PERIMETER PARK WEST, INC.

FINANCIAL REPORT

JUNE 30, 2024

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Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Perimeter Park West, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities, functional expenses, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Perimeter Park West, Inc. as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits 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 Perimeter Park West, Inc. 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 Perimeter Park West, Inc.'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.

Certified Public Accountants and Advisors

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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 Perimeter Park West, Inc.'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 Perimeter Park West, Inc.'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.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
August 15, 2024

PERIMETER PARK WEST, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	$ 972,845	$ 905,687
Total current assets	972,845	905,687
PROPERTY		
Land	841,000	841,000
Building and improvements	9,721,602	9,568,899
	10,562,602	10,409,899
Less accumulated depreciation	(5,432,870)	(5,107,271)
Total property	5,129,732	5,302,628
Total assets	$ 6,102,577	$ 6,208,315

	2024	2023
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ - -	$ 5,165
Dividends payable	472,845	405,687
Total liabilities	472,845	410,852
NET ASSETS		
Without donor restrictions:		
Common stock	9,422,570	9,895,415
Accumulated deficit	(3,792,838)	(4,097,952)
Total net assets	5,629,732	5,797,463
Total liabilities and net assets	$ 6,102,577	$ 6,208,315

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

PERIMETER PARK WEST, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2024 and 2023

	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND SUPPORT		
Rental income	$ 961,968	$ 961,968
Interest income	35,230	26,530
Total revenues and support	997,198	988,498
EXPENSES		
Program services	534,843	498,657
Management and general	157,241	142,480
Total expenses	692,084	641,137
Increase in net assets	$ 305,114	$ 347,361

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

PERIMETER PARK WEST, INC

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2024 and 2023

	2024		
	Program Services	Management and General	Total
Depreciation	$ 325,599	$ - -	$ 325,599
Repairs and maintenance	99,911	- -	99,911
Management and administrative	- -	143,616	143,616
Janitorial services	65,427	- -	65,427
Insurance	31,669	- -	31,669
Professional fees	- -	13,625	13,625
Miscellaneous	12,237	- -	12,237
Total	$ 534,843	$ 157,241	$ 692,084

	2023		
	Program Services	Management and General	Total
Depreciation	$ 315,064	$ - -	$ 315,064
Repairs and maintenance	75,979	- -	75,979
Management and administrative	- -	131,280	131,280
Janitorial services	71,174	- -	71,174
Insurance	26,309	- -	26,309
Professional fees	- -	11,200	11,200
Miscellaneous	10,131	- -	10,131
Total	$ 498,657	$ 142,480	$ 641,137

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, 2024 and 2023

	Common Stock	Accumulated Deficit	Total
Balances, July 1, 2022	$ 10,301,102	$ (4,445,313)	$ 5,855,789
Increase in net assets	- -	347,361	347,361
Dividends	(405,687)	- -	(405,687)
Balances, June 30, 2023	9,895,415	(4,097,952)	5,797,463
Increase in net assets	- -	305,114	305,114
Dividends	(472,845)	- -	(472,845)
Balances, June 30, 2024	$ 9,422,570	$ (3,792,838)	$ 5,629,732

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

PERIMETER PARK WEST, INC

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 305,114	$ 347,361
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	325,599	315,064
Change in liabilities, net of the effects of investing and financing activities:		
Accounts payable	(5,165)	5,165
Net cash provided by operating activities	625,548	667,590
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(152,703)	(261,903)
Net cash (used in) investing activities	(152,703)	(261,903)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(405,687)	(472,901)
Net cash (used in) financing activities	(405,687)	(472,901)
Net increase (decrease) in cash	67,158	(67,214)
Cash and cash equivalents:		
Beginning of year	905,687	972,901
End of year	$ 972,845	$ 905,687

The Notes to Financial Statements are an integral part of these 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 shareholders of 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, 2024 and 2023.

Dividends

In May 2022, the Board amended the dividend policy. A determination to pay dividends to the shareholder is made annually based on the year end reconciled cash balance in excess of a minimum of $500,000. Dividends declared by the Board will be paid as a return of common stock equity and will reduce the balance of common stock. This policy will continue until the accumulated deficit balance is positive and can fund the dividend payments declared by the Board.

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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Income taxes (continued)

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, 2024 and 2023.

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.

Reclassification

Certain amounts reported in the 2023 financial statements have been reclassified to conform to the 2024 presentation.

Adopted accounting pronouncement

In June 2015, the FASB issued guidance (FASB ASC 326) which significantly changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing the Corporation's exposure to credit risk and the measurement of credit losses. The Corporation's financial assets subject to the guidance include trade accounts receivable. The Corporation had no trade accounts receivable as of June 30, 2024.

The Corporation adopted the standard effective July 1, 2023. The impact of the adoption was not material to the financial statements and primarily resulted in new and enhanced disclosures only.

Subsequent events

Management has evaluated subsequent events through August 15, 2024, 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% of total revenue for both years ended June 30, 2024 and 2023.

NOTES TO FINANCIAL STATEMENTS

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:

	2024	2023
Cash	$ 972,845	$ 905,687

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 - Lessor

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:

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. Total rental income earned from the operating lease commitment included in the statement of activities was $961,968 for both years ended December 31, 2024 and 2023.

Investments in operating leases are as follows as of June 30:

	2024	2023
Land, buildings and improvements	$ 10,562,602	$ 10,409,899
Accumluated depreciation	(5,432,870)	(5,107,271)
	$ 5,129,732	$ 5,302,628

The future minimum rental payments expected to be received under this lease agreement for each of the succeeding five years is approximately $961,968 each year.

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 was $961,968 for both years ended June 30, 2024 and 2023.

NOTES TO FINANCIAL STATEMENTS

Note 6. Management Agreement

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 provided for one additional two-year renewal, which was amended and renewed through November 15, 2024. 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 $100,008 for both years ended June 30, 2024 and 2023, and were recorded as management and administrative expense in the financial statements.

Note 7. 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.