

THE CHILDREN'S PLACE, INC.

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Children's Place, Inc.
Kansas City, Missouri

We have audited the accompanying financial statements of The Children's Place, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 The Children's Place, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended December 31, 2019, the Organization adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230)* and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958): Not-For-Profit Entities*. Our opinion is not modified with respect to these matters.



Marr and Company, P.C.
Certified Public Accountants

December 22, 2020

THE CHILDREN'S PLACE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

Cash and cash equivalents	\$ 682,510
Accounts receivable:	
Governmental agencies (Note 6)	65,265
Grants	54,879
Accrued investment income	3,156
Prepaid expenses	44,351
Current portion of unconditional promises to give (Note 7)	3,976,208
Cash and cash equivalents restricted for building project	2,282,906
Investments (Notes 1 and 3)	1,451,577
Unconditional promises to give, net of current portion (Note 7)	630,938
Property and equipment, less accumulated depreciation (Note 5)	<u>3,214,222</u>
 Total assets	 <u><u>\$ 12,406,012</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 402,577
Advances	37,557
Accrued interest payable	12,619
Accrued vacation pay	45,365
Long-term debt (Note 12)	700,000
Total liabilities	<u>1,198,118</u>
Net assets:	
Without donor restrictions:	
Undesignated	1,920,071
Board-designated endowment	1,454,733
Total without donor restrictions	<u>3,374,804</u>
With donor restrictions	7,833,090
Total net assets	<u>11,207,894</u>
 Total liabilities and net assets	 <u><u>\$ 12,406,012</u></u>

See the accompanying notes.

THE CHILDREN'S PLACE, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, Revenue, and Gains:			
Support:			
Contributions (Note 1)	\$ 334,923	\$ -	\$ 334,923
Special events (Note 1):			
Revenues	693,203	-	693,203
Less direct donor benefits	(204,454)	-	(204,454)
United Way	22,531	24,813	47,344
Gifts in-kind	342,876		342,876
Restricted grants and contributions	-	7,655,264	7,655,264
Total support	<u>1,189,079</u>	<u>7,680,077</u>	<u>8,869,156</u>
Revenue:			
Fees and grants from governmental and other agencies (Note 6)	1,201,786	-	1,201,786
Client fees and other	2,479	-	2,479
Net investment return	209,105	-	209,105
Total revenue	<u>1,413,370</u>	<u>-</u>	<u>1,413,370</u>
Net assets released from restrictions:			
Satisfaction of usage restrictions	1,231,408	(1,231,408)	-
Satisfaction of time restrictions	74,439	(74,439)	-
Total net assets released from restrictions	<u>1,305,847</u>	<u>(1,305,847)</u>	<u>-</u>
Gains:			
Gain on disposal of property and equipment	857,925	-	857,925
Total support, revenue and gains	<u>4,766,221</u>	<u>6,374,230</u>	<u>11,140,451</u>
Expenses:			
Program services:			
Day Treatment Services	1,951,842	-	1,951,842
Parenting Support Services	168,239	-	168,239
Counseling Services	672,657	-	672,657
Total program services	<u>2,792,738</u>	<u>-</u>	<u>2,792,738</u>
Supporting services:			
Management and general	364,606	-	364,606
Resource development	410,174	-	410,174
Total supporting services	<u>774,780</u>	<u>-</u>	<u>774,780</u>
Total expenses	<u>3,567,518</u>	<u>-</u>	<u>3,567,518</u>
Change in net assets	1,198,703	6,374,230	7,572,933
Net assets, beginning of year	<u>2,176,101</u>	<u>1,458,860</u>	<u>3,634,961</u>
Net assets, end of year	<u>\$ 3,374,804</u>	<u>\$ 7,833,090</u>	<u>\$ 11,207,894</u>

See the accompanying notes.

THE CHILDREN'S PLACE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Day Treatment Services	Parenting Support Services	Counseling Services		Management and General	Resource Development		
Salaries	\$ 944,396	\$ 125,456	\$ 466,377	\$ 1,536,229	\$ 183,078	\$ 162,646	\$ 345,724	\$ 1,881,953
Employee benefits	104,747	14,199	51,530	170,476	8,569	13,969	22,538	193,014
Payroll taxes	71,553	9,506	35,486	116,545	13,944	12,378	26,322	142,867
Total personnel	1,120,696	149,161	553,393	1,823,250	205,591	188,993	394,584	2,217,834
Occupancy	176,526	4,482	22,308	203,316	17,061	10,341	27,402	230,718
Use of facilities	179,988	3,051	22,997	206,036	17,835	10,795	28,630	234,666
Professional and contract fees	32,339	1,179	40,660	74,178	63,331	157,150	220,481	294,659
Equipment rental and repair	4,322	31	203	4,556	2,579	940	3,519	8,075
Food	42,806	-	-	42,806	-	-	-	42,806
Insurance	27,455	2,131	8,581	38,167	7,669	2,691	10,360	48,527
Printing	487	65	57	609	130	8,738	8,868	9,477
Postage	23	-	-	23	1,798	292	2,090	2,113
Staff development and recruiting	4,687	260	5,196	10,143	27,340	5,100	32,440	42,583
Technology and training	21,352	3,326	10,063	34,741	5,160	2,868	8,028	42,769
Supplies	32,252	538	4,636	37,426	6,941	14,832	21,773	59,199
Transportation	283,671	-	-	283,671	937	-	937	284,608
Travel	-	3,568	1,152	4,720	360	14	374	5,094
Public relations	-	-	-	-	1,589	4,858	6,447	6,447
Personnel expenses	1,445	2	60	1,507	2,708	989	3,697	5,204
Uncollectible accounts	596	-	-	596	-	-	-	596
Depreciation	23,197	445	3,351	26,993	3,577	1,573	5,150	32,143
Total functional expenses	\$ 1,951,842	\$ 168,239	\$ 672,657	\$ 2,792,738	\$ 364,606	410,174	\$ 774,780	3,567,518
Special events - direct donor benefits:								
Facilities, catering and entertainment						204,454		204,454
Total expenses						\$ 614,628		\$ 3,771,972

See the accompanying notes.

THE CHILDREN'S PLACE, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	\$ 7,572,933
Adjustments to reconcile the change in net assets to net cash used by operating activities:	
Depreciation	32,143
Contributions restricted for long-term purposes	(6,575,121)
Bond premium amortization	1,640
Realized and unrealized gain on investments	(164,098)
Gain on sale of property and equipment	(857,925)
In-kind donations for the acquisition and sale of property and equipment	(108,210)
(Increase) decrease in operating assets:	
Unconditional promises to give	(101,648)
Accounts receivable	(18,064)
Prepaid expenses	(9,476)
Increase (decrease) in operating liabilities:	
Accounts payable and advances	(77,673)
Accrued vacation pay	(3,918)
Net cash used by operating activities	<u>(309,417)</u>
Cash flows from investing activities:	
Purchase of property and equipment	(1,975,884)
Proceeds from the sale of property and equipment	1,497,849
Purchase of investment securities	(838,208)
Proceeds from the sale of investment securities	994,011
Net cash used by investing activities	<u>(322,232)</u>
Cash flows from financing activities:	
Proceeds from contributions restricted for building project	<u>2,422,428</u>
Increase in cash, cash equivalents, and restricted cash	1,790,779
Cash, cash equivalents, and restricted cash at beginning of year	<u>1,174,637</u>
Cash, cash equivalents, and restricted cash at end of year	<u><u>\$ 2,965,416</u></u>
Supplemental disclosures of non-cash investing and financing activity:	
Property and equipment financed with loan	\$ 700,000
Accounts payable for property and equipment	316,613
Capitalized interest	12,619
Unrealized gain on investments	141,919

See the accompanying notes.

THE CHILDREN'S PLACE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

1. **Organization and Summary of Significant Accounting Policies**

Organization and nature of activities

The Children's Place, Inc. (the Organization) is a Missouri not-for-profit corporation. The Organization provides a continuum of services to eliminate child abuse and neglect through prevention and treatment programs for young children and families and is supported primarily through fees from government and other agencies, donor contributions and the United Way. The Organization's current programs are as follows:

Day Treatment Services - provides comprehensive, multi-disciplinary therapeutic services to children ages birth through 6 years in order to remediate severe development delays or behavior/emotional problems typically resulting from abuse, neglect, or prenatal substance abuse.

Parenting Support Services - provides educational opportunities to help adults improve their parenting skills by offering the knowledge and support they need to create a healthy, safe and nurturing environment for children in their care.

Counseling Services - provides quality, comprehensive mental health treatment services to young children and their families in order to improve individual and/or family functioning.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (US GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met either by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

1. **Organization and Summary of Significant Accounting Policies (continued)**

Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions and promises to give

Contributions, including unconditional promises to give, are recognized in the period received in the appropriate net asset class in accordance with donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. At December 31, 2019 there are \$1,395,834 of conditional capital campaign promises to give that have not been recognized as the performance obligations will not be met until 2020. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their estimated future cash flows, using an appropriate risk adjusted discount rate applicable to the years in which the promises are to be received, with the amortization of the discount included in contribution revenue. For 2019, the discount rates ranged from 1.59% to 3.61%.

Grants and contracts

The Organization receives funding under grants and contracts from governmental, public, and private grantors. This funding is subject to contractual restrictions, which must be met by providing qualified services or incurring qualifying expenses for particular programs.

Revenue from grants and contracts is recognized only when funds are utilized, or services are provided by the Organization to carry out the activity stipulated in the grant or contract agreement. Grants receivable represent amounts due from funding organizations for qualified services provided or reimbursable expenses incurred. Cash received under grants in advance of incurring the related expenses is reported as advances.

Cash, cash equivalents and restricted cash

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except for those included in long-term investments which are designated for endowment use.

The following provides a reconciliation of cash, cash equivalents, and restricted cash reported in the statement of financial position to the total reported in the statement of cash flows:

Cash and cash equivalents	\$ 682,510
Cash restricted to building construction	<u>2,282,906</u>
Total	<u>\$2,965,416</u>

Allowance for uncollectible receivables

Accounts, promises to give and grants receivable are based on the amounts management expects to collect, and are charged off as they are deemed uncollectible based on a periodic review of the accounts. At December 31, 2019 no allowance was deemed necessary.

1. **Organization and Summary of Significant Accounting Policies (continued)**

Investments

Investments are reported at fair value in the statement of financial position, and donated investments are recorded at fair value on the date of donation. Net investment return is reported in the statement of activities and consists of interest and dividend income, and realized and unrealized gains and losses, net of investment fees.

Property and equipment

The Organization capitalizes property and equipment over \$1,000. Purchased property and equipment is recorded at cost when purchased. Donations of property and equipment are recorded at their estimated fair value at the date of donation and are reported within net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service by reclassifying net assets with donor restrictions to net assets without donor restrictions. Depreciation is calculated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	10-30
Transportation equipment	5
Other equipment	2-20

Advances

Advances primarily represent amounts received for special events to be held in 2020 and subject to a right of return, and unspent amounts received on governmental grants.

Compensated absences

Annual vacation time earned is based on the length of employment and ranges from 15 to 20 days. Depending on their length of service, employees can accumulate 80 to 120 hours of vacation which may be carried over into the following year. The liability for earned but unused vacation time at December 31, 2019 is recorded in the financial statements. Sick leave does not accumulate, and no accrual is required.

Income taxes and accounting for tax positions

The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3).

US GAAP prescribes the standards for the recognition, measurement and disclosure of tax positions. For not-for-profit organizations, tax positions include an entity's status as tax exempt, and whether it is subject to tax on unrelated business income. Management does not believe there are any uncertain tax positions that would affect its exempt status or result in any tax on unrelated business income.

1. **Organization and Summary of Significant Accounting Policies (continued)**

Functional expenses

The Organization allocates its costs on a functional basis among its various programs and supporting services. Costs that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classification. Other costs common to several functions are allocated by management.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy	Square footage
Insurance	Square footage
Information technology	Usage
Depreciation	Square footage

Donated services and gifts-in-kind

US GAAP provides for the recording of contributions of donated services at their fair values in the period received if they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Although a substantial number of volunteers have donated a significant amount of their time to the Organization's programs, no amount has been recorded.

Gifts-in-kind are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized.

Special events

Direct donor benefits are displayed as reductions of related revenue on the accompanying statement of activities. Direct donor benefits consist primarily of facilities rental, catering and entertainment provided to attendees.

Fair value measurements

In accordance with US GAAP, the Organization determines the fair value of investments and other assets using FASB ASC 820, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.

1. **Organization and Summary of Significant Accounting Policies (continued)**

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Concentrations

The Organization receives a significant amount of its revenues from the State of Missouri and other governmental agencies under contracts to provide treatment and other services to children. Given the nature of these agencies, collateralization of the receivables from this group is not possible.

Cash deposits and investments are maintained with a major financial institution. At December 31, 2019, cash deposits exceeded FDIC insurance coverage by \$2,654,116.

At December 31, 2019, three capital campaign donors accounted for 76% of promises to give and 41% of restricted contribution revenue.

New accounting pronouncements

Contributions received and contributions made

During 2019, the Organization adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Organization adopted ASU 2018-08 using a modified prospective method effective January 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered in to (revenue or expense that has not yet been recognized) as of January 1, 2019. As a result, there was no cumulative-effect adjustment to beginning net assets as of January 1, 2019, and there were no material changes to the recognition of contribution revenue during 2019.

Restricted cash

Also, during 2019 the Organization adopted FASB's ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash and cash equivalents within the statement of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the statement of cash flows. This ASU has been applied retrospectively to all periods presented. Accordingly, \$922,067 of restricted cash at December 31, 2018 has been included in beginning cash, cash equivalents and restricted cash in the statement of cash flows.

1. Organization and Summary of Significant Accounting Policies (continued)

Subsequent events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December xx, 2020, the date the financial statements were authorized to be issued. See Note 14 for events that met the criteria for disclosure.

2. Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 2,965,416
Accounts receivable	123,300
Promises to give	4,607,146
Investments	1,451,577
Total financial assets	<u>9,147,439</u>
Less amounts not available to be used within one year:	
Cash, cash equivalents and promises to give restricted for building project	(6,435,597)
Net assets with donor restrictions	(282,277)
Quasi-endowment established by the Board	<u>(1,454,733)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 974,832</u></u>

As part of its liquidity management practices, the Organization structures the timing of its fundraising activities to supplement revenue received from program activities to ensure that sufficient cash is available to meet its normal operating expense needs during the year. Excess cash is invested in short-term investments, including money market accounts and certificates of deposit. In its annual budget, the Organization anticipates needing no appropriation of financial assets from the quasi-endowment fund beyond the current year's investment return. However, amounts from the quasi-endowment fund could be made available for general operating expenses, if necessary, in the event of an unanticipated liquidity need. The assets of the endowment are invested in marketable securities as discussed in note 9.

At December 31, 2019, the Organization has considered \$467,839 of financial assets with donor restrictions for its primary programs and activities to be available to meet general expenditures over the next twelve months.

3. Investments

The following table sets forth information about the level within the fair value hierarchy at which the Organization's financial assets are measured on a recurring basis at December 31, 2019:

	Fair Value	Quoted Prices in Active Markets Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds	\$ 735,549	\$ 735,549	\$ -	\$ -
Fixed income mutual funds	266,152	266,152	-	-
U.S. government securities	177,655	-	177,655	-
Corporate bonds	210,588	-	210,588	-
Money market funds	61,633	61,633	-	-
	<u>\$ 1,451,577</u>	<u>\$ 1,063,334</u>	<u>\$ 388,243</u>	<u>\$ -</u>

4. Retirement Plan

The Organization maintains a defined contribution retirement plan which covers substantially all employees. Contributions are made at the discretion of the Board of Directors. Retirement plan expense was \$11,109 in 2019 and consists of employer matching contributions.

5. Property and Equipment

Property and equipment at December 31, 2019 consists of the following:

Transportation equipment	\$ 102,787
Other equipment	77,647
Land	1,143,300
Construction in progress	<u>2,047,170</u>
	3,370,904
Less accumulated depreciation	<u>(156,682)</u>
	<u>\$ 3,214,222</u>

Depreciation expense in 2019 totaled \$32,143.

6. Fees and Grants from Governmental and Other Agencies

The Organization has entered into various grants and reimbursement arrangements for child treatment, food and other related services it provides under its programs. Accounts receivable from governmental and other agencies represent reimbursements due under these programs. The amounts earned in 2019 and due at December 31, 2019 are as follows:

Program	Earned	Receivable
Child Treatment Services	\$ 280,979	\$ 15,784
Medicaid	667,821	43,620
Child Care Food Program	50,854	3,090
Jackson County Mental Health	192,384	-
Other	<u>9,748</u>	<u>2,771</u>
	<u>\$ 1,201,786</u>	<u>\$ 65,265</u>

7. Promises to Give

Unconditional promises to give at December 31, 2019 are as follows:

Due in less than one year	\$3,976,208
Due in one to five years	650,324
Less discount to present value	<u>(19,386)</u>
	<u>\$4,607,146</u>
Consisting of:	
Capital campaign	\$4,152,691
United Way allocation for 2020	24,813
Restricted for clinical services	74,975
Restricted for day treatment	50,000
Unrestricted	<u>304,667</u>
	<u>\$4,607,146</u>

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods:

Building acquisition and construction	\$7,082,974
Program activities	464,982
Facility use in 2020	234,667
Unrestricted use in 2020	20,000
Equipment and building improvements	5,654
United Way allocation for 2020	<u>24,813</u>
Total net assets with donor restrictions	<u>\$7,833,090</u>

Net assets released from restrictions by satisfying the purpose or time restrictions specified by donors were as follows:

Program uses from restricted contributions and grants	\$ 799,244
Building acquisition and construction	414,118
Equipment and building improvements	18,046
Time restriction on United Way allocation for 2019	<u>74,439</u>
	<u>\$1,305,847</u>

9. Designated Endowment Fund

The Organization maintains a board-designated endowment fund for the purpose of generating an investment return to support its programs and operations, and to maintain a reserve of approximately three to six months of normal operating expenses. The investment objectives are to provide a reasonable rate of return while prioritizing the preservation of capital consistent with a prudent level of risk. To accomplish these objectives, the Organization has established a range and maximum allocation for equity securities and mutual funds, fixed income investments, and cash equivalents. All assets of the board-designated endowment fund are invested in marketable securities that can readily be converted into cash.

The amount appropriated for spending is based on the amount budgeted and is subject to various guidelines, primarily a limitation of 100% of the investment return. These guidelines also provide for the utilization of up to 10% of the principal of the fund, subject to approval by two-thirds of the Board of Directors. However, all assets of the endowment fund could be made available for general operating expenses in the event of an unanticipated liquidity need.

9. Designated Endowment Fund (continued)

The changes in the net assets of the fund for the year ended December 31, 2019 are as follows:

Net assets, beginning of year	\$ 1,448,437
Investment income, net of fees	42,198
Realized gains	22,179
Unrealized gains	141,919
Appropriations	<u>(200,000)</u>
Net assets, end of year	<u>\$ 1,454,733</u>

10. Building Sale, Acquisition and Capital Campaign

On February 5, 2019, the Organization purchased a new building and sold its existing building. The existing building was sold for \$1,500,000, and the purchase price of the new building was \$2,107,700. As discussed in Note 12, in connection with the purchase of the new building, the buyer of the existing building agreed to provide the Organization a \$700,000 two-year interim loan at 2% to finance its acquisition. The buyer of the current building is also providing the Organization the rent-free use of the existing building for a two-year period while the newly acquired one is being renovated.

To fund the \$11.1 million estimated cost of the acquisition, renovation and equipping of the new building, the Organization has initiated a capital campaign. Through December 31, 2019, \$10,673,096 of cash and pledges (including \$1,395,834 of conditional pledges and the \$1,500,000 of proceeds from the sale of the building), have been received.

11. Donated Goods and Services

The Organization included the following in-kind contributions of both goods and services as in-kind revenue and other income and a corresponding expense on the accompanying statement of activities:

Use of facilities	\$ 234,666
Real estate commissions	108,210
Revenue	<u>342,876</u>
Special event auction items	38,868
Total	<u>\$ 381,744</u>

12. Long-Term Debt, Construction Loan and Line of Credit

Interim loan

In connection with the acquisition of the Organization's new building, the buyer of its former building agreed to provide a \$700,000 two-year interim loan to finance the acquisition. The interim loan carries an interest rate of 2%, with interest due annually and the principal due February 28, 2021. The terms of the interim loan grant the buyer deed of trust interest in the new building, which is subordinated to any first mortgage construction lender, and is also collateralized by the fixtures, equipment and machinery acquired for the new building. The \$12,619 of accrued interest on this loan was capitalized.

12. Long-Term Debt, Construction Loan and Line of Credit (continued)

Construction loan

The Organization has received a \$6,000,000 first mortgage construction loan commitment dated September 26, 2019 from UMB Bank to finance the costs of improvements to the new building. The loan has an interest rate of 3.61% and matures on September 26, 2024. This loan is secured by the new building and the assignment of the capital campaign pledges. As of December 31, 2019, there have been no borrowings under the loan.

Line of credit

The Organization has also received a \$200,000 line of credit from UMB Bank dated September 26, 2019 with interest at .5% under the bank's prime rate, is secured by the endowment fund investment account, and matures June 30, 2021. As of December 31, 2019, there have been no borrowings under the line of credit.

13. Related Party Transactions

The \$7,162,320 contract for the construction and renovation of the new building, as well as other related contracts, were awarded to an entity in which a Board member has a financial interest. The contract award was subject to the Organization's conflict of interest procedures, competitively bid, and approved by the Board of Directors. \$268,831 was paid in 2019 on these contracts and \$210,375 was due at December 31, 2019.

14. Subsequent Events

COVID-19

The COVID-19 global pandemic has continued to affect business activities and global, state and local commerce and financial markets. The extent of COVID-19's impact on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization. Accordingly, no adjustments have been made to the financial statements related to this uncertainty.

U.S. Small Business Administration Loan – Payroll Protection Program

The Organization obtained a 1% note payable with UMB Bank on April 12, 2020 for \$446,100, with a maturity date of April 12, 2022. This note was available through the Paycheck Protection Program (the "PPP") as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") that offers cash-flow assistance to nonprofit and small business employers through guaranteed loans for certain expenses. The PPP loan did not require collateral and offers the ability to have all, or substantially all, of the principal amount forgiven when the proceeds are used for eligible costs. Payments of principal and interest for any amount not forgiven are deferred for the first six months of the loan term, with the balance to be repaid over the remaining eighteen months.