt or payment of cash.

Use of Accounting Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosures 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.

Basis of Presentation

The financial statements are presented in accordance with FASB ASC Topic 958, *Not for Profit Entities*, which requires the Organization to report information regarding its financial position and activities to two classes of net assets.

Note B – Summary of Significant Accounting Policies (continued)

The net assets of the Organization are reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Board may designate assets without restrictions for specific purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the fund be maintained in perpetuity.

Cash and Cash Equivalents

The Organization considers all short-term securities with a maturity date of 3 months or less to be cash equivalents for cash flow purposes.

Grants Receivable and Allowance for Doubtful Accounts

Grants receivable represent monthly billings for ongoing services provided to clients. Bad debts are accounted for under the allowance method. The Organization's policy is to charge off an grants receivable when management determines it is uncollectible. The allowance for doubtful accounts is based on a percentage of estimated grant income for the following fiscal year. The allowance for doubtful accounts was $30,000 and $0 for June 30, 2023 and 2022, respectively.

Property and Equipment

Property and equipment are depreciated on the straight-line method over their estimated useful lives of 3 to 39 years. Maintenance and repairs are charged to expense when incurred. Assets with a useful life beyond one year or repairs and maintenance that extend the useful life of an asset beyond one year are capitalized and depreciated over the asset's useful life. The Organization follow the practice of capitalizing all expenditures for furniture, fixtures, and equipment in excess of $2,500.

Note B – Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Organization applies different accounting pronouncements to contributions and exchanges. Contributions are within the scope of ASC Topic 958, *Not for Profit Entities*. Exchanges are subject to other guidance, such as ASC Topic 606, *Revenue for Contracts with Customers.* The application of these different rules will affect when revenue is recognized; unconditional contributions from the general public and associated organizations in the period when either assets or specific assets are received or promised, while exchanges are recognized as revenue when performance obligation are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied at a point in time is generally recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Organization believes that all performance obligation were satisfied and invoiced as of the date of the financial statements. Thus, there were no contract assets or liabilities as of June 30, 2023 and 2022.

Donated Materials and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

Income Taxes

The Organization has elected to be treated under the provisions of the Internal Revenue Code as of 501(c)(3) corporation, whereby the Organization is exempt from federal taxation. The Organization has elected to be treated under the provisions of the Florida Revenue and Taxation Code sections 17.22 (a). As such, the Organization normally does not have an income tax liability. However, under Internal Revenue Code 501(a), exempt organizations that derive income from unrelated business source are subject to tax on their net unrelated business income. Consequently, the Organization has not made an accrual for any unrelated business income tax provision.

Note B – Summary of Significant Accounting Policies (continued)

Summarized Comparative Financial Information

The financial statements include certain prior year summarized and comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for year ended June 30, 2022, from which the summarized financial information was derived.

Functional Allocation of Expenses

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. The expenses that are allocated include: compensation and benefits, which are allocated on the basis of estimates of time and effort; depreciation and occupancy, which are allocated based upon an identified property or percent of share, depending on the circumstance. Other cost such at insurance, utilities, communication, etc. are likewise allocated based on the circumstance.

Advertising Expense

Advertising costs are expensed as incurred.

Note C – Property and Equipment

Property and equipment consist of the following;

	June 30, 2023	June 30, 2022
Land	$ 371,898	$ 371,898
Right of use asset, finance lease	13,512	0
Buildings and improvements	2,526,864	2,510,615
Furniture and equipment	330,011	324,964
Vehicles	43,194	43,194
	3,285,479	3,250,671
Less accumulated depreciation and amortization	(1,309,882)	(1,214,214)
Net property and equipment	$ 1,975,597	$ 2,036,457

Note D – Notes Payable

The Organization has the following notes payable:

		June 30, 2023		June 30, 2022
Note payable, Regions Bank The note was converted from a construction loan agreement dated June 2015. Monthly Note payable, Regions Bank The note was converted from a construction loan agreement dated June 2015. Monthly payments are $ 4,238 which include annual interest at a rate of 3.99% The loan matures in June 2036. The note is secured by the administrative building and property.	$	518,057	$	547,303
Total notes payable		518,057		547,303
Less current portion		(29,657)		(29,657)
Notes payable, long-term	$	488,400	$	517,646

During the year ended June 30, 2022, the Organization paid off a note payable from Ameris Bank, which was issued in July 2018 for $ 777,000. The terms of the note are monthly payments of $ 4,958 which includes interest at an annual rate of 4.6%. The purpose of the loan was to refinance the thrift store mortgage formerly at Regions Bank. The mortgage is secured by the thrift store building and property.

Principal payments due on notes payable for each of the five years following June 30, 2023 are as follows:

For the Year Ending June 30,		
2024	$	30,862
2025		32,116
2026		33,421
2027		34,779
2028		36,193
Thereafter		350,686
	$	518,057

Note E – Restricted Net Assets

The components of, and changes therein, of net assets with donor restrictions are summarized below:

	June 30, 2022	Additions	Deductions	June 30, 2023
Subject to expenditure for specified purpose				
For the benefit of children	$ 27,372	$ 0	$ (14,424)	$ 12,948
Donor restricted to maintain as an endowment	100,000	0	0	100,000
Total net assets with donor restrictions	$ 127,372	$ 0	$ (14,424)	$ 112,948

Note F – Endowment

The Organization's endowment consists of approximately 5 individual funds established for variety of purposes along with a small amount of cash associated with the brokerage account. The endowment includes both donor-restricted funds and funds designated by the Board to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted Florida's version of 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, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of the subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organizations, and (7) the Organization's investment policies.

Note F – Endowment (continued)

Investment Return Objectives, Risk Parameters and Strategies The Organization has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-

cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds, if possible. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy The Organization has a policy of appropriating for distribution each year an amount equal to the expenditures that were made that meet the criteria impose by the donor restrictions. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment fund, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at nominal rate annually, which is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law.

The Organization’s endowment is from the Jacksonville Jaguars Foundation. The initial contribution was $100,000 and is donor-restricted to be maintained as an endowment. The endowment agreement specified that income and appreciation is restricted for the use by programs for the benefit of persons under the age of 18 (children) and are thus included in net assets with donor-restriction as well. Likewise, the Board has designated amounts to act as an endowment from time to time. The Board has designated a brokerage account to contain the endowment assets.

Note F – Endowment (continued)

The following summarize the activity and balances within the endowment brokerage account:

	June 30, 2023	June 30, 2022
Mutual funds, beginning balance	$ 218,539	$ 259,971
Interest and dividends	6,432	19,769
Capital appreciation(depreciation)	(15,009)	(63,499)
Sales	0	2,298
Mutual funds, ending balance	209,962	218,539
Brokerage cash, beginning balance	8,883	810
Purchase	(5,419)	8,223
Fees	(428)	(150)
Brokerage cash, ending balance	3,036	8,883
Ending balance of "Jaguars" brokerage account	212,998	227,422
Less payable to operating fund for expenditures for benefit of children	(10,050)	(10,050)
Less unrestricted funds in endowment brokerage	(90,000)	(90,000)
Ending balance of endowment assets	$ 112,948	$ 127,372

The endowment net assets composition by type is as follows:

	June 30, 2023	June 30, 2022
Not subject to expenditure	$ 100,000	$ 100,000
Board designated funds acting as an endowment	0	0
Subject to expenditure for donor restricted purpose	12,948	27,372
Ending balance of endowment assets	$ 112,948	$ 127,372

The board voted to remove the designation from the $90,000 funds acting as an endowment during the fiscal year ended June 30, 2021. The board now considers these funds to be available for all purposes.

Note G – Retirement Plan

The Organization sponsors a 403(b) Plan for eligible employees. Plan cost, including discretionary contributions, for the years ended June 30, 2023 and 2022 were $0 and $1,256, respectively and classified in "Benefits" in the statement of functional expenses.

Note H – Concentrations and Credit Risks

The Organization maintains cash accounts with institutions insured by the Federal Deposit Insurance Corporation ("FDIC") and National Credit Union Administration ("NCUA"). This insurance is limited to $250,000 per depositor. During the year, the Organization had funds in excess of the insurance amount. Such excesses are considered a contingent risk under U.S. GAAP. Additionally, cash held in brokerage accounts is uninsured. The Organization does not believe that they are at risk for losing their cash.

Investment securities are subject to various risks, such as interest rate risks, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that the changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

The Organization receives a significant portion of its funding from government sources. Thus, its funding is vulnerable to changes in the legislative priorities of the county, state and federal governments. The Organization's management does not expect that the support from these government agencies will be lost in the near term.

For the year ended June 30, 2023, 88% of the total grants receivable come from the either the State of Florida or the Federal Government. For the year ended June 30, 2022, 84% of was due from the State of Florida. Management believes that all amounts are fully collectible.

For the year ended June 30, 2023, 67% of income was attributable to grants from the State of Florida. Likewise, 75% of income was from the State of Florida for the year ended June 30, 2022.

Note I – In-Kind Donations

During the year ended June 30, 2023, The Clay County Board of Commissioners donated the use of facilities located at the courthouse. The fair value of the space has been determined to be $20,806 for the year then ended.

Note I – In-Kind Donations (continued)

The Organization also receives donations of gift cards from time to time. The Organization records these cards for their face amount as cash donations. These donations are included in the “Other grants and contributions” line on the statement of activities and changes in net assets. The amounts are expensed when used or provided to program participants.

The Organization received in-kind donations of food for use at the shelter. For the year ended June 30, 2023, the fair value of the food donation was determined to be $20,954. For the year ended June 30, 2022, the Organization received $247 in food donations.

Note J – Fair Value Measurements

The FASB has established a framework for measuring fair value in ASC 820, Fair Value Measurement. This framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

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

Note J – Fair Value Measurements (continued)

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2023 and 2022.

Investments are composed of certificates of deposit and mutual funds investing in debt and equity securities. Investments may include stocks, government securities and corporate bonds from time to time. Investments are considered to be available for sale and are carried at fair value in the statement of financial position.

The investments of the Organization are valued at the closing price report in the active markets in which they are traded.

The preceding method described may produce fair value calculations that may not be indicative of net realizable value of reflective of future values. Furthermore, although the Organization believes its valuation is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could results in a different fair value measurement at the reporting date.

The following tables summarize by level the fair value hierarchy of the Organization's investments at fair value as of June 30, 2023 and 2022.

Assets at Fair Value as of June 30, 2023

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 826,495	$ 0	$ 0	$ 826,495
Investment, at fair value	$ 826,495	$ 0	$ 0	$ 826,495

Assets at Fair Value as of June 30, 2022

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 719,636	$ 0	$ 0	$ 719,636
Investment, at fair value	$ 719,636	$ 0	$ 0	$ 719,636

Note J – Fair Value Measurements (continued)

Increases and decreases in fair value of investments are included in the statements of activities. The following schedules summarize the investment returns for the year ended June 30, 2023:

		Without Restrictions		With Restrictions		Total
Dividends and interest	$	13,469	$	6,432	$	19,901
Realized gain (losses)		(2,092)		(2,748)		(4,840)
Unrealized gain (losses)		44,409		18,679		63,088
Fees		(750)		(428)		(1,178)
Investment income, net	$	55,036	$	21,935	$	76,971

Note K – Liquidity and Availability of Financial Assets

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in long-term investments and money market funds. This reserve may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress. The following reflects the Organization's financial assets for the years ended June 30, 2023 and 2022 reduced by amounts not available for general use because of contractual or donor-imposed limits within one year of the respective year ends.

		June 30, 2023		June 30, 2022
Cash and cash equivalents	$	287,643	$	345,097
Gift cards		0		2,634
Grants receivable		133,826		67,116
Long term investments		826,495		719,636
Total financial assets at year end		1,247,964		1,134,483
Less those unavailable for general expenditures due to donor restrictions for:				
The benefit of children		(12,948)		(27,372)
Donor restricted as an endowment		(100,000)		(100,000)
Financial assets available to meet cash needs for general expenditures within one year.	$	1,135,016	$	1,007,111

Note L – Prior Period Restatement

As of June 30, 2022, substantially all of the Organization's $955,105 portfolio value held at Merrill Lynch was represented to be and disclosed as long term investments. Subsequently, for the year ended June 30, 2022, it was determined that $31,959 of the portfolio value should have been classified as cash.

Note L – Prior Period Restatement (continued)

It has been deemed preferrable to reclassify the cash balances for the years presented, so as to more properly reflect the valuation methodologies germane to those assets. This reclassification resulted in no dollar value effect on total assets in the Organization held as of June 30, 2023 and 2022. However, the total investments at fair value were reduced and total cash and cash equivalents increased in the amounts of $34,083 and $31,959 as of June 30, 2023 and 2022, respectively. No cumulative dollar value effect on changes in net assets for the years ended June 30, 2023 and 2022, resulted from these reclassifications. Furthermore, no dollar value effect on the beginning net assets for the year ended June 30, 2022, the earliest period presented, resulted from these reclassifications.

Note M – Subsequent Events

The Organization has evaluated subsequent events through January 12, 2024, the date which the financial statements were available to be issued. No subsequent events were noted that required disclosure in the financial statements.

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Mark R. Patrick, CPA
Timothy P. Raines, CPA

INDEPENDENT AUDITORS' 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
Quigley House, Inc.
Jacksonville, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAS"), issued by the Comptroller General of the United States, the financial statements of Quigley House, Inc. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2024.

<u>Report on Internal Control over Financial Reporting</u>

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 organization'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. Identified the following during the course of our audit:

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We noted during our investment testing, that significant unrealized and realized gains/losses were not balanced on a monthly basis to investment statements. Given the magnitude of potential misstatement, evidenced by the actual required adjustment, we have determined this matter rises to the level of a significant deficiency in the operation of internal control surrounding investment income.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 GAS.

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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with GAS in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

Patrick & Raines, LLC

Patrick & Raines, LLC
Jacksonville, Florida
January 12, 2024

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