Tennyson Center for Children at Colorado Christian Home

Financial Statements and Supplementary Information

September 30, 2020 and 2019

(With Independent Auditor's Report Thereon)

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Independent Auditor's Report

Board of Directors
Tennyson Center for Children at Colorado Christian Home

Report on the Financial Statements

We have audited the accompanying financial statements of Tennyson Center for Children at Colorado Christian Home, which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the 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 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 Tennyson Center for Children at Colorado Christian Home as of September 30, 2020 and 2019, 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.

Board of Directors
Tennyson Center for Children at Colorado Christian Home

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The management's discussion and analysis on pages 3-5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kundinger, Corder & Engle, P.C.

January 8, 2021

Tennyson Center for Children Overview
The Tennyson Center for Children at Colorado Christian Home (Tennyson), established in 1904, is one of Colorado's leading providers of education and therapeutic interventions for abused, neglected and traumatized children. Tennyson serves children ranging in age from 0 to 18 by providing immediate and long-term support for children and their families to truly stabilize, heal and reintegrate into society.

Tennyson is deep in its strategic plan with the vision of Every Kid Forever which launched in fiscal year 2019. Tennyson embarked on this new plan in 2019 from a position of organizational and financial strength after recognizing financial gains in fiscal years 2018 and 2019. Fiscal year 2020 certainly presented its challenges with COVID-19, but Tennyson has continued to move forward with the goals of the strategic plan.

The strategic plan includes the following key points and is being funded by several local and national catalytic investors:

- Reduce the number of kids becoming child welfare involved.
- Set a new standard for achieving positive outcomes for children who have experienced trauma.
- Collaborate with select group of 10 counties in Colorado to test alternative programming models and uncover true costs and impact of earlier interventions.
- Serve kids directly and openly share our approaches and data statewide.
- Use the proof points in discovered thru data and dollars to influence state and local policy to change from a crisis intervention model to prevention.

These goals will help drive sustainable practices and funding models to reintegrate kids into our communities and ultimately to become successful adults.

Tennyson will continue to strengthen the organization in fiscal year 2021 in order to successfully implement the strategic plan by investing in staff, investing in the impact department and increasing organizational voice in Colorado and nationwide while continuing to overcome any obstacles in place due to the pandemic.

Fiscal year 2020 could definitely not have been predicted with COVID-19 related shutdowns and challenges in our communities. Tennyson kids and families persevered though the dedication of our staff to provide preventative and therapy services. Tennyson did receive a Paycheck Protection Program (PPP) Loan during fiscal year 2020 to support operations and anticipates all of that loan to be forgiven during fiscal year 2021.

Financial Statements
Tennyson's financial statements are prepared in accordance with accounting principles generally accepted in the United States. The Statements of Financial Position; Activities; Functional Expenses; and Cash Flows are prepared on an accrual basis, and combined with the notes to the financial statements, provide the reader with an overview of the financial position and activities of the organization.

Financial Position
Total assets held steady between 2020 and 2019 with approximately a $100K increase as assets shifted between receivables and cash during 2020.

The increase in liabilities between 2020 and 2019 of approximately $1.6M ($2.9M compared to $1.3M) is related primarily to the PPP Loan of $1.9M.

The difference between assets and liabilities represents the net assets of the organization, and the change in net assets over time is one indicator of the organization's improving or declining financial position. The net assets of the organization decreased $1.5M in fiscal 2020 due to timing as Tennyson has not yet recognized the income from the PPP loan to be forgiven.

Revenue and Support
Total operating revenues overall for the fiscal year decreased by approximately $1.1M ($13.3M compared to $14.4M) from the prior year.

- Program service revenue consists of $8.2M of the $13.3M, consistent with the prior year.
- Development revenue was approximately $4.9M of the total $13.3M in revenue, decreasing by approximately $400K as special events revenue decreased with the inability to hold in-person events due to the pandemic.
- Other income which consists of investment returns and change in value of trusts was approximately $250K in fiscal year 2020 vs approximately $850K in fiscal year 2019 due to stock market and mineral rights valuation fluctuations. There were no new trusts received in the current year.

Operating Expenses
Total expenses for the fiscal year increased $1.2M to $14.8M with planned investments in staff and preventative programming as part of our strategic initiatives. Program service expenses are 79% of total expenses which is also consistent with prior year. Some of the more significant changes in expenditures included:

- Salaries and related benefits total $10.8M in fiscal year 2020 as compared to $10.1M during the prior year. Personnel costs are Tennyson's largest expense as staff are providing direct care to Tennyson's kid and families.
- Pooled funds is a new expense in the current fiscal year as part of the Rewiring efforts of the new strategic plan to invest in innovative preventative programming across the state of Colorado.
- Occupancy related expenses decreased in the current year to $500K as Tennyson completed many small interior maintenance projects in addition to the large window and roof capital project on our main campus in the prior year.
- Depreciation increased over $100K in the current year with the completion of hail storm renovation projects at the end of fiscal year 2019.

Statements of Cash Flows
The Statements of Cash Flows represent Tennyson's change in cash and cash equivalents for the year and provides a summary of how cash was utilized. Overall cash balances increased $2.2M in fiscal year 2020 due to the timing of receivable payments and the PPP Loan. The current year did continue the trend of a positive inflow in cash provided by operating activities which is another indication that Tennyson has repositioned itself and increased its financial health.

Currently Known Facts and Conditions
Tennyson is on target to continue implementation of its strategic plan:

- Tennyson has started its deep collaboration with all of the 10 counties in Colorado to begin testing models to reduce the number of kids in the child welfare sector.
- Tennyson continues to lure new funders to invest in our strategic plan to rewire the child welfare system.
- Tennyson's impact department continues to grow in order to monitor outcomes and share data statewide.
- Organizational voice is stronger than ever with Tennyson staff joining local, state and national task forces and numerous appearances in print and social media.

Contacting Tennyson Center's Financial Management

This Management's Discussion and Analysis, the accompanying financial statements and the notes to the financial statements are designed to provide readers with a general overview of Tennyson Center's finances and to reflect accountability and financial transparency relating to Tennyson's financial health. If you have questions about this report or need additional financial information, please contact the organization's financial team. Contact information may be found on the website at www.tennysoncenter.org.

Tennyson Center for Children at Colorado Christian Home
Statements of Financial Position
September 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 3,602,738	1,356,498
Accounts receivable, net of allowance of $128,246 and $153,981, respectively	953,944	1,516,806
Receivable from insurance settlement (note 14)	–	499,877
Contributions and grants receivable, net (note 3)	399,492	958,975
Prepaids and other assets	109,415	148,388
Investments (notes 4 and 6)	3,252,607	3,290,355
Restricted cash for unemployment claims	105,528	56,432
Charitable lead trusts receivable (notes 5 and 6)	1,191,196	1,301,558
Charitable remainder trust receivable (notes 5 and 6)	1,070,527	1,229,918
Beneficial interest in perpetual trusts (notes 5 and 6)	821,639	786,714
Property and equipment, net (notes 7 and 8)	6,832,319	7,085,404
Total assets	$ 18,339,405	18,230,925
Liabilities and Net Assets		
Accounts payable	$ 213,850	135,973
Construction-related accounts payable	–	326,159
Accrued expenses	686,932	812,978
Deferred revenue	137,241	–
Paycheck Protection Program Loan (note 13)	1,896,100	–
Total liabilities	2,934,123	1,275,110
Net assets without donor restrictions		
Operating	1,268,345	1,679,671
Net assets in property and equipment	6,832,319	7,085,404
Total net assets without donor restrictions	8,100,664	8,765,075
Net assets with donor restrictions (note 8)	7,304,618	8,190,740
Total net assets	15,405,282	16,955,815
Commitments (notes 9, 10 and 11)		
Total liabilities and net assets	$ 18,339,405	18,230,925

The accompanying notes are an integral part of the financial statements.

Tennyson Center for Children at Colorado Christian Home
Statement of Activities
Year Ended September 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Children and family service revenue			
Residential	$ 2,570,605	–	2,570,605
Education	2,128,582	–	2,128,582
Day treatment	1,024,575	–	1,024,575
Community based	2,416,840	–	2,416,840
Other routine services	14,481	–	14,481
Total service revenue	8,155,083	–	8,155,083
Individual contributions	2,132,997	–	2,132,997
Grants	503,673	1,394,924	1,898,597
Bequests and memorial gifts	227,366	–	227,366
Special events revenue	554,611	50,000	604,611
Less direct benefits to donors	(255,863)	–	(255,863)
In-kind contributions (note 1(j))	307,367	–	307,367
Investment return (note 4)	(10,611)	218,085	207,474
Change in value of trusts (notes 5 and 6)	47,773	(135,178)	(87,405)
Other income	128,867	–	128,867
Net assets released from restrictions (note 8)	2,413,953	(2,413,953)	–
Total revenue and support	14,205,216	(886,122)	13,319,094
Expenses			
Program services	11,695,159		11,695,159
Supporting services			
General and administrative	1,616,857	–	1,616,857
Fund raising	1,557,611	–	1,557,611
Total supporting services	3,174,468	–	3,174,468
Total expenses	14,869,627	–	14,869,627
Change in net assets	(664,411)	(886,122)	(1,550,533)
Net assets at beginning of year	8,765,075	8,190,740	16,955,815
Net assets at end of year	$ 8,100,664	7,304,618	15,405,282

The accompanying notes are an integral part of the financial statements.

Tennyson Center for Children at Colorado Christian Home
Statement of Activities
Year Ended September 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Children and family service revenue			
Residential	$ 2,594,510	–	2,594,510
Education	2,322,939	–	2,322,939
Day treatment	1,170,880	–	1,170,880
Community based	2,161,180	–	2,161,180
Total service revenue	8,249,509	–	8,249,509
Individual contributions	1,041,398	548,890	1,590,288
Grants	1,160,591	1,456,759	2,617,350
Bequests and memorial gifts	58,278	–	58,278
Special events revenue	1,018,562	50,000	1,068,562
Less direct benefits to donors	(382,590)	–	(382,590)
In-kind contributions (note 1(j))	321,248	–	321,248
Investment return (note 4)	21,675	94,300	115,975
Change in value of trusts (notes 5 and 6)	56,295	604,678	660,973
Other income	69,622	7,026	76,648
Net assets released from restrictions (note 8)	2,118,428	(2,118,428)	–
Total revenue and support	13,733,016	643,225	14,376,241
Expenses			
Program services	10,706,524	–	10,706,524
Supporting services			
General and administrative	1,541,474	–	1,541,474
Fund raising	1,372,080	–	1,372,080
Total supporting services	2,913,554	–	2,913,554
Total expenses	13,620,078	–	13,620,078
Change in net assets before gain on insurance settlement	112,938	643,225	756,163
Gain on insurance settlement (note 14)	1,878,132	–	1,878,132
Change in net assets	1,991,070	643,225	2,634,295
Net assets at beginning of year	6,774,005	7,547,515	14,321,520
Net assets at end of year	$ 8,765,075	8,190,740	16,955,815

The accompanying notes are an integral part of the financial statements.

Tennyson Center for Children at Colorado Christian Home
Statement of Functional Expenses
Year Ended September 30, 2020

	Program services	Supporting services: General and administrative	Supporting services: Fund raising	Supporting services: Total supporting services	Total expenses
Salaries and wages	$ 7,673,866	875,108	678,046	1,553,154	9,227,020
Employee benefits	656,226	99,865	41,841	141,706	797,932
Workers' compensation insurance	105,175	7,290	4,931	12,221	117,396
Payroll taxes	588,603	44,565	53,972	98,537	687,140
Children care costs	185,111	–	–	–	185,111
Professional fees	551,083	262,703	253,565	516,268	1,067,351
Special events direct expenses	–	–	255,863	255,863	255,863
General and office	318,912	187,522	22,803	210,325	529,237
Occupancy	484,975	29,338	8,559	37,897	522,872
Insurance	143,320	5,247	2,449	7,696	151,016
Staff recruiting and development	104,225	79,394	3,708	83,102	187,327
Travel and transportation	100,656	3,988	12,504	16,492	117,148
Marketing and appeals	246	82	100,398	100,480	100,726
Miscellaneous	2,892	35,564	39,814	75,378	78,270
Bad debt and refunds	82,522	–	19,290	19,290	101,812
Depreciation	323,686	17,918	8,364	26,282	349,968
Grant expenses	373,661	–	–	–	373,661
In-kind materials and supplies	–	–	307,367	307,367	307,367
Total functional expenses	11,695,159	1,648,584	1,813,474	3,462,058	15,157,217
Less expenses included with revenue in the statement of activities	–	(31,727)	(255,863)	(287,590)	(287,590)
Total expenses	$ 11,695,159	1,616,857	1,557,611	3,174,468	14,869,627

The accompanying notes are an integral part of the financial statements.

Tennyson Center for Children at Colorado Christian Home
Statement of Functional Expenses
Year Ended September 30, 2019

		Supporting services			
	Program services	General and administrative	Fund raising	Total supporting services	Total expenses
Salaries and wages	$ 7,232,094	685,063	623,419	1,308,482	8,540,576
Employee benefits	568,503	73,890	38,296	112,186	680,689
Workers' compensation insurance	152,114	38,275	13,755	52,030	204,144
Payroll taxes	518,165	123,415	49,767	173,182	691,347
Children care costs	148,399	–	–	–	148,399
Professional fees	303,372	216,031	340,865	556,896	860,268
Special events	–	–	382,590	382,590	382,590
General and office	214,115	174,132	17,288	191,420	405,535
Occupancy	827,047	46,215	17,278	63,493	890,540
Insurance	139,250	4,818	2,249	7,067	146,317
Staff recruiting and development	115,054	54,425	3,963	58,388	173,442
Travel and transportation	88,502	2,519	6,920	9,439	97,941
Marketing and appeals	120	175	39,985	40,160	40,280
Miscellaneous	2,548	27,699	28,158	55,857	58,405
Bad debt and refunds	68,783	19,319	80,111	99,430	168,213
Depreciation	184,269	30,467	4,762	35,229	219,498
In-kind materials and supplies	144,189	71,795	105,264	177,059	321,248
Total functional expenses	10,706,524	1,568,238	1,754,670	3,322,908	14,029,432
Less expenses included with revenue in the statement of activities	–	(26,764)	(382,590)	(409,354)	(409,354)
Total expenses	$ 10,706,524	1,541,474	1,372,080	2,913,554	13,620,078

The accompanying notes are an integral part of the financial statements.

Tennyson Center for Children at Colorado Christian Home
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	$ (1,550,533)	2,634,295
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	349,968	219,498
Loss on sale of assets	–	18,194
Contributions and investment return restricted for long-term purposes	(82,698)	(17,598)
Net realized and unrealized gains on investments	(120,239)	(12,572)
Provision for doubtful accounts	119,644	121,309
Provision for doubtful pledges	19,290	80,111
Change in value and distributions from trust assets	234,828	(525,420)
Change in operating assets and liabilities		
Accounts receivable	943,095	(859,064)
Contributions and grants receivable	540,193	(586,384)
Prepaids and other assets	38,973	(28,463)
Restricted cash	(49,096)	(452)
Accounts payable	(248,282)	374,873
Accrued expenses	(126,046)	122,104
Deferred revenue	137,241	–
Net cash provided by operating activities	206,338	1,540,431
Cash flows from investing activities		
Purchases of investments and reinvested dividends and interest	(14,763)	(127,796)
Proceeds from sales of investments and distributions	172,750	45,438
Purchases of property and equipment	(96,883)	(2,025,417)
Net cash provided by (used in) investing activities	61,104	(2,107,775)
Cash flows from financing activities		
Collections on note receivable	–	147,998
Contributions and investment return restricted for long-term purposes	82,698	17,598
Proceeds from Paycheck Protection Program Loan	1,896,100	–
Net cash provided by financing activities	1,978,798	165,596
Net increase (decrease) in cash and cash equivalents	2,246,240	(401,748)
Cash and cash equivalents at beginning of year	1,356,498	1,758,246
Cash and cash equivalents at end of year	$ 3,602,738	1,356,498

The accompanying notes are an integral part of the financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Tennyson Center for Children at Colorado Christian Home (the Center) is a 501(c)(3) charity that provides educational, residential, day treatment and community-based programs for abused, neglected and traumatized children, from birth to age eighteen. These programs are in the major metropolitan area of Denver, Colorado. The Center is dedicated to breaking the cycle of abuse and neglect, serving children, and strengthening families. The Center's primary sources of revenue are from private contributions, fundraising, and state and local municipality programs.

The Center is the sole member of a limited liability company, Tennyson Property Holdings, LLC. The accounts and activities of the LLC are included in the accompanying statements and all intercompany transactions have been eliminated.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

The Center is required to present information regarding its financial position and activities according to the following net asset classifications:

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 Center. These net assets may be used at the discretion of the Center's management and the board of directors.

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 Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

(d) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Center considers all unrestricted highly liquid investments with original maturities of three months or less, that are not held as part of the investment portfolio, to be cash equivalents.

(e) Concentrations of Credit Risk

Financial instruments which potentially subject the Center to concentrations of credit risk consist of cash and cash equivalents, investments, contributions and grants receivable, and accounts receivable. The Center places its cash and cash equivalents with creditworthy, high quality, financial institutions. At times, a portion of these cash balances may not be insured by the FDIC or similar entity.

(1) Summary of Significant Accounting Policies, Continued

(e) Concentrations of Credit Risk, Continued

The Center has significant investments and is, therefore, subject to concentrations of credit risk. Investments are made by investment advisors engaged by the Center and are monitored by a committee of its board of directors and management. Though the market value of investments is subject to fluctuations on a year to year basis, management believes the investment policy is prudent for the long term welfare of the Center.

Credit risk with respect to accounts receivable and contributions and grants receivable is generally diversified due to the large number of entities and credit-worthiness of the organizations and individuals that make payments or contributions to the Center.

The Center receives a substantial amount of its support from various state and local government agencies. If a significant reduction in the future level of this support occurs with no offsetting increase in other funding streams, or if certain reimbursable costs are disallowed, it may have an effect on the Center's programs and activities.

(f) Investments

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position. Fair value is more fully discussed in note 1(i). Management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

Investment return consists of the Center's distributive share of any interest, dividends, and capital gains and losses generated from sales of investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

(g) Fair Value Measurements

Fair value is defined as 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. Generally accepted accounting principles in the U.S. establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

(1) Summary of Significant Accounting Policies, Continued

(g) Fair Value Measurements, Continued

Assets are grouped 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	Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
Level 2	Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
Level 3	Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not an indication of risk or liquidity.

The carrying amount reported in the statements of financial position for cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments. The beneficial interest in perpetual trust have been valued using a market approach. The fair value of the beneficial interest is determined by calculating the Center's proportionate share of the fair value of the assets contributed to the trusts as determined by the trustee. Fair value of lead and remainder trusts are determined using an income approach by calculating present value of future distributions expected to be received, using published life expectancy tables and a discount rate of 3.25%. Investments in marketable equity and fixed income securities with readily determinable fair values are reported at fair value based on quoted prices in active markets.

(h) Property and Equipment

Property and equipment with initial cost or value of more than $5,000 are capitalized at cost or, if donated, the estimated fair market value of the asset at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, from three to thirty years.

(i) Recognition of Revenue

<u>Grants and Contributions</u>
Grants and contributions are recognized when cash, securities, and unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend are substantially met. Should the Center substantially meet the conditions in the same period that the contribution was received, and barring any further donor restrictions, the Center has elected to recognize the revenue in net assets without donor restrictions. Payments received in advance of conditions being met are recorded as a refundable advance in the statements of financial position.

(1) Summary of Significant Accounting Policies, Continued

(i) Recognition of Revenue, Continued

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Grants and contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Management uses the allowance method to recognize bad debt expense on uncollectible amounts.

Contracts
Program services revenue is deemed to be earned and is reported as revenue when the Organization has incurred expenditures or performed services in compliance with the provisions of the respective service agreements. Cash received for contracts in excess of allowable expenses incurred is recorded as unearned revenue, and allowable expenses incurred on contracts in excess of cash received are recorded as a receivable.

Accounts receivable represent claims for reimbursement and other fees earned or due under contract and fee agreements. The allowance for doubtful accounts is based on past collection experience and on analysis of current accounts receivable collectability. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. Receivable balances are considered to be past due based on contractual terms.

(j) Contributed Property, Goods and Services

Contributed property and equipment are recorded at fair value at the date of donation. Contributed goods and services are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. Donated goods and services received for the years ended September 30 are as follows:

	2020	2019
Donated services	$ 140,914	179,517
Donated goods	166,453	141,731
Total in-kind contribution revenue	$ 307,367	321,248

Approximately 300 volunteers donate time each year in connection with the Center's activities. No amounts have been reflected in the accompanying financial statements for volunteers' donated services because they do not meet the criteria for recognition.

(1) Summary of Significant Accounting Policies, Continued

(k) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. The Center incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Center also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fund raising and general and administrative activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel

(l) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(m) Income Tax Status

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income incurred during 2020 and 2019. Accordingly, the accompanying financial statements do not include a provision for income taxes.

The Center follows the *Accounting for Uncertainty in Income Taxes* accounting standard which requires the Center to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The Center has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none. The three previous tax years remain subject to examination by the IRS.

(n) Subsequent Events

The Center has evaluated all subsequent events through January 8, 2021, which is the date the financial statements were available to be issued.

(1) Summary of Significant Accounting Policies, Continued

(o) New Accounting Pronouncements

During 2020, the Center adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective method. The update supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)* and requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, this guidance requires that entities disclose the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of Topic 606 did not significantly impact the Center's statements of activities or statements of financial position; therefore, no cumulative adjustment to beginning net assets was required as a result of adoption.

During 2019, the Center adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU No. 2018-08 have been implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU No. 2018-08.

(2) Availability and Liquidity of Financial Assets

The following table reflects the Center's financial assets that are available for general expenditure within one year as of September 30, 2020 and 2019:

	2020	2019
Financial assets at year-end		
Cash and cash equivalents	$ 3,602,738	1,356,498
Accounts receivable, net	953,944	2,016,683
Contributions and grants receivable, net	399,492	958,975
Investments	3,252,607	3,290,355
Total financial assets at year-end	8,208,781	7,622,511
Less operating endowment	(3,026,017)	(3,026,017)
Less contributions and grants receivable not expected to be collected within one year	(122,917)	(272,917)
Financial assets available to meet general and specific expenditures within one year	$ 5,059,847	4,323,577

As part of its liquidity management, the Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Center invests cash in excess of daily requirements in short-term investments and money market funds. To help manage liquidity, the Center has a $250,000 line of credit agreement that will be drawn upon as needed to manage cash flows (see note 11). No amounts have been drawn on this line of credit. The Center has established endowment funds under which the income earned on the funds can be distributed for operations at its own discretion.

(2) Availability and Liquidity of Financial Assets, Continued

The Center considers net assets with donor restrictions expected to be met within one year to be available for general expenditures. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Center must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general or specific expenditure within one year. However, at September 30, 2020, management has estimated that all net assets with purpose restrictions are available and expected to be spent within the next year.

(3) Contributions and Grants Receivable

Contributions and grants receivable of the Center at September 30, 2020 and 2019, respectively, consist primarily of pledges from individuals, foundations and agencies restricted for specific programs or operations. Unconditional contributions and grants receivable are due as follows at September 30:

	2020	2019
Receivable in less than one year	$ 307,306	732,004
Receivable in one to five years	122,917	272,917
	430,223	1,004,921
Less allowance for doubtful accounts	(30,731)	(45,946)
	$ 399,492	958,975

Conditional grants and contributions receivable, which have not been recognized in the accompanying financial statements because the conditions have not been met, totaled $395,000 and $1,100,000 at September 30, 2020 and 2019, respectively.

(4) Investments

Investments are stated at their fair values and consist of the following at September 30:

	2020	2019
Exchange-traded funds	$ –	168,384
Mutual funds-invested in debt securities	1,036,445	800,349
Mutual funds-invested in equity securities	2,216,162	2,321,622
Total	$ 3,252,607	3,290,355

Investment return consists of the following for the years ended September 30:

	2020	2019
Interest and dividend income	$ 118,962	130,167
Net realized and unrealized gains on investments	120,239	12,572
Less investment fees	(31,727)	(26,764)
Net investment return	$ 207,474	115,975

(5) Trusts

The Center is both an income (lead) and remainder beneficiary of a charitable trust administered by a third party. Under the terms of these agreements the Center receives income payments over the lives of other income beneficiaries. Upon the death of the final individual income beneficiary, the Center will receive a portion of the remainder. The value of the trusts are estimated using present value of anticipated payments using a 5% discount rate. The Center also previously received a gift consisting of a charitable lead annuity trust totaling $878,348, which was recorded as a contribution. At September 30, 2020 and 2019, the value of the lead trusts is estimated to be $1,191,196 and $1,301,558, respectively; the remainder interest value is estimated to be $1,070,527, and $1,229,918, respectively. The value of the trusts changed by ($170,103) and $650,401 during the years ended September 2020 and 2019, respectively, and the Center received income distributions totaling $99,651 and $79,258, respectively.

The Center is also a beneficiary of three perpetual trusts administered by third-party trustees. A perpetual trust is an arrangement in which a donor establishes and funds a trust which grants the not-for-profit organization the irrevocable right to receive income earned on the trust assets in perpetuity, but never receive the assets held by the trust. The Center's total interest in the trusts is shown in the statements of financial position at September 30, 2020 and 2019, as a beneficial interest in perpetual trusts of $821,639 and $786,714, respectively. On an annual basis, the Center records the change in the value of the assets of the perpetual trusts. During the years ended September 30, 2020 and 2019, the change in the value of trusts was $82,698 and $10,572, respectively. The Center received income distributions totaling $47,772 and $56,295 from the trusts during the years ended September 30, 2020 and 2019, respectively.

(6) Fair Value Measurements

The following table summarizes the fair value hierarchy levels used by the Center for its financial instruments as of September 30, 2020:

	Fair Value	Level 1	Level 2	Level 3
Investments				
Mutual funds-bonds	$ 1,036,445	1,036,445	–	–
Mutual funds-equity	2,216,162	2,216,162	–	–
Subtotal investments	3,252,607	3,252,607	–	–
Charitable lead trusts	1,191,196	–	–	1,191,196
Charitable remainder trust	1,070,527	–	–	1,070,527
Perpetual trusts	821,639	–	–	821,639
Total	$ 6,335,969	3,252,607	–	3,083,362

(6) Fair Value Measurements, Continued

The following table summarizes the fair value hierarchy levels used by the Center for its financial instruments as of September 30, 2019:

	Fair Value	Level 1	Level 2	Level 3
Investments				
Exchange-traded funds	$ 168,384	168,384	–	–
Mutual funds-bonds	800,349	800,349	–	–
Mutual funds-equity	2,321,622	2,321,622	–	–
Subtotal investments	3,290,355	3,290,355	–	–
Charitable lead trusts	1,301,558	–	–	1,301,558
Charitable remainder trust	1,229,918	–	–	1,229,918
Perpetual trusts	786,714	–	–	786,714
Total	$ 6,608,545	3,290,355	–	3,318,190

The changes in financial instruments measured at fair value for which the Center has used Level 3 inputs, charitable trusts, to determine fair value are as follows:

Balance at September 30, 2018	$ 2,792,770
Change in value of trusts	660,973
Distributions	(135,553)
Balance at September 30, 2019	3,318,190
Change in value of trusts	(87,405)
Distributions	(147,423)
Balance at September 30, 2020	$ 3,083,362

(7) Property and Equipment

Property and equipment consists of the following at September 30:

	2020	2019
Land	$ 3,437,000	3,437,000
Buildings and equipment	4,596,056	4,567,431
Computer equipment and software	297,818	297,818
Vehicles	57,395	57,395
Construction in progress	68,258	–
	8,456,527	8,359,644
Less accumulated depreciation	(1,624,208)	(1,274,240
	$ 6,832,319	7,085,404

(8) Net Assets with Donor Restrictions

Net assets with donor restrictions consists of the following at September 30:

	2020	2019
Contributions collected but not yet expended	$ 319,182	777,656
Unspent endowment earnings	549,483	458,160
Contributions receivable	276,574	610,717
Net assets held by charitable lead and remainder trusts (note 5)	2,261,723	2,531,476
Beneficial interest in perpetual trusts (note 5)	821,639	786,714
Operating endowment	3,026,017	3,026,017
Total net assets with donor restrictions	$ 7,254,618	8,190,740

Net assets with donor restrictions were released from restrictions for the following purposes:

	2020	2019
Contributions received and expended for restricted purposes	$ 2,187,540	1,273,865
Appropriation of endowment earnings for expenditure	126,762	120,305
Donated property	–	645,000
Distributions from charitable lead and remainder trusts	99,651	79,258
Total net assets released from donor restrictions	$ 2,413,953	2,118,428

Endowment Net Assets

Net assets with donor restrictions include an operating endowment fund totaling $3,026,017 at September 30, 2020 and 2019. Unappropriated earnings on the operating endowment fund totaled $549,483 and $458,160 at September 30, 2020 and 2019, respectively, and are included in net assets with donor restrictions.

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Center follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Center has interpreted UPMIFA 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 Center classifies as perpetual endowments: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

(8) Net Assets with Donor Restrictions, Continued

In accordance with UPMIFA, The Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Center and the donor-restricted endowment fund
(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 Center resources
(7) The investment policies of the Center.

Following are the changes in the endowment net assets for the years ended September 30, 2020 and 2019:

Endowment net assets at September 30, 2018	$ 3,503,156
Investment return	
Investment income	83,805
Net appreciation (realized and unrealized)	10,495
Total investment return	94,300
Other income	7,026
Contributions	–
Appropriation of endowment assets for expenditure	(120,305)
Endowment net assets at September 30, 2019	3,484,177
Investment return	
Investment income	98,958
Net appreciation (realized and unrealized)	119,127
Total investment return	218,085
Contributions	–
Appropriation of endowment assets for expenditure	(126,762)
Endowment net assets at September 30, 2020	$ 3,575,500

Return Objectives and Risk Parameters
The Center has adopted investment policies for endowment assets that attempt to provide a reasonable, predictable, stable and sustainable level of income that supports current needs and provides for growth in assets and income over time. The Center's spending policies reflect donor restrictions on the original gift.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Distribution Policy and How the Investment Objectives Relate to Distribution Policy
The Center has a policy of appropriating for distribution each year that amount of investment income which it deems prudent.

(9) Operating Leases

The Center has various operating leases for office equipment and vehicles that expire over the next three years. Future minimum lease payments under these non-cancellable operating leases as of September 30, 2020, are as follows:

2021	$ 213,440
2022	124,596
2023	21,689
Total future minimum lease payments	$ 359,725

Rent expense paid to all sources totaled $237,738 and $255,546 during the years ended September 30, 2020 and 2019, respectively.

(10) Retirement Plan

The Center participates in the Pension Plan of the Christian Church (Disciples of Christ). The Center does not incur any administrative costs of the plan due to its relationship with Disciples of Christ. During the years ended September 30, 2020 and 2019, the employer matched up to 4% of the participants' eligible compensation, in accordance with the provisions of the plan. During the years ended September 30, 2020 and 2019, the Center made contributions to the plan totaling $82,352 and $71,330, respectively.

(11) Line of Credit

The Center has an open line of credit to help finance its short-term capital needs. The line provides for borrowing up to $250,000 and is secured by a deed of trust on all real property owned by the Center. The line bears interest of 4.00% and expires on January 1, 2021. No borrowings were made against the line during the years ended September 30, 2020 and 2019, and there was no outstanding balance at September 30, 2020 and 2019.

(12) Related Party Transaction

During the years ended September 30, 2020 and 2019, the Center incurred marketing expense totaling $197,849 and $228,863, respectively, to a company majority owned by a member of the board of directors. At September 30, 2020 and 2019, total amounts due to this company were $31,627 and $7,270, respectively. This transaction was reviewed and approved by the board of directors in accordance with the Center's conflict of interest policy.

(13) Paycheck Protection Program Loan

In April 2020, the Center received a $1,896,100 loan under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under the program, this loan may be partially or fully forgiven if certain eligibility requirements are met, including that 75% of the loan must be spent on payroll. The loan is being treated as a conditional contribution until such time that the loan has been explicitly forgiven by the SBA. Therefore, the proceeds have been recognized as a refundable advance at September 30, 2020. The proceeds will be recognized as contribution revenue when the Center is notified that the loan has been forgiven.

In the case that the loan is not forgiven, the unpaid principal and accrued interest is due April 1, 2022. The loan is unsecured and interest is charged at 1.00% per annum.

(14) Gain on Insurance Settlement

During 2017, a hail storm caused significant damage to the Center's building. As a result of the event, the Center recognized a gain on insurance settlement totaling $1,878,132 for the year ended September 30, 2019. At September 30, 2019, $499,877 of the insurance settlement was receivable from the insurance company.