KENTUCKY BAR ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Kelley Galloway Smith Goolsby, PSC

Certified Public Accountants and Advisors

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Kelley Galloway
Smith Goolsby, PSC
Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL

INDEPENDENT AUDITOR'S REPORT

Board of Governors
Kentucky Bar Association
Frankfort, Kentucky 40601

Opinion

We have audited the accompanying financial statements of Kentucky Bar Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 Kentucky Bar Association as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Kentucky Bar Association 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Kentucky Bar Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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 Kentucky Bar Association'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 Kentucky Bar Association'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.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
March 8, 2023

KENTUCKY BAR ASSOCIATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

ASSETS

Current assets:	
Cash	$ 1,488,002
Investments	7,478,453
Accounts receivable	101,092
Due from affiliate, current	116,726
Interest receivable	13,897
Prepaid expenses	133,007
Total current assets	9,331,177
Due from affiliate, less current portion	447,006
Property, building and equipment, net	2,749,968
Total long-term assets	3,196,974
Total assets	$ 12,528,151

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	$ 283,227
Accrued expenses	361,955
Deferred revenue	240,381
Current maturities of bonds payable	246,692
Total current liabilities	1,132,255
Bonds payable, less current maturities	2,934,224
Total liabilities	4,066,479
Net assets:	
Without donor restrictions	
Board designated	390,241
Undesignated	8,071,431
	8,461,672
Total liabilities and net assets	$ 12,528,151

The accompanying notes to financial statements are an integral part of this statement.

KENTUCKY BAR ASSOCIATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

WITHOUT DONOR RESTRICTIONS:	
Revenues and Support:	
Membership dues	$ 5,203,624
Investment income, net of investment expenses	100,661
Pro Hac Vice	506,233
Program application fees	364,010
Conventions and conferences	261,580
Net change in fair value of investments	(852,257)
Other revenue and support	679,421
Total revenue and support	6,263,272
Expenses:	
Program Activities -	
Sections	156,265
Board of Governors, Officers, and Committees	94,675
Disciplinary and Unauthorized Practices	1,543,546
Client Security	17,437
Disciplinary Clerk's Office	74,899
Publications	378,779
Lawyers Assistance Program	245,637
Continuing Legal Education	704,012
Bar Center	309,534
Annual Convention	291,335
	3,816,119
Support Activities -	
Management and General	1,714,263
Total expenses	5,530,382
CHANGE IN NET ASSETS	732,890
NET ASSETS AT BEGINNING OF YEAR	7,728,782
NET ASSETS AT END OF YEAR	$ 8,461,672

The accompanying notes to financial statements
are an integral part of this statement.

KENTUCKY BAR ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Activities										Supporting Activities			
	Sections	Board of Governors Officers, and Committees	Disciplinary and Unauthorized Practices	Client Security	Disciplinary Clerk's Office	Publications	Lawyers Assistance Program	Continuing Legal Education	Bar Center	Annual Convention	Administrative	Membership	Management and General	Total Expenses
Salaries	$ -	$ -	$ 1,103,570	$ -	$ 58,653	$181,939	$ 142,153	$ 431,172	$ -	$ -	$ 317,174	$ 430,154	$ -	$ 2,664,815
Payroll taxes	-	-	83,116	-	4,461	14,052	10,429	31,602	-	-	22,934	32,484	-	199,078
Retirement	-	-	110,309	-	5,852	18,047	14,222	42,104	-	-	31,157	42,817	-	264,508
Benefits	-	-	187,563	-	2,689	29,953	40,756	89,135	-	-	33,369	91,634	881	475,980
Accounting fees	-	-	463	-	25	106	51	730	-	-	89	15,729	2,788	19,981
Legal fees	-	-	-	-	-	-	-	-	-	-	-	-	18,290	18,290
Professional fees	37,728	237	21,628	354	-	90	20,874	450	-	6,345	-	105	63,592	151,403
Supplies	4,814	2,127	6,229	639	380	6,442	1,899	3,736	4,871	2,431	351	933	16,497	51,349
Telephone	273	57	2,195	-	-	701	1,385	5,353	-	713	508	-	14,440	25,625
Postage	16	183	5,221	382	2,211	43,139	208	6,276	-	537	-	10	6,862	65,045
Utilities	-	-	-	-	-	-	-	-	44,303	-	-	-	-	44,303
Equipment and computer expense	-	-	10,573	-	234	587	190	35,399	-	9,860	84	3,412	184,741	245,080
Printing	161	25	1,250	-	394	73,022	88	3,674	-	-	11	195	3,020	81,840
Travel and lodging	21,534	49,324	4,738	1,347	-	651	7,908	5,532	-	26,575	3,520	-	6,872	128,001
Conference, convention and meeting	700	3,335	5,105	830	-	199	3,298	26,578	-	19,141	1,695	135	730	61,746
Interest	-	-	-	-	-	-	-	-	-	-	-	-	149,176	149,176
Depreciation	-	-	-	-	-	-	-	-	175,354	-	-	-	-	175,354
Bank/credit card processing fees	-	-	-	-	-	-	-	6,958	86	4,932	-	-	24,185	36,161
Meals and entertainment	14,527	37,577	1,556	252	-	101	2,102	2,101	-	73,518	1,460	152	9,329	142,675
Library and research	-	-	12	7	-	-	-	-	-	-	-	-	114,933	114,952
Maintenance and repairs	-	-	-	-	-	-	-	284	54,403	-	-	-	2,363	57,050
Audio visual expense	-	-	-	-	-	-	-	8,851	-	87,799	-	-	-	96,650
Contributors, sponsors and grants	30,650	-	-	-	-	-	-	-	-	-	-	-	-	30,650
Insurance	-	-	-	-	-	-	-	1,675	24,517	-	-	-	57,202	83,394
Speakers	-	-	-	-	-	-	-	-	-	46,500	-	-	-	46,500
Payment on claims	-	-	-	13,626	-	-	-	-	-	-	-	-	-	13,626
Contribution in lieu of taxes	-	-	-	-	-	-	-	-	6,000	-	-	-	-	6,000
Unrelated business tax	-	-	-	-	-	3,334	-	-	-	-	-	-	-	3,334
Design and layouts	-	-	-	-	-	4,185	-	-	-	4,447	-	-	-	8,632
Other	44,040	829	-	-	-	1,831	-	1,456	-	3,961	-	-	82	52,199
Miscellaneous	1,822	981	18	-	-	400	74	946	-	4,576	-	-	8,168	16,985
Total expenses	$ 156,265	$ 94,675	$ 1,543,546	$ 17,437	$ 74,899	$ 378,779	$ 245,637	$ 704,012	$ 309,534	$ 291,335	$ 412,352	$ 617,760	$ 684,151	$ 5,530,382

The accompanying notes to financial statements are an integral part of this statement.

KENTUCKY BAR ASSOCIATION

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	732,890
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities -		
Depreciation		175,354
Net (increase) decrease in fair value of investments		852,257
Realized (gains) losses on sales of investments		(7,568)
(Increase) decrease in operating assets -		
Accounts receivable		(40,789)
Due from affiliate		34,765
Interest receivable		(8,602)
Prepaid expenses		(4,216)
Increase (decrease) in operating liabilities -		
Accounts payable		227,376
Accrued expenses		(9,813)
Deferred revenue		3,133
Net cash provided by (used for) operating activities		1,954,787
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property, building and equipment		(175,066)
Purchase of investments		(4,465,407)
Proceeds from sale of investments		3,592,461
Net cash used for investment activities		(1,048,012)
CASH FLOW FROM FINANCING ACTIVITIES:		
Payments on long term debt		(229,557)
Net cash used for investment activities		(229,557)
NET INCREASE (DECREASE) IN CASH		677,218
CASH, BEGINNING OF YEAR		810,784
CASH, END OF YEAR	$	1,488,002
SUPPLEMENTAL INFORMATION:		
Interest Paid	$	136,914
Taxes Paid	$	3,334

The accompanying notes to financial statements are an integral part of this statement.

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Kentucky Bar Association (KBA) is an agency of the judicial branch of the Commonwealth of Kentucky. The KBA implements, administers and enforces Kentucky Supreme Court Rules, regarding the discipline and education of the lawyers of Kentucky and is the professional association for the practice of law in Kentucky.

Measurement Focus/Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. This has been done by classification of all transactions and balances into the category of unrestricted net assets which have no donor-imposed restrictions.

Basis of Presentation

The financial statements are presented in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, the KBA is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions. Net assets without donor restrictions are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Governors. Net assets with donor restrictions are subject to donor-imposed restrictions that can be fulfilled by actions of the organization pursuant to those restrictions or that expire by the passage of time or are subject to donor-imposed restrictions that they be maintained permanently. The KBA has no net assets with donor restrictions as of June 30, 2022.

Cash and Cash Equivalents

The KBA considers cash in operating bank accounts to be cash and cash equivalents. Money market accounts in investments are not included in cash and cash equivalents.

Certificates of Deposit

Certificates of deposit are valued at cost.

Investments

Investments are reported at fair value in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on the ex-dividend date. Unrealized gains and losses are included in the statement of activities.

Property, Building and Equipment

Property, building and equipment accounts are stated at cost. Expenditures greater than $5,000 and which increase values or extend useful lives of the respective assets are capitalized, whereas expenditures for maintenance and repairs are charged to expense as incurred. At the time assets are retired or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to income.

Revenue

The major sources of revenue are membership dues. All members are required to pay dues to KBA, except for inactive status and honorary members. Dues are determined annually and are recognized as revenues when assessed because they are measurable and are collectible within the current period.

Depreciation and Amortization

Depreciation and amortization are computed using the straight-line method over the asset's estimated useful lives. Average estimated lives are as follows:

Classification	Estimated Life
Bar Center building	50 years
Furniture, fixtures and equipment	5-10 years

Pension Plan

The KBA has a 401(a) plan for all employees, full and part-time, with Nationwide Financial Services, Inc., Columbus, Ohio. Funding for the plan is provided entirely by the KBA with a 10% contribution made after each payroll effective July 1, 2021. During the fiscal year ended June 30, 2022, contributions totaled $264,508, to the Nationwide 401(a) plan on behalf of the employees. No matching contribution is required or allowed from the employees into the plan. In addition, the employees have the option to voluntarily participate with Kentucky Deferred Comp through the Kentucky Personnel Cabinet with their various plans for retirement. Contributions are made only by the employee with no contributions made by the KBA.

Use of Estimates

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

Future Accounting Pronouncements

Leases - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, *Revenue from Contracts with Customers*.

The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2022. Early application is permitted. Management is currently evaluating the impact of ASU 2016-02 on its financial statements.

(2) REVENUE RECOGNITION

Contracts with Customers

Material contracts with customers include membership dues, Pro Hac Vice, application fees, and convention and conferences revenue.

Membership dues revenue is recognized on an annual basis, consistent with the KBA's fiscal year end. All performance obligations covered under the membership agreements are satisfied on an annual basis, ending June 30th. Any member that joins the KBA during the year is charged a pro-rated dues payment equal to the amount of time remaining in the fiscal year. Any dues payments received before the corresponding fiscal year, are recorded as deferred revenue at year end. Members are given the opportunity to join various sections of the KBA that provide specialized training and networking opportunities for specific fields of practice.

Membership to these sections requires an additional dues payment that is also billed and recognized on an annual basis, ending June 30th. Other dues on the statement of activities primarily includes an assessment that is collected to fund the Kentucky Lawyers Assistance Program (KYLAP). The KYLAP offers free help to judges, lawyers and law students who are struggling with mental health issues or other conditions.

Membership dues revenue, including sections income and other dues, totaled $5,203,624, for the year ended June 30, 2022.

Pro Hac Vice revenue consists of payments collected from attorneys licensed outside of Kentucky who wish to practice a case within the State. The revenue is recognized on an annual per case basis, consistent with the KBA's fiscal year end. Any Pro Hac Vice payments received before the corresponding fiscal year, are recorded as deferred revenue at year end. Pro Hac Vice revenue totaled $506,233 for the year ended June 30, 2022.

Program application fees consists of fees paid to get CLE accredited by a provider or member. The revenue is recognized at a point in time when the application fee is received. Program application fees totaled $364,010 for the year ended June 30, 2022.

Conventions and conferences revenue primarily consists of payments related to specific events, including the annual convention and other events. Revenue is recognized once the specified event has been held. Any payments received in advance of the event are recorded as deferred revenue. Conventions and conference revenue totaled $261,580 for the year ended June 30, 2022. Advertising revenues are recognized in a similar manner.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (contract assets) and deferred revenue (contract liabilities) on the Statement of Financial Position. There were no accounts receivable related to contracts with customers at June 30, 2022 and 2021. The balances of deferred revenues were as follows:

	2022	2021
Member dues:		
Deferred revenue	$ 3,230	$ 5,430
Pro Hac Vice dues:		
Deferred revenue	224,033	215,046
Advertising:		
Deferred revenue	13,118	16,711

(3) INVESTMENTS

Investments are administered utilizing the services of the trust department of a bank. A summary of investments at June 30, 2022 is as follows:

	Cost	FMV	Unrealized Gain (Loss)
KBA Long Term Portfolio -			
Money market funds	$ 96,991	$ 96,991	$ -
Fixed income	2,064,395	1,938,805	(125,590)
Equities	3,303,840	3,566,558	262,718
Real assets mutual funds	307,332	274,998	(32,334)
	5,772,558	5,877,352	104,794
KBA Short Term Portfolio -			
Money market funds	1,601,101	1,601,101	-
	1,601,101	1,601,101	-
	$7,373,659	$7,478,453	$104,794

Investment return is summarized as follows:

Interest/Dividend income	$ 118,985
Investment fees	(25,892)
Realized gains (losses)	7,568
Change in fair value	(852,257)
	$ (751,596)

(4) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The KBA has not adopted a formal liquidity management plan. The KBA continually reviews its financial assets and assesses if these financial assets are sufficient to meet cash needs for general expenditures. The KBA's financial assets for this purpose include cash and cash equivalents, investments, certificates of deposit and receivables.

As of June 30, 2022, the KBA's financial assets available to meet cash needs for general expenses within one year are as follows:

Financial assets at June 30, 2022	$9,198,170
Less those unavailable for general expenses within one year due to:	
Board designations - Sections	(390,241)
Financial assets available to meet cash needs for general expenses within one year	$8,807,929

(5) INCOME TAX STATUS

The KBA is not a private foundation and is exempt from the payment of federal income taxes under Section 501(c)(6) of the Internal Revenue Code of 1954, except on certain unrelated business income, which is not material; accordingly, the accompanying financial statements include no provision or credit for such taxes.

(6) LEASES

The KBA maintains seven non-cancelable forty-eight month operating leases for office equipment (copiers). During the year ended June 30, 2022, one operating lease expired. The monthly payments range from $122 to $558 per month. The total monthly payment for the leased copiers is $2,310.

The KBA maintains twenty-two non-cancelable sixty-month operating leases for office equipment (printers). During the year ended June 30, 2022, the KBA entered into no additional leases for office equipment (printers). The total monthly payment for the printers is $599.

The KBA entered into a lease for a mailing system during January 2020. The lease is for 60 months under a non-cancelable operating lease expiring in January 2025 with a monthly payment of $409.

Future minimum lease payments under noncancelable operating leases greater than one year at June 30, 2022, are as follows:

Fiscal Year Ending	
2023	$ 31,780
2024	11,140
2025	6,957
2026	3,474
2027	1,173
	$ 54,524

Rent expense for all operating leases totaled approximately $39,227 for the year ended June 30, 2022.

(7) LONG-TERM DEBT

Long-term debt consists of the following as of June 30, 2022:

3.75% Kentucky Revenue Bond, Taxable Series 2018C payable with monthly principal and interest payments with the final payment due January 1, 2033	$3,313,750
Less current portion	(246,692)
	3,067,058
Less discount	(132,834)
	$2,934,224

During September 2018, the KBA entered into a promissory note with the City of Frankfort (the City) to repay amounts related to a bond issuance by the City on behalf of the KBA. The City issued a general obligation bond of $4,180,000 in Kentucky Revenue Bond, Taxable Series 2018C. The Kentucky League of Cities is the program administrator and the Kentucky Bond Corporation is the lessor. The bond was issued for the purpose of funding a note issued by the KBA to fund the payment of the withdrawal liability to the Kentucky Retirement System during the spring of 2019.

The maturity date for the note and bond is January 1, 2033. The note and the bond carry a 3.75% interest rate. The bonds included a discount of $177,794 that will be amortized over the life of the loan through interest expense.

Interest expense for the year ended June 30, 2022 was $149,176, which included amortization of the bond discount of $12,262.

The principal and interest repayment requirements relating to the above long-term debt at June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 246,692	$ 119,456	$ 366,148
2024	269,166	110,385	379,551
2025	279,169	100,965	380,134
2026	289,165	91,194	380,359
2027	301,246	87,070	388,316
Thereafter	1,928,312	247,860	2,176,172
	$3,313,750	$ 756,930	$4,070,680

(8) RELATED PARTY TRANSACTIONS

The Kentucky Bar Foundation, Inc. (the Foundation) is a related party to the Kentucky Bar Association (KBA) in that both organizations share common facilities and that the KBA provides payroll services for the Foundation. The KBA also recorded a receivable of $497,802 for the year ended June 30, 2022 for the Foundation's share of the withdrawal liability to the Kentucky Retirement System. The KBA Board of Governors and the Foundation Board agreed on a repayment plan that started September 2019 and will continue until June 2034, with payments of $10,519 quarterly, bearing no interest.

The following summarizes significant transactions and balances between the two at June 30, 2022, and for the year then ended.

Accounts receivable from Foundation, current	$ 116,726
Accounts receivable from Foundation, long-term	447,006
Accounts receivable from Foundation	$ 563,732
Rent paid by Foundation to KBA	$ 9,600

(9) COMPENSATED ABSENCES

In prior years, the KBA has allowed a carryover of a maximum of forty-five unused vacation days accumulating through year end. Accordingly, the KBA has in accrued expenses a liability of $280,951 at June 30, 2022, for these future compensated absences.

(10) COMMITMENTS

The KBA is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

(11) DESIGNATED FUND BALANCE

By Board resolution in September 2022, surplus Sections are allowed to be carried over to the next ensuing budget year and have been designated as such.

(12) CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the KBA to concentrations of credit risk consist of cash, which may at times exceed federally insured limits. The KBA places its cash with high credit quality financial institutions. The cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor in each institution. At times during the year ended June 30, 2022, the KBA exceeded the $250,000 insured by the FDIC.

(13) PROPERTY, BUILDING AND EQUIPMENT

Property, building and equipment consists of the following at June 30, 2022:

Land and building	$4,863,477
Furniture, fixtures, and equipment	1,631,916
	6,495,393
Less: accumulated depreciation	3,745,425
	$2,749,968

(14) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Although the allocation methods used were appropriate, alternative methods may provide different results. Expenses are charged directly to a function based on a calculation of the amount of time spent by employees on those functions, or a calculation of the amount of cost associated with that function. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the KBA.

(15) FAIR VALUE MEASUREMENTS

KBA uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic of FASB ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for KBA's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value, a reasonable point within the range, is most representative of fair value under current market conditions.

KBA groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that KBA has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instruments categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Fair values of assets and liabilities measured on a recurring basis are as follows:

June 30, 2022	Fair Value	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Money market funds	$ 1,698,092	$ 1,698,092	$ -	$ -
Fixed income	1,938,805	148,579	1,790,226	-
Equities	3,566,558	3,566,558	-	-
Real asset mutual funds	274,998	274,998	-	-
	$ 7,478,453	$ 5,688,227	$ 1,790,226	$ -

(16) COVID-19 PANDEMIC

Since 2020, various restrictions were placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The KBA is continuously evaluating the impact of COVID-19 and related responses on its operations and finances. Restrictions placed on the KBA could negatively impact the KBA's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

(17) ECONOMIC UNCERTAINTIES

KBA invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets. Global equity markets have experienced significant volatility and weakness. As of the date of this report, the fair value of KBA's investments have fluctuated from their reported values.