

**PERIMETER PARK WEST, INC.**

**FINANCIAL REPORT**

**JUNE 30, 2021**

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*Jones, Nale & Mattingly PLC*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Perimeter Park West, Inc.  
Frankfort, Kentucky

We have audited the accompanying financial statements of Perimeter Park West, Inc. which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses, changes in net assets and cash flows for the fiscal years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Perimeter Park West, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Jones, Nale & Mattingly PLC*

Louisville, Kentucky  
September 17, 2021

**PERIMETER PARK WEST, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2021 and 2020**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,207,470	\$ 732,497
Total current assets	1,207,470	732,497
<b>PROPERTY</b>		
Land	841,000	841,000
Building and improvements	9,139,505	8,909,112
	9,980,505	9,750,112
Less accumulated depreciation	(4,497,490)	(4,217,724)
Total property	5,483,015	5,532,388
Total assets	\$ 6,690,485	\$ 6,264,885
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Dividends payable	\$ 703,303	\$ --
Total liabilities	703,303	--
<b>NET ASSETS</b>		
Without donor restrictions:		
Common stock	10,557,008	10,557,008
Paid-in-capital	920,298	920,298
Accumulated deficit	(5,490,124)	(5,212,421)
Total net assets	5,987,182	6,264,885
Total liabilities and net assets	\$ 6,690,485	\$ 6,264,885

The Notes to Financial Statements are an integral part of these statements.

**PERIMETER PARK WEST, INC.**

**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND SUPPORT		
Rental income	\$ 1,005,718	\$ 934,188
Interest income	1,332	8,384
Other income	-	10,556
Total revenues and support	<u>1,007,050</u>	<u>953,128</u>
EXPENSES		
Program services	439,158	448,243
Management and general	142,292	159,379
Total expenses	<u>581,450</u>	<u>607,622</u>
Increase in net assets	<u>\$ 425,600</u>	<u>\$ 345,506</u>

The Notes to Financial Statements are an integral part of these statements.

**PERIMETER PARK WEST, INC**

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended June 30, 2021 and 2020**

	2021		
	Program Services	Management and General	Total
Depreciation	\$ 279,766	\$ --	\$ 279,766
Repairs and maintenance	58,691	--	58,691
Management and administrative	--	130,792	130,792
Janitorial services	65,587	--	65,587
Insurance	22,453	--	22,453
Professional fees	--	11,500	11,500
Miscellaneous	12,661	--	12,661
Total	\$ 439,158	\$ 142,292	\$ 581,450

	2020		
	Program Services	Management and General	Total
Depreciation	\$ 272,518	\$ --	\$ 272,518
Repairs and maintenance	54,996	--	54,996
Management and administrative	--	143,051	143,051
Janitorial services	87,918	--	87,918
Insurance	23,121	--	23,121
Professional fees	--	16,328	16,328
Miscellaneous	9,690	--	9,690
Total	\$ 448,243	\$ 159,379	\$ 607,622

The Notes to Financial Statements are an integral part of these statements.

**PERIMETER PARK WEST, INC**

**STATEMENTS OF CHANGES IN NET ASSETS**  
**Years Ended June 30, 2021 and 2020**

	<u>Common Stock</u>	<u>Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balances, July 1, 2019	\$ 10,557,008	\$ 920,298	\$ (5,057,927)	\$ 6,419,379
Increase in net assets	--	--	345,506	345,506
Dividends	--	--	(500,000)	(500,000)
Balances, June 30, 2020	<u>10,557,008</u>	<u>920,298</u>	<u>(5,212,421)</u>	<u>6,264,885</u>
Increase in net assets	--	--	425,600	425,600
Dividends	--	--	(703,303)	(703,303)
Balances, June 30, 2021	<u><u>\$ 10,557,008</u></u>	<u><u>\$ 920,298</u></u>	<u><u>\$ (5,490,124)</u></u>	<u><u>\$ 5,987,182</u></u>

The Notes to Financial Statements are an integral part of these statements.



**PERIMETER PARK WEST, INC**

**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2021 and 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 425,600	\$ 345,506
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	279,766	272,518
Net cash provided by operating activities	705,366	618,024
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(230,393)	(44,776)
Net cash (used in) investing activities	(230,393)	(44,776)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	--	(500,000)
Net cash (used in) financing activities	--	(500,000)
Net increase in cash	474,973	73,248
Cash and cash equivalents:		
Beginning of year	732,497	659,249
End of year	\$ 1,207,470	\$ 732,497

The Notes to Financial Statements are an integral part of these statements.

## PERIMETER PARK WEST, INC.

### NOTES TO FINANCIAL STATEMENTS

#### Note 1. Summary of Significant Accounting Policies

##### Nature of business

Perimeter Park West, Inc. (the Corporation) was created in October 1998 as a tax-exempt organization under Section 501(c)(25) of the Internal Revenue Code of 1986, to acquire and hold title to real property, and to collect income from such property, and to remit all excess income from such property as dividends to one or more shareholders.

Kentucky Public Pension Authority (KPPA) is the statutory (Kentucky Revised Statute 61) administrative agency for the Corporation and is a component unit of the Commonwealth of Kentucky for financial reporting purposes. The Corporation is governed by a three-member board selected by shareholders. Although it is legally separate from KPPA, the Corporation is reported as if it were part of KPPA, because its sole ownership is Kentucky Retirement Systems (KRS) and therefore by unitization is owned by Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS) and State Police Employees Retirement System (SPRS) to function as a real estate holding company for the properties owned by the plans administered by KPPA.

##### Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### Cash

The Corporation maintains cash in bank accounts, which at times may exceed the federally insured limit. The Corporation has not experienced any losses on such accounts. Management believes that the Corporation is not exposed to any significant credit risk on cash.

##### Property

The Corporation's policy is to capitalize asset purchases over \$10,000 that have useful lives greater than one year. Maintenance and repairs are charged to expense as incurred. Acquired property is stated at cost. Donated property is recorded at fair value on the date of donation. Property is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Building	40 years
Building improvements	5-20 years

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Net assets

The Corporation classifies resources for accounting and reporting purposes into two net asset categories according to donor-imposed restrictions as follows:

*Net Assets without Donor Restriction* – net assets available for use in general operations and not subject to donor restrictions.

*Net Assets with Donor Restrictions* – net assets available for use subject to donor-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 resources be maintained in perpetuity. The Corporation had no net assets with donor restrictions as of June 30, 2021 and 2020.

#### Revenue recognition

Revenues are recognized when earned and consist of rental income earned from real property. The Corporation's primary revenue stream is rent charges for office space under a lease with Kentucky Public Pensions Authority (KPPA).

#### Functional allocation of expenses

The statements of functional expenses present the natural classification detail of expenses by function. Expenses are allocated between program, management, and general based upon specific identification.

#### Property taxes

The Corporation has received tax exemption relating to property taxes. Accordingly, no provision for property taxes has been recognized in the accompanying financial statements.

#### Income taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(25) of the Internal Revenue Code, and accordingly, no provision for federal and state income taxes has been made in these statements.

The Corporation's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The Corporation has no uncertain tax positions resulting in an accrual of tax expense or benefit as of June 30, 2021 and 2020.

The Corporation's Federal Return of Organization Exempt from Income Tax, Form 990, is subject to examination by the taxing authorities until the expiration of the related statutes of limitations on the return, which is generally three years.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Recent accounting pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the year ending June 30, 2023.

Management is currently in the process of evaluating the impact of the adoption of this ASU on the financial statements.

#### Subsequent events

Management has evaluated subsequent events through September 17, 2021, the date the financial statements were available to be issued.

### Note 2. Concentration of Credit Risk

#### Revenue

The Corporation's business activity consists solely of revenue from a lease of office space to KPPA. Rental income represented approximately 99% and 98% of total revenue for the years ended June 30, 2021 and 2020, respectively.

### Note 3. Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30:

	<u>2021</u>	<u>2020</u>
Cash	<u>\$ 1,207,470</u>	<u>\$ 732,497</u>

The Corporation manages its liquidity and availability following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

### Note 4. Operating Lease

The Corporation leases office space to KPPA, a component unit of the Commonwealth of Kentucky (see Notes 5 and 6). The Corporation is responsible for repairs, insurance and other expenses. The lease terms are as follows:

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Operating Lease (Continued)

Buildings A and C were combined in a single lease for \$88,914 that was payable monthly effective December 2019. The lease was amended effective December 2020 and rent is payable monthly for \$80,164 continuing until altered by a new lease agreement or termination of the current lease agreement with sixty days written notice.

### Note 5. Related Party Transactions

KPPA, a component unit of the Commonwealth of Kentucky, is the lessee and occupant of buildings A and C. KPPA is the statutory (Kentucky Revised Statute 61) administrative agency for the Corporation. Total lease income under this operating lease for the years ended June 30, 2021 and 2020 was \$1,005,718 and \$934,188, respectively.

### Note 6. Management Agreement

Crumbaugh Properties, Inc. provided management and administrative services to carry out the Corporation's non-profit operations and objectives until the management agreement was terminated effective October 31, 2019.

On November 16, 2019, the Corporation entered into a maintenance manager services agreement (agreement) for property management services with Norman Enterprises, LLC (maintenance manager). The original agreement ran through October 31, 2020 and was amended and renewed for two years through November 15, 2022. The amended agreement provides for one additional two-year renewal. Under the terms of the agreement, the Corporation will pay the maintenance manager \$8,334 per month to perform general maintenance plumbing, electrical and painting in addition to coordinating and overseeing routine maintenance and services provided by third party vendors. Management fees under the terms of the agreements were \$100,449 and \$109,957 for the years ended June 30, 2021 and 2020, respectively, and were recorded as management and administrative expense in the financial statements.

### Note 7. Uncertainty

Local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Corporation as of September 17, 2021 management believes that a material impact on the Corporation's financial position and results of future operations is reasonably possible.

### Note 8. Stock Reissuance

The Corporation had three shareholders owning 200 issued shares of common stock in the Corporation along with KERS being the majority shareholder. During the year ended June 30, 2021, the Corporation became aware that according to Kentucky Revised Statute KRS 61.650 all shares in the Corporation must be registered to a single shareholder KRS. Accordingly, in March 2021 all 200 shares previously issued were surrendered by the three shareholders and reissued to KRS who is now the sole shareholder in the Corporation.