

**Tennyson Center for Children at  
Colorado Christian Home**

**Financial Statements**

**September 30, 2021 and 2020**

**(With Independent Auditor's Report Thereon)**

*Kundinger, Corder & Engle, P.C.*

*Certified Public Accountants*

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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, 2021 and 2020, 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.

**Board of Directors**  
**Tennyson Center for Children at Colorado Christian Home**

**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, 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.

*Kundinger, Coudra & Congle, P.C.*

January 14, 2022

**Tennyson Center for Children at Colorado Christian Home**  
**Statements of Financial Position**  
**September 30, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 1,294,553	3,602,738
Accounts receivable, net of allowance of \$128,246	829,091	953,944
Contributions and grants receivable, net (note 3)	554,486	399,492
Prepays and other assets	334,919	109,415
Investments (notes 4 and 6)	3,637,735	3,252,607
Restricted cash for unemployment claims	132,801	105,528
Charitable lead trusts receivable (notes 5 and 6)	1,201,661	1,191,196
Charitable remainder trust receivable (notes 5 and 6)	1,468,191	1,070,527
Beneficial interest in perpetual trusts (notes 5 and 6)	843,844	821,639
Note receivable (note 7)	547,386	-
Property and equipment, net (note 8)	6,015,899	6,832,319
Total assets	\$ 16,860,566	18,339,405
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 253,413	213,850
Accrued expenses	408,229	686,932
Deferred revenue	-	137,241
Paycheck Protection Program Loan (note 14)	-	1,896,100
Total liabilities	661,642	2,934,123
Net assets without donor restrictions		
Operating	1,611,663	1,268,345
Net assets in property and equipment	6,015,899	6,832,319
Total net assets without donor restrictions	7,627,562	8,100,664
Net assets with donor restrictions (note 9)	8,571,362	7,304,618
Total net assets	16,198,924	15,405,282
Commitments (notes 10, 11 and 12)		
Total liabilities and net assets	\$ 16,860,566	18,339,405

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, 2021**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<b>Revenue and support</b>			
Children and family service revenue			
Residential	\$ 855,390	–	855,390
Education	1,450,229	–	1,450,229
Day treatment	928,747	–	928,747
Community based	2,184,540	–	2,184,540
Total service revenue	5,418,906	–	5,418,906
Individual contributions	2,327,619	59,567	2,387,186
Grants	369,614	1,604,615	1,974,229
Bequests and memorial gifts	50,522	–	50,522
Special events revenue	550,734	–	550,734
Less direct benefits to donors	(260,354)	–	(260,354)
In-kind contributions (note 1(j))	214,444	–	214,444
Investment return, net (note 4)	(20,398)	543,524	523,126
Change in value of trusts (notes 5 and 6)	56,547	539,644	596,191
Other income	195,404	–	195,404
Forgiveness of Paycheck Protection			
Program loan (note 14)	1,896,100	–	1,896,100
Net assets released from restrictions (note 9)	1,480,606	(1,480,606)	–
Total revenue and support	12,279,744	1,266,744	13,546,488
<b>Expenses</b>			
Program services	9,725,287	–	9,725,287
Supporting services			
General and administrative	1,596,913	–	1,596,913
Fund raising	1,430,646	–	1,430,646
Total supporting services	3,027,559	–	3,027,559
Total expenses	12,752,846	–	12,752,846
<b>Change in net assets</b>	(473,102)	1,266,744	793,642
<b>Net assets at beginning of year</b>	8,100,664	7,304,618	15,405,282
<b>Net assets at end of year</b>	\$ 7,627,562	8,571,362	16,198,924

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**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<b>Revenue and support</b>			
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	<u>8,155,083</u>	–	<u>8,155,083</u>
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, net (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 9)	<u>2,413,953</u>	<u>(2,413,953)</u>	–
Total revenue and support	<u>14,205,216</u>	<u>(886,122)</u>	<u>13,319,094</u>
<b>Expenses</b>			
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	<u>3,174,468</u>	–	<u>3,174,468</u>
Total expenses	<u>14,869,627</u>	–	<u>14,869,627</u>
<b>Change in net assets</b>	(664,411)	(886,122)	(1,550,533)
<b>Net assets at beginning of year</b>	<u>8,765,075</u>	<u>8,190,740</u>	<u>16,955,815</u>
<b>Net assets at end of year</b>	<u>\$ 8,100,664</u>	<u>7,304,618</u>	<u>15,405,282</u>

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, 2021**

	Program services	Supporting services			Total expenses
		General and administrative	Fund raising	Total supporting services	
Salaries and wages	\$ 6,492,347	831,453	575,334	1,406,787	7,899,134
Employee benefits	631,543	89,067	36,088	125,155	756,698
Workers' compensation insurance	111,213	42,250	3,624	45,874	157,087
Payroll taxes	511,840	47,718	42,787	90,505	602,345
Professional fees	343,186	262,987	303,741	566,728	909,914
General and office	307,366	154,334	16,854	171,188	478,554
Occupancy	419,113	25,402	7,709	33,111	452,224
Depreciation	304,513	16,857	7,869	24,726	329,239
Special events direct expenses	–	–	260,354	260,354	260,354
Insurance	222,040	9,644	4,502	14,146	236,186
In-kind materials and supplies	–	–	214,444	214,444	214,444
Staff recruiting and development	58,850	77,740	5,257	82,997	141,847
Marketing and appeals	194	89	138,592	138,681	138,875
Grant expenses	138,600	–	–	–	138,600
Children care costs	104,066	–	19,175	19,175	123,241
Bad debt and refunds	55,980	26,401	11,815	38,216	94,196
Miscellaneous	3,831	33,108	32,640	65,748	69,579
Travel and transportation	20,605	6,722	10,215	16,937	37,542
Total functional expenses	9,725,287	1,623,772	1,691,000	3,314,772	13,040,059
Less expenses included with revenue in the statement of activities	–	(26,859)	(260,354)	(287,213)	(287,213)
Total expenses	\$ 9,725,287	1,596,913	1,430,646	3,027,559	12,752,846

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			Total expenses
		General and administrative	Fund raising	Total supporting services	
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
Professional fees	551,083	262,703	253,565	516,268	1,067,351
General and office	318,912	187,522	22,803	210,325	529,237
Occupancy	484,975	29,338	8,559	37,897	522,872
Grant expenses	373,661	—	—	—	373,661
Depreciation	323,686	17,918	8,364	26,282	349,968
In-kind materials and supplies	—	—	307,367	307,367	307,367
Special events direct expenses	—	—	255,863	255,863	255,863
Staff recruiting and development	104,225	79,394	3,708	83,102	187,327
Children care costs	185,111	—	—	—	185,111
Insurance	143,320	5,247	2,449	7,696	151,016
Travel and transportation	100,656	3,988	12,504	16,492	117,148
Bad debt and refunds	82,522	—	19,290	19,290	101,812
Marketing and appeals	246	82	100,398	100,480	100,726
Miscellaneous	2,892	35,564	39,814	75,378	78,270
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**  
**Statements of Cash Flows**  
**Years Ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 793,642	(1,550,533)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	329,239	349,968
Gain on sale of assets	(17,311)	-
Contributions and investment return restricted for long-term purposes	(78,751)	(82,698)
Net realized and unrealized gains on investments	(462,897)	(120,239)
Provision for doubtful accounts	82,381	119,644
Provision for doubtful pledges	11,815	19,290
Change in value and distributions from trust assets	(430,334)	234,828
Forgiveness of Paycheck Protection Program loan	(1,896,100)	-
Change in operating assets and liabilities		
Accounts receivable	42,472	943,095
Contributions and grants receivable	(166,809)	540,193
Prepays and other assets	(225,504)	38,973
Restricted cash	(27,273)	(49,096)
Accounts payable	39,563	(248,282)
Accrued expenses	(278,703)	(126,046)
Deferred revenue	(137,241)	137,241
Net cash (used in) provided by operating activities	<u>(2,421,811)</u>	<u>206,338</u>
<b>Cash flows from investing activities</b>		
Purchases of investments and reinvested dividends and interest	(87,088)	(14,763)
Proceeds from sales of investments and distributions	164,857	172,750
Purchases of property and equipment	(45,508)	(96,883)
Proceeds from sales of property and equipment	550,000	-
Net cash provided by investing activities	<u>582,261</u>	<u>61,104</u>
<b>Cash flows from financing activities</b>		
Advances on note receivable	(550,000)	-
Collections on notes receivable	2,614	-
Contributions and investment return restricted for long-term purposes	78,751	82,698
Proceeds from Paycheck Protection Program Loan	-	1,896,100
Net cash (used in) provided by financing activities	<u>(468,635)</u>	<u>1,978,798</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(2,308,185)</u>	<u>2,246,240</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>3,602,738</u>	<u>1,356,498</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 1,294,553</u>	<u>3,602,738</u>

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

# Tennyson Center for Children at Colorado Christian Home

## Notes to Financial Statements

September 30, 2021 and 2020

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### (1) Summary of Significant Accounting Policies

#### (a) Organization

Tennyson Center for Children at Colorado Christian Home (the Center) is a 501(c)(3) organization registered in the state of Colorado. The Center serves Colorado's most neglected, abused, and traumatized children with services that include an accredited, therapeutic K-12 School and Day Treatment Program and in-home and Community Programs across the state to provide preventative services and therapy to strengthen families with children aged 0 to adulthood. The Center closed its residential program during the fiscal year ending September 30, 2021. 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

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 Federal Deposit Insurance Corporation or related entity.

# Tennyson Center for Children at Colorado Christian Home

## Notes to Financial Statements, Continued

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### (1) Summary of Significant Accounting Policies, Continued

#### (e) Concentrations, 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 determined as more fully described below. The Center's 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 statements of activities.

#### (g) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. Generally accepted accounting principles in the U.S. establish a fair value hierarchy that prioritizes investments based on those assumptions. 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). Assets are grouped in three levels based on the markets in which the assets 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.

# Tennyson Center for Children at Colorado Christian Home

## Notes to Financial Statements, Continued

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### (1) Summary of Significant Accounting Policies, Continued

#### (g) Fair Value Measurements, Continued

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 beneficial interest in perpetual trusts 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 is recorded at cost, if purchased or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to thirty years. The Center's policy is to capitalize all expenditures for property and equipment in excess of \$5,000 and with an estimated useful life greater than one year, and to expense normal repairs and maintenance as incurred. When assets are sold, retired, or otherwise disposed of, the applicable costs are removed from the accounts and any resulting gain or loss is recognized.

#### (i) Recognition of Revenue

##### Children and Family Services revenue

Program services revenue is deemed to be earned and is reported as revenue when the Center 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.

##### Grants and Contributions

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.

# Tennyson Center for Children at Colorado Christian Home

## Notes to Financial Statements, Continued

### (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.

#### Special Events

Revenue from fundraising events is recognized during the period in which the event is held. Cash received but not yet earned is reported as deferred revenue.

#### (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:

	<u>2021</u>	<u>2020</u>
Donated services	\$ 164,497	140,914
Donated goods	<u>49,947</u>	<u>166,453</u>
Total in-kind contribution revenue	\$ <u>214,444</u>	<u>307,367</u>

Approximately 150 and 300 volunteers, respectively, donated time 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.

#### (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.

# Tennyson Center for Children at Colorado Christian Home

## Notes to Financial Statements, Continued

### (1) Summary of Significant Accounting Policies, Continued

#### (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 tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Center qualifies for the charitable contribution deduction. Income from activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income subject to tax in 2021 or 2020.

Management is required to evaluate tax positions taken by the Center, and to recognize a tax liability if the Center has taken an uncertain position that probably would not be sustained upon examination by taxing authorities. The Center believes it has appropriate support for any positions taken and that none would require recognition of a liability or disclosure in the financial statements. The Center is subject to routine audits by tax jurisdictions; however, there are currently no audits for any tax periods in progress. The three previous tax years remain subject to examination by the IRS.

#### (n) Subsequent Events

The Center has evaluated all subsequent events through January 14, 2022, which is the date the financial statements were available to be issued.

### (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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,294,553	3,602,738
Accounts receivable, net	829,091	953,944
Contributions and grants receivable, net	554,486	399,492
Investments	<u>3,637,735</u>	<u>3,252,607</u>
Total financial assets at year-end	6,315,865	8,208,781
Less operating endowment	(3,026,017)	(3,026,017)
Less contributions and grants receivable not expected to be collected within one year	<u>(36,476)</u>	<u>(122,917)</u>
Financial assets available to meet general and specific expenditures within one year	<u>\$ 3,253,327</u>	<u>5,059,847</u>

# Tennyson Center for Children at Colorado Christian Home

## Notes to Financial Statements, Continued

### (2) Availability and Liquidity of Financial Assets, Continued

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 lines of credit available totaling \$250,000 and \$400,000 that will be drawn upon as needed to manage cash flows (see note 12). No amounts have been drawn on the lines 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.

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, 2021 and 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, 2021 and 2020, 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:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 548,741	307,306
Receivable in one to five years	<u>36,476</u>	<u>122,917</u>
	585,217	430,223
Less allowance for doubtful accounts	<u>(30,731)</u>	<u>(30,731)</u>
	\$ <u>554,486</u>	<u>399,492</u>

Conditional grants and contributions receivable, which have not been recognized in the accompanying financial statements because the conditions have not been met, totaled \$0 and \$395,000 at September 30, 2021 and 2020, respectively.

### (4) Investments

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

	<u>2021</u>	<u>2020</u>
Mutual funds-invested in debt securities	\$ 1,116,423	1,036,445
Mutual funds-invested in equity securities	<u>2,521,312</u>	<u>2,216,162</u>
Total	\$ <u>3,637,735</u>	<u>3,252,607</u>

# Tennyson Center for Children at Colorado Christian Home

## Notes to Financial Statements, Continued

### (4) Investments, Continued

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

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 87,088	118,962
Net realized and unrealized gains on investments	462,897	120,239
Less investment fees	<u>(26,859)</u>	<u>(31,727)</u>
Net investment return	\$ <u>523,126</u>	<u>207,474</u>

### (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, 2021 and 2020, the value of the lead trusts is estimated to be \$1,201,661 and \$1,191,196, respectively; the remainder interest value is estimated to be \$1,468,191, and \$1,070,527, respectively. The value of the trusts changed by \$517,440 and \$(170,103) during the years ended September 30, 2021 and 2020, respectively, and the Center received income distributions totaling \$109,310 and \$99,651, 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, 2021 and 2020, as a beneficial interest in perpetual trusts of \$843,844 and \$821,639, 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, 2021 and 2020, the change in the value of trusts was \$78,751 and \$82,698, respectively. The Center received income distributions totaling \$56,547 and \$47,773 from the trusts during the years ended September 30, 2021 and 2020, 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, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Mutual funds-bonds	\$ 1,116,423	1,116,423	–	–
Mutual funds-equity	<u>2,521,312</u>	<u>2,521,312</u>	–	–
Subtotal investments	3,637,735	3,637,735	–	–
Charitable lead trusts	1,201,661	–	–	1,201,661
Charitable remainder trust	1,468,191	–	–	1,468,191
Perpetual trusts	<u>843,844</u>	–	–	<u>843,844</u>
Total	\$ <u>7,151,431</u>	<u>3,637,735</u>	–	<u>3,513,696</u>



## Tennyson Center for Children at Colorado Christian Home

### Notes to Financial Statements, Continued

#### (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, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Mutual funds-bonds	\$ 1,036,445	1,036,445	–	–
Mutual funds-equity	<u>2,216,162</u>	<u>2,216,162</u>	<u>–</u>	<u>–</u>
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	<u>821,639</u>	<u>–</u>	<u>–</u>	<u>821,639</u>
Total	<u>\$ 6,335,969</u>	<u>3,252,607</u>	<u>–</u>	<u>3,083,362</u>

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, 2019	\$ 3,318,190
Change in value of trusts	(87,405)
Distributions	<u>(147,423)</u>
Balance at September 30, 2020	3,083,362
Change in value of trusts	596,191
Distributions	<u>(165,857)</u>
Balance at September 30, 2021	<u>\$ 3,513,696</u>

#### (7) Note Receivable

In June of 2021, the Center sold its land and property in Pine, Colorado and entered into a secured promissory note of \$550,000 with the purchasing company. The note receivable has an annual interest rate of 1.02%. The terms of the agreement specify that principal and interest payments of \$1,774 are due monthly for five years beginning on August 1, 2021. The entire remaining unpaid principal balance of the note and all accrued and unpaid interest is due on August 1, 2026. The borrower may prepay without premium or penalty, all or any portion of the principal balance of the note, together with accrued interest to the date of payment.

At September 30, 2021, the unpaid principal balance and accrued interest of the note was \$547,386. Management of the Center considers the outstanding principal balance to be fully collectible. Accordingly, no allowance for uncollectible amounts has been established.

## Tennyson Center for Children at Colorado Christian Home

### Notes to Financial Statements, Continued

#### (8) Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 3,400,000	3,437,000
Buildings and equipment	4,101,821	4,596,056
Computer equipment and software	297,818	297,818
Vehicles	57,395	57,395
Construction in progress	<u>—</u>	<u>68,258</u>
	7,857,034	8,456,527
Less accumulated depreciation	<u>(1,841,135)</u>	<u>(1,624,208)</u>
	<u>\$ 6,015,899</u>	<u>6,832,319</u>

#### (9) Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Contributions collected but not yet expended	\$ 1,012,287	369,182
Unspent endowment earnings	965,526	549,483
Contributions receivable	53,836	276,574
Net assets held by charitable lead and remainder trusts (note 5)	2,669,852	2,261,723
Beneficial interest in perpetual trusts (note 5)	843,844	821,639
Operating endowment	<u>3,026,017</u>	<u>3,026,017</u>
Total net assets with donor restrictions	<u>\$ 8,571,362</u>	<u>7,304,618</u>

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

	<u>2021</u>	<u>2020</u>
Contributions received and expended for restricted purposes	\$ 1,243,814	2,187,540
Appropriation of endowment earnings for expenditure	127,481	126,762
Distributions from charitable lead and remainder trusts	<u>109,311</u>	<u>99,651</u>
Total net assets released from donor restrictions	<u>\$ 1,480,606</u>	<u>2,413,953</u>

#### Endowment Net Assets

Net assets with donor restrictions include an operating endowment fund totaling \$3,026,017 at September 30, 2021 and 2020. Unappropriated earnings on the operating endowment fund totaled \$965,526 and \$549,483 at September 30, 2021 and 2020, 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.

# Tennyson Center for Children at Colorado Christian Home

## Notes to Financial Statements, Continued

### (9) Net Assets with Donor Restrictions, Continued

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.

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, 2021 and 2020:

Endowment net assets at September 30, 2019	\$ 3,484,177
Investment return	
Investment income	98,958
Net appreciation (realized and unrealized)	<u>119,127</u>
Total investment return	<u>218,085</u>
Contributions	—
Appropriation of endowment assets for expenditure	<u>(126,762)</u>
Endowment net assets at September 30, 2020	3,575,500
Investment return	
Investment income	77,496
Net appreciation (realized and unrealized)	<u>466,028</u>
Total investment return	<u>543,524</u>
Contributions	—
Appropriation of endowment assets for expenditure	<u>(127,481)</u>
Endowment net assets at September 30, 2021	\$ <u>3,991,543</u>

#### 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.

# Tennyson Center for Children at Colorado Christian Home

## Notes to Financial Statements, Continued

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### (10) 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, 2021, are as follows:

2022	\$ 168,975
2023	144,632
2024	117,216
2025	109,200
2026	<u>54,600</u>
Total future minimum lease payments	\$ <u>594,623</u>

Rent expense paid to all sources totaled \$234,212 and \$237,738 during the years ended September 30, 2021 and 2020, respectively.

### (11) 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, 2021 and 2020, 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, 2021 and 2020, the Center made contributions to the plan totaling \$83,274 and \$82,352, respectively.

### (12) Line of Credits

The Center has an open line of credit that 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 expired on January 1, 2022. No borrowings were made against the line during the years ended September 30, 2021 and 2020, and there was no outstanding balance at September 30, 2021 and 2020.

The Center has an open line of credit that provides for borrowing up to \$400,000 and is secured by interest in the balances of certain bank accounts. The line bears interest of 4.25% and expires on September 17, 2022. No borrowings were made against the line during the years ended September 30, 2021 and 2020, and there was no outstanding balance at September 30, 2021 and 2020.

### (13) Related Party Transaction

During the years ended September 30, 2021 and 2020, the Center incurred certain expenses totaling \$80,000 and \$197,849, respectively, to companies majority owned by members of the board of directors. At September 30, 2021 and 2020, total amounts due to the companies were \$0 and \$31,627, respectively. The transactions were reviewed and approved by the board of directors in accordance with the Center's conflict of interest policy.

## Tennyson Center for Children at Colorado Christian Home

### Notes to Financial Statements, Continued

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#### **(14) Forgiveness of Paycheck Protection Program Loan**

During the year ended September 30, 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). The loan was treated as a refundable advance of a conditional contribution until such time that the loan was explicitly forgiven by the SBA. The loan was fully forgiven during the year ended September 30, 2021 and, therefore, recognized as contribution revenue.

#### **(15) Impact of COVID-19 Pandemic**

The COVID-19 pandemic has caused significant business disruption through mandated and voluntary closures of businesses in the United States. As a result of the pandemic, certain programs, such as education, saw a reduction in activity due to government mandates. Also, certain special events were not held. Operations were able to be maintained through remote work and limiting time on-site. There continues to be significant uncertainty around the breadth and duration of disruptions related to the pandemic, as well as its impact on the U.S. economy. The extent of the impact of the pandemic on the Center's future operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on programs, employees, and vendors, is uncertain and cannot be determined at this time.