

THOMPSON CHILD & FAMILY FOCUS
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2020 AND 2019



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**THOMPSON CHILD & FAMILY FOCUS
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Thompson Child & Family Focus
Matthews, North Carolina

We have audited the accompanying financial statements of Thompson Child & Family Focus (the Organization), which comprise the statement of financial position as of June 30, 2020, 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.

Auditors' 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 auditors' 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 Thompson Child & Family Focus as of June 30, 2020, and the results of its changes in 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 Regarding Changes in Accounting Principles

As discussed in Note 2 to the financial statements, Thompson Child & Family Focus has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Our opinion is not modified with respect to that matter.

Prior Period Financial Statements

The financial statements of Thompson Child & Family Focus as of June 30, 2019 were audited by other auditors whose report dated October 29, 2019, expressed an unmodified opinion on those statements.



CliftonLarsonAllen LLP

Charlotte, North Carolina
October 23, 2020

**THOMPSON CHILD & FAMILY FOCUS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,599,839	\$ 1,211,251
Restricted Cash	98,857	98,066
Receivables		
Treatment Services, Net of Allowance of Doubtful Accounts	1,090,437	807,673
Early Childhood	367,677	310,219
Other	185,524	475,651
Trust	67,319	-
Promises to Give, Net Current Portion	489,594	325,321
Prepaid Expenses	147,891	14,549
Designated Investments	29,901,181	28,329,287
Total Current Assets	<u>36,948,319</u>	<u>31,572,017</u>
PROMISES TO GIVE, NET	491,133	442,624
NOTE RECEIVABLE	300,000	-
BENEFICIAL INTEREST IN SPLIT INTEREST AGREEMENTS	4,426,824	4,301,528
BENEFICIAL INTEREST IN PERPETUAL TRUSTS	7,749,796	8,051,606
ENDOWMENTS	2,901,911	2,277,343
PROPERTY AND EQUIPMENT, NET	<u>13,543,493</u>	<u>13,984,221</u>
Total Assets	<u>\$ 66,361,476</u>	<u>\$ 60,629,339</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,023,872	\$ 690,023
Accrued Compensated Absences	357,518	293,841
Note Payable, Current Portion	686,245	121,604
Bond Payable, Current Portion	492,561	406,668
Capital Lease, Current Portion	2,850	-
Total Current Liabilities	<u>2,563,046</u>	<u>1,512,136</u>
CHARITABLE GIFT ANNUITIES PAYABLE	21,739	14,144
NOTE PAYABLE, NET OF CURRENT PORTION	3,044,033	1,610,387
BOND PAYABLE, NET OF CURRENT PORTION	7,688,609	8,144,833
CAPITAL LEASE, NET OF CURRENT PORTION	<u>2,970</u>	<u>-</u>
Total Liabilities	13,320,397	11,281,500
NET ASSETS		
Without Donor Restrictions	34,431,721	32,741,099
With Donor Restrictions	<u>18,609,358</u>	<u>16,606,740</u>
Total Net Assets	<u>53,041,079</u>	<u>49,347,839</u>
Total Liabilities and Net Assets	<u>\$ 66,361,476</u>	<u>\$ 60,629,339</u>

See accompanying Notes to Financial Statements.

**THOMPSON CHILD & FAMILY FOCUS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Treatment Fees:			
Medicaid and Other Program Fees	\$ 10,820,959	\$ -	\$ 10,820,959
Counties/Department of Social Services	1,895,576	-	1,895,576
Additional Program Fees and Revenues:			
Early Childhood Services - Tuition	924,597	-	924,597
Early Childhood Services - Grants	4,010,636	-	4,010,636
Total Treatment Fees	17,651,768	-	17,651,768
CONTRIBUTIONS			
Public Support	4,585,174	1,742,755	6,327,929
Transfer	(691,319)	691,319	-
Total Contributions	3,893,855	2,434,074	6,327,929
OTHER INCOME (LOSS)			
Investment Income, Net of Fees	592,643	124,905	717,548
Realized Net Gain (Loss) on Investments	310,273	(23,033)	287,240
Unrealized Net Gain (Loss) on Investments	(485,141)	(54,361)	(539,502)
Change in Value of Split-Interest Agreements	-	125,296	125,296
Change in Value of Perpetual Trusts	-	(234,491)	(234,491)
Other Income, Rental Income	138,915	-	138,915
Other Income	98,781	-	98,781
Total Other Income (Loss)	655,471	(61,684)	593,787
NET ASSETS RELEASED FROM RESTRICTIONS	369,772	(369,772)	-
Total Revenues, Gains, and Other Support	22,570,866	2,002,618	24,573,484
EXPENSES			
Program Services:			
Treatment Services	6,557,251	-	6,557,251
Community-Based Services	5,459,426	-	5,459,426
Early Childhood Services	3,164,663	-	3,164,663
Non-Treatment Residential	1,068,635	-	1,068,635
Supporting Services:			
Administrative	4,100,343	-	4,100,343
Resource Development and Public Relations	529,926	-	529,926
Total Expenses	20,880,244	-	20,880,244
CHANGE IN NET ASSETS	1,690,622	2,002,618	3,693,240
Net Assets - Beginning of Year	32,741,099	16,606,740	49,347,839
NET ASSETS - END OF YEAR	\$ 34,431,721	\$ 18,609,358	\$ 53,041,079

See accompanying Notes to Financial Statements.

**THOMPSON CHILD & FAMILY FOCUS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Treatment Fees:			
Medicaid and Other Program Fees	\$ 7,275,769	\$ -	\$ 7,275,769
Counties/Department of Social Services	2,553,939	-	2,553,939
Additional Program Fees and Revenues:			
Early Childhood Services - Tuition	805,442	-	805,442
Early Childhood Services - Grants	2,792,015	-	2,792,015
Total Treatment Fees	<u>13,427,165</u>	<u>-</u>	<u>13,427,165</u>
CONTRIBUTIONS			
Public Support	3,430,918	-	3,430,918
OTHER INCOME (LOSS)			
Investment Income, Net of Fees	492,078	51,824	543,902
Realized Net Gain (Loss) on Investments	174,608	(6,764)	167,844
Unrealized Net Gain (Loss) on Investments	848,177	78,788	926,965
Change in Value of Split-Interest Agreements	-	(79,450)	(79,450)
Change in Value of Perpetual Trusts	-	49,398	49,398
Gain on Disposal of Property and Equipment	16,346	-	16,346
Other Income, Rental Income	105,152	-	105,152
Other Income	14,662	-	14,662
Total Other Income (Loss)	<u>1,651,023</u>	<u>93,796</u>	<u>1,744,819</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>51,979</u>	<u>(51,979)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	18,561,085	41,817	18,602,902
EXPENSES			
Program Services:			
Treatment Services	5,337,179	-	5,337,179
Community-Based Services	3,663,720	-	3,663,720
Early Childhood Services	3,571,206	-	3,571,206
Non-Treatment Residential	1,206,177	-	1,206,177
Supporting Services:			
Administrative	3,534,016	-	3,534,016
Resource Development and Public Relations	484,655	-	484,655
Total Expenses	<u>17,796,953</u>	<u>-</u>	<u>17,796,953</u>
CHANGE IN NET ASSETS	764,132	41,817	805,949
Net Assets - Beginning of Year	<u>31,976,967</u>	<u>16,564,923</u>	<u>48,541,890</u>
NET ASSETS - END OF YEAR	<u>\$ 32,741,099</u>	<u>\$ 16,606,740</u>	<u>\$ 49,347,839</u>

See accompanying Notes to Financial Statements.

**THOMPSON CHILD & FAMILY FOCUS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Services							Support Services					Total
	Treatment Services		Community Based Services				Total Program Services	Administrative	Resource Development and Public Relations	Total Support Services			
	Residential Services	Clinical and Medical	Foster Care		Community Support Services	Early Childhood Services					Non-Treatment Residential		
		Department of Social Services	Mental Health										
Compensation and Related Expenses:													
Salaries and Wages	\$ 3,424,666	\$ 717,202	\$ 321,341	\$ 339,855	\$ 1,555,407	\$ 1,582,798	\$ 667,010	\$ 8,608,279	\$ 1,747,045	\$ 243,517	\$ 1,990,562	\$ 10,598,841	
Employee Benefits	234,358	53,362	31,440	33,252	171,650	158,473	49,682	732,217	629,407	33,633	663,040	1,395,257	
Payroll Taxes	319,905	65,607	29,479	31,178	144,314	148,855	63,922	803,260	143,638	22,122	165,760	969,020	
Workers' Compensation Insurance	92,166	19,516	8,558	9,052	45,884	42,808	18,740	236,724	(6,538)	4,400	(2,138)	234,586	
Total Compensation and Related Expenses	4,071,095	855,687	390,818	413,337	1,917,255	1,932,934	799,354	10,380,480	2,513,552	303,672	2,817,224	13,197,704	
Other Expenses:													
Professional and Legal Fees	14,394	-	-	-	289	-	2,194	16,877	12,402	-	12,402	29,279	
Cleaning Services	13,435	6,975	2,179	2,305	44,750	37,021	-	106,665	26,729	-	26,729	133,394	
Contract Services	169,054	220,390	10,458	11,061	91,837	319,486	9,459	831,745	253,697	30,314	284,011	1,115,756	
Office	6,402	7,273	4,102	4,339	953	13,412	189	36,670	7,424	1,006	8,430	45,100	
Printing and Postage	34,300	7,929	3,163	3,346	16,639	22,574	8,764	96,715	19,013	51,282	70,295	167,010	
Household	24,990	1,623	678	717	11,694	41,119	9,767	90,588	25,371	77	25,448	116,036	
Educational	1,510	9,909	4,004	4,235	-	58,574	229	78,461	-	-	-	78,461	
Food	103,770	277	1,311	1,387	8,501	77,055	43,537	235,838	25,127	99	25,226	261,064	
Clothing and Health Supplies	21,148	-	315	333	192	625	1,702	24,315	1,315	65	1,380	25,695	
Recreation and Other Activities	63,685	1,208	2,842	3,005	17,986	29,000	17,160	134,886	179	1,093	1,272	136,158	
Utilities	57,813	7,794	3,657	3,867	36,719	48,277	23,250	181,377	69,340	50	69,390	250,767	
Repairs and Maintenance:													
Building and Grounds	231,175	16,568	10,982	11,614	97,621	119,690	79,380	567,030	183,169	27,823	210,992	778,022	
Vehicles	7,762	-	1,571	1,661	-	186	2,673	13,853	28,105	-	28,105	41,958	
Computers	23,021	755	58	62	11,034	10,295	877	46,102	199,764	43,785	243,549	289,651	
Telephone	31,026	24,225	14,290	15,114	65,156	52,277	9,090	211,178	92,478	1,350	93,828	305,006	
Travel	13,861	11,536	22,155	23,432	44,451	21,363	5,012	141,810	17,277	6,909	24,186	165,996	
Staff Development and Conferences	27,093	7,132	8,818	9,327	35,764	95,389	448	183,971	83,710	7,167	90,877	274,848	
Insurance	59,952	10,292	4,884	5,165	34,662	32,581	15,078	162,614	13,992	3,396	17,388	180,002	
Dues, Subscriptions, and Memberships	187	294	1,500	1,586	6,822	7,288	-	17,677	59,441	7,736	67,177	84,854	
Licenses and Fees	2,207	4,046	46	48	44,879	2,945	1,181	55,352	757	734	1,491	56,843	
Miscellaneous	1,096	1,006	59	62	(10,703)	42,286	7,415	41,221	27,582	8,988	36,570	77,791	
Bad Debt	29,289	66,539	22,755	24,066	72,081	-	-	214,730	-	(10,522)	(10,522)	204,208	
Miscellaneous Staff Expense	14,277	2,985	5,120	5,415	5,538	8,761	4,289	46,385	37,621	6,461	44,082	90,467	
Rent	30,104	8,689	5,220	5,521	27,047	-	14,842	91,423	2,804	-	2,804	94,227	
Public Relations	2,279	809	1,092	1,154	11,127	1,158	700	18,319	8,668	33,326	41,994	60,313	
Interest Expense	-	-	-	-	151	-	-	151	286,506	-	286,506	286,657	
Amortization of Bond Issuance Costs	-	-	-	-	-	-	-	-	7,158	-	7,158	7,158	
Foster Care Recruiting/Training	-	-	6,865	7,260	-	-	-	14,125	-	-	-	14,125	
Foster Parent Payments	-	-	1,219,941	509,464	-	-	-	1,729,405	-	-	-	1,729,405	
Total Other Expenses	983,830	418,254	1,358,065	655,546	675,190	1,041,362	257,236	5,389,483	1,489,629	221,139	1,710,768	7,100,251	
Expenses Before Depreciation	5,054,925	1,273,941	1,748,883	1,068,883	2,592,445	2,974,296	1,056,590	15,769,963	4,003,181	524,811	4,527,992	20,297,955	
Depreciation	168,361	60,024	11,245	11,892	26,078	190,367	12,045	480,012	97,162	5,115	102,277	582,289	
Total Expenses	\$ 5,223,286	\$ 1,333,965	\$ 1,760,128	\$ 1,080,775	\$ 2,618,523	\$ 3,164,663	\$ 1,068,635	\$ 16,249,975	\$ 4,100,343	\$ 529,926	\$ 4,630,269	\$ 20,880,244	

See accompanying Notes to Financial Statements.

**THOMPSON CHILD & FAMILY FOCUS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Services							Support Services				
	Treatment Services		Community Based Services				Total Program Services	Administrative	Resource Development and Public Relations	Total Support Services	Total	
	Residential Services	Clinical and Medical	Foster Care		Community Support Services	Early Childhood Services						Non-Treatment Residential
		Department of Social Services	Mental Health									
Compensation and Related Expenses:												
Salaries and Wages	\$ 2,772,861	\$ 495,514	\$ 278,967	\$ 197,818	\$ 1,154,164	\$ 1,787,063	\$ 749,677	\$ 7,436,064	\$ 1,566,727	\$ 227,904	\$ 1,794,631	\$ 9,230,695
Employee Benefits	231,302	31,664	33,516	23,767	113,684	255,110	83,697	772,740	150,705	30,519	181,224	953,964
Payroll Taxes	205,065	36,579	20,204	14,327	81,134	127,660	55,020	539,989	107,811	16,451	124,262	664,251
Workers' Compensation Insurance	85,433	10,308	5,908	4,189	23,457	35,743	24,321	189,359	32,610	4,389	36,999	226,358
Total Compensation and Related Expenses	3,294,661	574,065	338,595	240,101	1,372,439	2,205,576	912,715	8,938,152	1,857,853	279,263	2,137,116	11,075,268
Other Expenses:												
Professional and Legal Fees	1,652	-	-	-	-	-	-	1,652	3,478	-	3,478	5,130
Cleaning Services	12,051	(16,582)	3,185	2,258	48,758	42,588	-	92,258	23,676	-	23,676	115,934
Contract Services	105,800	57,640	6,157	4,366	86,442	360,002	112	620,519	272,679	41,103	313,782	934,301
Office	6,177	2,965	2,286	1,621	1,659	20,974	-	35,682	7,155	585	7,740	43,422
Printing and Postage	32,627	6,157	4,950	3,511	16,553	29,571	14,002	107,371	25,741	43,706	69,447	176,818
Household	28,913	944	329	234	9,369	28,524	12,415	80,728	7,536	-	7,536	88,264
Educational	354	1,199	4,490	3,185	-	70,238	1,802	81,268	-	60	60	81,328
Food	83,168	13	1,628	1,154	123	95,275	48,120	229,481	7,509	-	7,509	236,990
Clothing and Health Supplies	18,362	-	1,048	743	-	-	1,761	21,914	151	-	151	22,065
Recreation and Other Activities	36,688	124,997	2,217	1,572	10,890	31,395	27,345	235,104	375	-	375	235,479
Utilities	55,175	7,399	4,006	2,840	31,218	52,512	23,579	176,729	74,939	-	74,939	251,668
Repairs and Maintenance:												
Building and Grounds	296,653	18,348	4,940	3,503	31,329	150,390	81,595	586,758	191,674	3,699	195,373	782,131
Vehicles	7,273	-	1,475	1,046	54	5,453	3,470	18,771	29,928	-	29,928	48,699
Computers	476	516	-	-	-	484	236	1,712	152,710	37,616	190,326	192,038
Telephone	15,535	15,480	9,630	6,829	55,094	49,042	18,508	170,118	112,003	3,868	115,871	285,989
Travel	12,535	17,827	22,175	15,723	63,194	35,011	5,820	172,285	26,500	5,202	31,702	203,987
Staff Development and Conferences	29,671	14,767	7,343	5,207	19,634	123,185	5,779	205,586	81,269	7,053	88,322	293,908
Insurance	59,740	9,038	7,331	5,199	27,030	48,733	25,194	182,265	22,504	4,508	27,012	209,277
Dues, Subscriptions, and Memberships	1,419	2,301	1,184	839	250	4,505	-	10,498	70,903	500	71,403	81,901
Licenses and Fees	2,273	2,202	934	662	37,421	1,408	-	44,900	960	724	1,684	46,584
Miscellaneous	948	2,549	14	10	2,012	10,036	2,062	17,631	3,817	3,763	7,580	25,211
Bad Debt	56,786	16,372	3,856	2,734	20,795	-	-	100,543	-	-	-	100,543
Miscellaneous Staff Expense	34,943	5,655	9,487	592	5,079	8,587	10,201	74,544	33,727	3,922	37,649	112,193
Vaccinations and OSHA	-	-	-	-	-	342	-	342	1,400	-	1,400	1,742
Rent	11,421	23,131	-	-	-	-	11,461	46,013	190	-	190	46,203
Public Relations	743	329	7,215	5,116	4,845	161	-	18,409	50,685	44,116	94,801	113,210
Interest Expense	-	-	-	-	-	-	-	-	373,151	-	373,151	373,151
Amortization of Bond Issuance Costs	-	-	-	-	-	-	-	-	7,158	-	7,158	7,158
Foster Care Recruiting/Training	-	-	38,951	33,756	-	-	-	72,707	-	-	-	72,707
Foster Parent Payments	-	-	750,025	199,096	-	-	-	949,121	-	-	-	949,121
Total Other Expenses	911,383	313,247	894,856	301,796	471,749	1,168,416	293,462	4,354,909	1,581,818	200,425	1,782,243	6,137,152
Expenses Before Depreciation	4,206,044	887,312	1,233,451	541,897	1,844,188	3,373,992	1,206,177	13,293,061	3,439,671	479,688	3,919,359	17,212,420
Depreciation	183,499	60,324	13,606	9,648	20,930	197,214	-	485,221	94,345	4,967	99,312	584,533
Total Expenses	\$ 4,389,543	\$ 947,636	\$ 1,247,057	\$ 551,545	\$ 1,865,118	\$ 3,571,206	\$ 1,206,177	\$ 13,778,282	\$ 3,534,016	\$ 484,655	\$ 4,018,671	\$ 17,796,953

See accompanying Notes to Financial Statements.

**THOMPSON CHILD & FAMILY FOCUS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,693,240	\$ 805,949
Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	589,447	591,691
Change in Allowance for Doubtful Accounts	(13,089)	(20,911)
Change in Amortization of Discount on Promises to Give	(36,968)	(20,012)
(Gain) Loss on Sales of Property and Equipment	-	(35,368)
Contributed Equipment	(9,809)	-
Realized Net (Gain) Loss on Investments	(287,240)	(167,844)
Unrealized Net (Gain) Loss on Investments	539,502	(926,965)
Reinvested Investment Income	(717,548)	(543,902)
(Increase) Decrease in Assets:		
Promises to Give	(157,817)	57,778
Note Receivable	(300,000)	-
Receivables	(122,322)	(603,591)
Beneficial Interest in Split-Interest Agreements	(125,296)	131,432
Beneficial Interest in Perpetual Trusts	301,810	(49,398)
Prepaid Expenses and Other Assets	(133,342)	122,409
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	227,209	294,097
Accrued Compensated Absences	63,677	58,420
Charitable Gift Annuities Payable	7,595	(694)
Net Cash Provided by (Used in) Operating Activities	3,519,049	(306,909)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(18,368)	(119,809)
Proceeds from Sales of Property and Equipment	-	19,022
Proceeds from Sales and Maturities of Investments	9,725,464	7,108,498
Purchase of Investments	(11,456,640)	(6,642,796)
Net Cash Provided by (Used in) Investing Activities	(1,749,544)	364,915
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	2,064,832	-
Principal Payments on Debt Obligations	(444,958)	(375,127)
Net Cash Provided by (Used in) Financing Activities	1,619,874	(375,127)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	3,389,379	(317,121)
Cash, Cash Equivalents, and Restricted Cash - Beginning	1,309,317	1,626,438
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - ENDING	\$ 4,698,696	\$ 1,309,317
Cash and Cash Equivalents	\$ 4,599,839	\$ 1,211,251
Restricted Cash	98,857	98,066
Total Cash, Cash Equivalents, and Restricted Cash	\$ 4,698,696	\$ 1,309,317
SUPPLEMENTAL CASH FLOW INFORMATION		
Purchase of Construction in Progress Included in Accounts Payable	\$ 106,640	\$ -

See accompanying Notes to Financial Statements.

THOMPSON CHILD & FAMILY FOCUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 ORGANIZATION

Thompson Child & Family Focus (the Organization) is a nonprofit organization Incorporated under the laws of North Carolina. The Organization maintains three campuses in the Charlotte, North Carolina Metro area and two campuses in Arden, North Carolina and Wilmington, North Carolina respectively. The organization ceased operations from its Community Counseling Center in Fort Mill, South Carolina in the middle of the fiscal year ending June 30, 2020.

Thompson Child & Family Focus is one of the leading child welfare agencies in the Carolinas, offering a full range of evidence-based/evidence-informed prevention and intervention services that strengthen and support children and families. Thompson devotes its resources to three core areas – Early Childhood, Family Stability, and Mental Health.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

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

Net Assets Without Donor Restrictions - Net assets that are available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other purpose specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction is met in the reporting period in which the support is recognized.

Endowment contributions and some investments are restricted in perpetuity by the donors. Investment earnings available for distribution are recorded in net assets without donor restrictions. Investment earnings with donor restrictions are recorded in net assets with donor restrictions.

New Accounting Pronouncements

The Organization has adopted ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

The Organization's financial statements reflect the application ASU 2018-08 beginning in 2019. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2018-08 did not significantly impact the Organization's reported historical revenue.

**THOMPSON CHILD & FAMILY FOCUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

During the year ended June 30, 2020, the Organization has adopted ASU 2016-18, *Statement of Cash Flows* (ASU 2016-18). This new accounting standard requires that the statement of cash flows explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of this standard was retrospectively applied to the periods presented and did not have an impact on the Organization's financial position or changes in its net assets.

The Organization has adopted ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities* (ASU 2020-05), which permits private companies and nonprofit organizations that have not yet applied the revenue recognition standard to elect to adopt for annual reporting periods beginning after December 15, 2019. The Organization has elected to adopt the revenue recognition standard for the year ending June 30, 2021.

Use of Estimates

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

Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash in bank deposit accounts with financial institutions. The balances, at times, may exceed federally insured limits.

Treatment Receivables

Treatment receivables are presented at face value, net of the allowance for doubtful accounts. The Organization extends credit to its clients. By their nature, accounts receivable involve risk, including the credit risk of nonperformance by the client. Receivables are considered past due after 30 days. As of June 30, 2020 and 2019, receivables in excess of 90 days outstanding were approximately \$35,000 and \$61,000, respectively. The allowance for uncollectible accounts is based on 1% of associated residential treatment fees. At June 30, 2020 and 2019, the Organization had an allowance of approximately \$20,000 and \$15,000, respectively, which management believes is adequate to absorb estimated losses to be incurred in realizing the recorded amounts of its accounts receivable. Accounts deemed uncollectible are charged to the allowance.

**THOMPSON CHILD & FAMILY FOCUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their face value. Unconditional promises are considered past due one year from the pledge date, and those that are expected to be collected in future years are recorded at the net present value. The discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. The discount rate was 0.43% and 2.29% for pledges made in the years ended June 30, 2020 and 2019, respectively. Amortization of the discount is included in contribution revenue. Allowance for uncollectible pledges are determined based on the Organization's experience with the donor and varies between 0.50% and 5.0%. Accounts determined to be uncollectible are charged to the allowance.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Conditional contributions whose conditions are met in the same reporting period in which they are received are reported as unconditional contributions. There were no such conditional promises as of June 30, 2020 and 2019, respectively.

Designated Investments

Designated investments are recorded at fair value which is determined by reference to exchange quoted market prices at year end. Unrealized gains and losses are included in the statements of activities.

Property and Equipment, Net

Property and equipment additions whose useful life exceeds one year are recorded at cost, if purchased, and at appraised or estimated fair value at the time of donation, if received as gifts. Donated property is reported as support without donor restrictions unless the donor restricts the donated asset to a specific purpose. Minor renewals and replacements are expensed when incurred. When buildings and equipment are retired, the cost and related accumulated depreciation are removed from the accounts with any gain or loss recognized in the statements of activities. The Organization capitalizes all nonexpendable property acquisitions of \$5,000 or more. Depreciation is computed by the straight-line method over the estimated economic lives of the respective assets.

Deferred Income

Income from program fees and grants is recognized in the period to which it relates.

Donated Materials and Services

Certain donated materials and professional services are recorded as contribution revenue and expensed at their actual or estimated fair market values on the date of receipt, if the materials or services received create or enhance long-lived assets or require specialized skills, are performed by individuals possessing those skills, and would typically need to be purchased if not provided by donations. During the years ended June 30, 2020 and 2019, donated professional services were \$-0- and \$450, respectively. During the years ended June 30, 2020 and 2019, donated materials that met the requirements for recognition on the financial statements were approximately \$2,100 and \$-0-, respectively.

**THOMPSON CHILD & FAMILY FOCUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services (Continued)

A number of volunteers, including members of the board of directors and its committees as well as various volunteer assistants, contribute significant amounts of time to further the Organization's programs. The value of volunteer contributed time does not meet criteria for recognition of contributed services and, accordingly is not reflected as support in the accompanying financial statements.

Expense Allocation

The Organization's functional expense classification and allocation policy is based on a review of the current organizational structure, and the identification, reclassification and allocation of certain employee, facility, and departmental expenses, which serve multiple functional areas.

Fair Value of Financial Instruments

The Organization has estimated the fair value of its financial instruments using available market information and other valuation methodologies in accordance with ASC 820 *Fair Value Measurements and Disclosures*. Accordingly, the estimates presented are not necessarily indicative of the amount that the Organization could realize in a current market exchange. Determinations of fair value are based on subjective data and significant judgment relating to timing of payments, collections, and the amount to be realized. Different market assumptions and/or estimation methodologies might have a material effect on the estimated fair value amounts.

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1 – Inputs that utilize quote prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

**THOMPSON CHILD & FAMILY FOCUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

The fair value of each class of financial instruments for which it is practicable to estimate the fair value were determined as follows:

Cash and Cash Equivalents – The carrying value of these instruments is a reasonable estimate of fair value based on their short-term nature.

Beneficial Interest in Split Interest Agreements, Designated Investments, Beneficial Interest in Perpetual Trusts and Endowments – The Organization reports all investments in equity and debt securities at fair value. The fair value for investments traded on national securities exchanges is the closing price on the last business day of the year. Investments not traded on national securities exchanges are valued based on monthly reports from the asset managers.

Unconditional Promises to Give – The fair value of unconditional promises to give that are due in more than one year is estimated by discounting expected future cash flows over the expected collection period using an interest rate applicable to the year in which the promise is received.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Additionally, the Organization is not a private foundation pursuant to Internal Revenue Code Section 509(a)(1).

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise of other taxes.

U.S. GAAP requires an organization to recognize a tax benefit of expense from uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. Management believes the Organization had no uncertain tax position as of June 30, 2020 or 2019.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation, with no effect on the previously reported net assets or change in net assets.

**THOMPSON CHILD & FAMILY FOCUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of the Organization's 2020 operations and financial results including but not limited to additional costs for emergency preparedness or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of October 23, 2020.

Subsequent Events

Subsequent events were evaluated through October 23, 2020, the date the financial statements were available to be issued.

NOTE 3 LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of June 30, 2020 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	2020	2019
Cash and Cash Equivalents	\$ 4,599,839	\$ 1,211,251
Investment Securities	28,339,671	26,824,965
Receivables	1,710,957	1,593,543
Promises to Give	489,594	325,321
Total Net Financial Assets Available to Meet Liquidity Needs	\$ 35,140,061	\$ 29,955,080

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4 CONCENTRATIONS

Medicaid represented 40% and 31% of total revenue for the years ended June 30, 2020 and 2019, respectively, and 64% and 48% of net receivables as of June 30, 2020 and 2019.

**THOMPSON CHILD & FAMILY FOCUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 PROMISES TO GIVE

Unconditional promises to give are included in the financial statements as promises to give and revenue of the appropriate net asset classification. Unconditional promises to give at June 30 consisted of the following:

	2020	2019
Unconditional Promises to Give	1,008,466	850,649
Less: Unamortized Discount	(3,852)	(40,820)
Less: Allowance for Uncollectible Promises	(23,887)	(41,884)
Unconditional Promises to Give, Net	<u>\$ 980,727</u>	<u>\$ 767,945</u>

Unconditional promises to give at face value at June 30 were as follows:

	2020	2019
Receivable in Less than One Year	\$ 489,594	\$ 325,321
Receivable in One to Five Years	505,353	500,472
Receivable in More than Five Years	13,519	24,856
Total	<u>\$ 1,008,466</u>	<u>\$ 850,649</u>

NOTE 6 NOTE RECEIVABLE AND COMPENSATION AGREEMENT

The Organization has a compensation agreement with an employee whereby an interest-bearing loan of \$300,000 was made in connection with a policy premium paid for a split dollar agreement dated June 15, 2020 to establish a life insurance program for the employee's benefit. The unpaid principal balance shall accrue interest at the rate of 1.5% per year and accrued but unpaid interest shall be compounded annually on the anniversary of the loan. Per the split dollar agreement, the Organization is responsible to loan the amounts required for payment of the scheduled premiums under the policy for the first 10 years that the policy is in force. To secure the repayment to the Organization of the outstanding loan balance, the employee has assigned the policy to the Organization as collateral. The receivable will be repaid to the Organization in the event of one of the following: upon default of the agreement, upon termination of employment, or upon the insured's death.

NOTE 7 BENEFICIAL INTEREST IN SPLIT INTEREST AGREEMENTS

The Organization is a party to two types of split-interest agreements. It reports separately the assets and liabilities of its split-interest agreements in its statements of financial position, and it reports separately contribution revenue from split-interest agreements and the change in valuation of split-interest agreements in its statements of activities.

**THOMPSON CHILD & FAMILY FOCUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 BENEFICIAL INTEREST IN SPLIT INTEREST AGREEMENTS (CONTINUED)

Beneficial Interest in Charitable Remainder Trusts

As of June 30, 2020, the Organization is a beneficiary in two charitable remainder trusts administered by third party trustees. The Organization records the future interest based on the current market value of the Organization's interest in the trusts since this approximates the net present value of the estimated future cash receipts. The split-interest agreements specify that these funds are restricted for various purposes.

Beneficial Interest in Charitable Lead Annuity Trust

One donor has established a trust naming the Organization as the lead beneficiary of a charitable lead annuity trust. Under the terms of the split-interest agreement, the Organization is to receive up to \$64,000 annually through 2021. The trust was depleted during the year ended June 30, 2019. The split-interest agreement specifies that the trust is restricted.

The value of split interest agreements were at June 30, 2020 and 2019 were approximately \$4,427,000 and \$4,302,000, respectively.

NOTE 8 BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Organization has been named as an income beneficiary of perpetual trust funds administered by third party trustees whose market value at June 30, 2020 and 2019 were approximately \$7,750,000 and \$8,052,000, respectively. When the Organization is notified of the existence of a trust, the related perpetually restricted asset and restricted contribution revenue are recorded at the fair market value of the contribution which approximates the net present value of the estimated future cash receipts. Distributions from these trusts are included in income and are both with and without donor restrictions. Changes in the fair market value of the trusts are reflected in the statements of activities as gain or loss on value of perpetual trusts.

NOTE 9 ENDOWMENTS

The Organization has received contributions and pledges which were restricted in perpetuity by the donors. The income from these funds is both with and without donor restrictions. Upon receipt, these funds are transferred to the endowments account.

THOMPSON CHILD & FAMILY FOCUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 ENDOWMENTS (CONTINUED)

The board of trustees endeavors to preserve the purchasing power of the perpetual endowment funds unless explicit donor stipulations specify how net appreciation must be used. To meet that objective, the Organization's endowment management policies require that a total return method be used to determine the amount of income and appreciation withdrawn from the endowments for use in operations. State law allows the board of trustees to appropriate so much of net appreciation as is prudent considering the Organization's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Under the Organization's endowment spending policy, 5% of the sixteen (16) quarter moving average of the endowment market value is appropriated toward operations and capital expenditures for the period, and the board of trustees may approve more funds to be appropriated as necessary.

Management of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted into law by North Carolina in March 2009, 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, Thompson Child & Family Focus classifies as net assets with donor restrictions – restricted in perpetuity (a) the original value of gifts, (b) the original value of subsequent gifts, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The perpetual endowment funds remain in net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization 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 Organization 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/depreciation of investments, (6) Other resources of the Organization, and (7) The investment policies of the Organization.

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets without donor restrictions. A deficiency of approximately \$108,000 and \$98,000 was reported in net assets without donor restrictions as of June 30, 2020 and 2019.

**THOMPSON CHILD & FAMILY FOCUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 9 ENDOWMENTS (CONTINUED)

Endowment Funds consist of funds without donor restrictions and with donor restrictions. The Endowment Funds without donor restrictions are all Board designated funds. Changes in donor restricted and board designated endowment funds for the years ended June 30 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - June 30, 2018	\$ 552,268	\$ 1,652,353	\$ 2,204,621
Investment Return, Net of Fees	77,510	29,305	106,815
Appropriations of Assets for Expenditure	-	-	-
Change in Cash Equivalents	-	(34,093)	(34,093)
Endowment Net Assets - June 30, 2019	629,778	1,647,565	2,277,343
Investment Return, Net of Fees	10,926	(11,090)	(164)
Contributions to Endowment	-	715,036	715,036
Appropriations of Assets for Expenditure	-	(80,000)	(80,000)
Change in Cash Equivalents	-	(10,304)	(10,304)
Endowment Net Assets - June 30, 2020	<u>\$ 640,704</u>	<u>\$ 2,261,207</u>	<u>\$ 2,901,911</u>

Description of amounts classified as net assets with donor restrictions (endowment only) as required by Uniform Prudent Management of Institutional Funds Act (UPMIFA):

	2020	2019
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA.	\$ 1,317,162	\$ 1,317,162
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
With purpose restrictions	944,045	330,403
Total endowment funds classified as net assets with donor restrictions	<u>\$ 2,261,207</u>	<u>\$ 1,647,565</u>

The investment composition of endowment investments at June 30 were as follows:

	2020	2019
Equity Funds	\$ 1,646,464	\$ 1,264,996
Fixed Income Funds	248,187	162,302
Mutual Funds	1,007,260	850,045
Total	<u>\$ 2,901,911</u>	<u>\$ 2,277,343</u>

**THOMPSON CHILD & FAMILY FOCUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 DESIGNATED INVESTMENTS

Investments are recorded at fair market value and at June 30 were as follows:

	2020	2019
Equity Funds	\$ 15,439,222	\$ 15,419,478
Fixed Income Funds	2,192,438	2,069,885
Mutual Funds	9,351,092	8,021,271
Nontraditional/Alternative	2,918,429	2,818,653
Total	<u>\$ 29,901,181</u>	<u>\$ 28,329,287</u>

At June 30, 2020 the following investments represented a significant concentration (over 5% of total fair value of designated investments) of market risk:

	Amount at Risk	Percent of Total Investments
Lord Abbott SHT Duration Inc F	\$ 2,014,310	6.7%
BlackRock Strategic Income Opportunity	\$ 2,040,002	6.8%
American Core Realty Fund	\$ 1,809,770	6.1%
Invesco Conservative Inc A	\$ 1,858,150	6.2%

Investment return on designated and endowment investments was comprised of the following for the years ended June 30:

	2020	2019
Investment Income, Net of Fees	\$ 717,548	\$ 543,902
Realized Net Gain (Loss) on Sales of Investments	287,240	167,844
Unrealized Gain (Loss) on Investments	(539,502)	926,965
Total	<u>\$ 465,286</u>	<u>\$ 1,638,711</u>

Investment income is shown net of investment expense of approximately \$178,000 for the years ended June 30, 2020 and 2019. During the years ended June 30, 2020 and 2019, no board designated investments were determined to be expendable for operations and other purposes. In addition, during the years ended June 30, 2020 and 2019, \$500,000 and \$737,000, respectively, were determined to be expendable for debt service on notes and bonds payable.

The following is a roll-forward of investment balances, including the Endowment investments, for the year ended June 30, 2020:

	General	Anonymous	Endowment	Total
Balance - Beginning of Year	\$ 26,824,965	\$ 1,504,322	\$ 2,277,343	\$ 30,606,630
Cash Equivalents, Prior Year	631,609	37,872	60,194	729,675
Total Investment Return	564,443	57,132	21,958	643,533
Investment Management Fees	(146,668)	(9,457)	(22,122)	(178,247)
Contributions	1,858,158	-	715,036	2,573,194
Appropriations of Assets for Expenditure	(500,000)	-	(80,000)	(580,000)
Cash Equivalents, Current Year	(892,836)	(28,359)	(70,498)	(991,693)
Balance - End of Year	<u>\$ 28,339,671</u>	<u>\$ 1,561,510</u>	<u>\$ 2,901,911</u>	<u>\$ 32,803,092</u>

**THOMPSON CHILD & FAMILY FOCUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 11 PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at June 30 were as follows:

	2020	2019
Land and Improvements	\$ 1,910,872	\$ 1,892,505
Buildings and Improvements	20,358,278	20,350,247
Furniture and Equipment	2,100,537	1,862,781
Vehicles	173,137	173,137
Total	<u>24,542,824</u>	<u>24,278,670</u>
Less: Accumulated Depreciation	(11,105,971)	(10,294,449)
Total	<u>13,436,853</u>	<u>13,984,221</u>
Construction in Progress	106,640	-
Property and Equipment, Net	<u>\$ 13,543,493</u>	<u>\$ 13,984,221</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was approximately \$582,000 and \$585,000, respectively. Construction in progress at June 30, 2020 consisted of playground equipment.

NOTE 12 LONG-TERM DEBT

Note Payable

The Organization has term note payable to a bank in monthly installments of \$10,104 plus interest at one-month London Interbank Offered Rate (LIBOR) plus 1.65% and has a final maturity of October 2024. The note is collateralized by property and a guaranty agreement. Interest accrues on the outstanding balance at a variable rate of 1.65% plus the one-month LIBOR.

In May 2020, the Organization entered into a new unsecured promissory note (the Note) with a lender in the amount of \$2,064,832 under the Paycheck Protection Program (PPP) established by section 1102 of the CARES Act and as implemented and administered by the Small Business Administration (SBA). Under the terms of the agreement, the Note bears an interest rate of 1.0% and will be repaid in 18 monthly installments beginning December 2020. The outstanding balance on the Note at June 30, 2020 was approximately \$2,064,832. Under the PPP, all or a portion of this loan may be forgiven. The actual amount of the loan forgiveness will depend, in part, on the total amount of payroll costs, rent payments, and utility payments paid by the Agency during the twenty four week period following the Note. Management anticipates applying for full forgiveness of this loan during the year ending June 30, 2021.

Bond Payable

The Organization has a tax-exempt bond payable (Special Purpose Revenue Bonds) that is held by the bank that provided the term note payable. The bond was issued by the Mecklenburg County Industrial Facilities and Pollution Control Financing Authority. The bond is payable in monthly principal payments of \$33,333 as of June 30, 2019 with annual adjustments plus interest at 0.68% of one-month LIBOR plus 1.14% with a final balloon payment due October 2024. The bond is cross collateralized with the note payable.

**THOMPSON CHILD & FAMILY FOCUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 LONG-TERM DEBT (CONTINUED)

Bond Payable (Continued)

The Organization is required to comply with certain restrictive covenants as defined in the guaranty agreement. As of June 30, 2020, management believes the Organization was in compliance with these requirements.

Maturity of long-term debt is as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2021	\$ 1,178,806
2022	2,075,618
2023	607,767
2024	617,671
2025	7,431,586
Total	<u>\$ 11,911,448</u>

NOTE 13 LINE OF CREDIT

As part of the Organization's investment strategy, all investment holdings previously held by Merrill Lynch were transferred to Morgan Stanley. As a result of this transaction, a new Portfolio Loan Account (PLA) was established with Morgan Stanley, with a maximum borrowing capacity of \$5,000,000. The PLA is secured by the investment accounts held by Morgan Stanley. Outstanding draws on the PLA bear interest at rates dependent on the amount of outstanding borrowings, ranging from 2.25% to 5.00%. All amounts due under the PLA agreement are due upon demand. There were no amounts outstanding at June 30, 2020 and 2019.

**THOMPSON CHILD & FAMILY FOCUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 14 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted to the following at June 30:

	2020	2019
Restricted for Purpose:		
Child Development Center	\$ 1,779,761	\$ 1,741,251
General Care of Abused Children	21,285	20,818
Educational Purposes	788,225	91,156
Friends of the Children - Charlotte	500,000	-
Repair and Maintenance of the Playground	7,921	12,617
Repair and Maintenance of the Chapel	7,220	5,611
Repair and Maintenance of Cottages	-	19,970
Therapeutic Foster Care	484,168	-
Restricted for Time:		
Beneficial Interest in Split Interest Trust	4,426,825	4,342,899
United Way	36,095	-
Promises to Give	419,932	-
Investment in Perpetuity, the Income from which is Expendable to Support:		
Hiking Camping or Outdoor Sports	6,800	6,800
Educational Purposes	264,732	269,373
Repair and Maintenance of the Chapel	175,000	175,000
Repair and Maintenance of Cottages	100,000	100,000
Repair and Maintenance of Playground	25,000	25,000
General Care of Abused Children	31,555	31,555
Summer Recreational Purposes	25,000	25,000
Early Childhood Programs	151,500	151,500
General Purposes of the Organization	7,672,480	7,865,435
General Purposes of the School	1,401,432	1,438,328
Child Development Center	284,427	284,427
	\$ 18,609,358	\$ 16,606,740

NOTE 15 EMPLOYEE RETIREMENT PLAN

The Organization administers a defined contribution pension plan for the benefit of all employees who meet minimum age (21) and length of service (one year) requirements. Employer contributions are discretionary with full vesting occurring after three years of service.

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NOTE 16 FAIR VALUE MEASUREMENTS

The following table presents the fair value of financial assets and liabilities at June 30, 2020:

	Assets (Liabilities) at Fair Value			
	Fair Value	Level 1	Level 2	Level 3
Beneficial Interest in Split				
Interest Agreements	\$ 4,426,824	\$ -	\$ -	\$ 4,426,824
Designated Investments	29,901,181	26,982,752		2,918,429
Beneficial Interest in Perpetual				
Trusts	7,749,796	-	-	7,749,796
Endowments	2,901,911	2,901,911		-
Total	<u>\$ 44,979,712</u>	<u>\$ 29,884,663</u>	<u>\$ -</u>	<u>\$ 15,095,049</u>

The following table presents the fair value of financial assets and liabilities at June 30, 2019:

	Assets (Liabilities) at Fair Value			
	Fair Value	Level 1	Level 2	Level 3
Beneficial Interest in Split				
Interest Agreements	\$ 4,301,528	\$ -	\$ -	\$ 4,301,528
Designated Investments	28,329,287	25,510,634	-	2,818,653
Beneficial Interest in Perpetual				
Trusts	8,051,606	-	-	8,051,606
Endowments	2,277,343	2,277,343	-	-
Total	<u>\$ 42,959,764</u>	<u>\$ 27,787,977</u>	<u>\$ -</u>	<u>\$ 15,171,787</u>

The following table presents changes in assets and liabilities measured at fair value using Level 3 inputs on a recurring bases for the years ended June 30, 2020 and 2019:

Balance at June 30, 2018	\$ 12,435,168
Change in Net Assets	2,579,959
Investment Return, Net of Fees	316,880
Contributions	397
Disbursements	<u>(160,617)</u>
Balance at June 30, 2019	\$ 15,171,787
Change in Net Assets	99,776
Investment Return, Net of Fees	241,410
Contributions	780
Pending Disbursement	(67,319)
Disbursements	<u>(351,385)</u>
Balance at June 30, 2020	<u>\$ 15,095,049</u>

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NOTE 17 LEASES

The Organization has leases for certain real estate and office equipment. Rent expense for the years ended June 30, 2020 and 2019 was approximately \$153,000 and \$140,000, respectively. Future minimum lease payments under the Organization's leases as of June 30, 2020 are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2021	\$ 236,271
2022	175,030
2023	95,904
2024	95,904
2025	95,904
Thereafter	191,808
Total Minimum Rentals	<u>\$ 890,821</u>

NOTE 18 ACQUISITION

As of February 17, 2020, the Organization acquired another nonprofit organization, A Child's Place (ACP). As part of the acquisition no amounts were paid or provided to ACP. The Organization received cash, equipment, and other receivables as part of the acquisition. The Organization recognized contribution income for the fair value of the assets received of approximately \$1,157,000 in the accompanying statements of financial position. No goodwill was recognized as part of the transaction.