# THOMPSON CHILD & FAMILY FOCUS

# FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

# YEARS ENDED JUNE 30, 2021 AND 2020

**THOMPSON CHILD & FAMILY FOCUS**
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**YEARS ENDED JUNE 30, 2021 AND 2020**

CliftonLarsonAllen LLP
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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 statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Board of Trustees
Thompson Child & Family Focus

***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, 2021 and 2020, and the results of its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis-of-Matter Regarding Change in Accounting Principles***

As discussed in Note 2 to the financial statements, the Organization adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* and Financial Accounting Standards Board Accounting Standards Update 2016-18, *Statement of Cash Flows*. Our opinion is not modified with respect to these matters.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Charlotte, North Carolina
October 29, 2021

**THOMPSON CHILD & FAMILY FOCUS**
**STATEMENTS OF FINANCIAL POSITION**
**JUNE 30, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | $ 3,937,644 | $ 4,080,256 |
| Restricted Cash | 32,684 | 98,857 |
| Receivables | | |
| Treatment Services, Net of Allowance for Doubtful Accounts | 3,022,629 | 1,090,437 |
| Early Childhood | 375,490 | 367,677 |
| Other | 90,179 | 185,524 |
| Trust | - | 67,319 |
| Promises to Give, Net Current Portion | 353,833 | 489,594 |
| Prepaid Expenses | 138,996 | 147,891 |
| Investments | 34,667,118 | 30,420,764 |
| Total Current Assets | 42,618,573 | 36,948,319 |
| **PROMISES TO GIVE, NET** | 203,438 | 491,133 |
| **NOTE RECEIVABLE** | 2,973,267 | 300,000 |
| **BENEFICIAL INTEREST IN SPLIT INTEREST AGREEMENTS** | 5,026,069 | 4,426,824 |
| **BENEFICIAL INTEREST IN PERPETUAL TRUSTS** | 9,457,996 | 7,749,796 |
| **ENDOWMENTS** | 3,689,410 | 2,901,911 |
| **PROPERTY AND EQUIPMENT, NET** | 13,081,607 | 13,543,493 |
| Total Assets | $ 77,050,360 | $ 66,361,476 |

*See accompanying Notes to Financial Statements.*

# THOMPSON CHILD & FAMILY FOCUS
# STATEMENTS OF FINANCIAL POSITION (CONTINUED)
# JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts Payable and Accrued Expenses | $ 1,181,899 | $ 1,023,872 |
| Accrued Compensated Absences | 386,832 | 357,518 |
| Note Payable, Current Portion | 121,250 | 96,047 |
| Bond Payable, Current Portion | 431,668 | 492,561 |
| Capital Lease, Current Portion | 2,970 | 2,850 |
| Total Current Liabilities | 2,124,619 | 1,972,848 |
| **INTEREST RATE SWAP** | 110,879 | - |
| **CHARITABLE GIFT ANNUITIES PAYABLE** | - | 21,739 |
| **DEFERRED REVENUE** | 568,083 | - |
| **PAYCHECK PROTECTION PROGRAM LOAN** | 2,064,832 | 2,064,832 |
| **NOTE PAYABLE, NET OF CURRENT PORTION** | 1,439,821 | 1,569,399 |
| **BOND PAYABLE, NET OF CURRENT PORTION** | 7,241,580 | 7,688,609 |
| **CAPITAL LEASE, NET OF CURRENT PORTION** | - | 2,970 |
| Total Liabilities | 13,549,814 | 13,320,397 |
| **NET ASSETS** | | |
| Without Donor Restrictions | 42,147,647 | 34,431,721 |
| With Donor Restrictions | 21,352,899 | 18,609,358 |
| Total Net Assets | 63,500,546 | 53,041,079 |
| Total Liabilities and Net Assets | $ 77,050,360 | $ 66,361,476 |

*See accompanying Notes to Financial Statements.*

# THOMPSON CHILD & FAMILY FOCUS
## STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Totals |
|---|---|---|---|
| **REVENUES, GAINS, AND OTHER SUPPORT** | | | |
| Treatment Fees: | | | |
| Medicaid and Other Program Fees | $ 12,969,828 | $ - | $ 12,969,828 |
| Counties/Department of Social Services | 2,968,894 | - | 2,968,894 |
| Additional Program Fees and Revenues: | | | |
| Early Childhood Services - Tuition | 809,392 | - | 809,392 |
| Early Childhood Services - Grants | 4,808,340 | - | 4,808,340 |
| Total Treatment Fees | 21,556,454 | - | 21,556,454 |
| **CONTRIBUTIONS** | | | |
| Public Support | 2,990,722 | 481,435 | 3,472,157 |
| **OTHER INCOME (LOSS), NET** | | | |
| Investment Income, Net of Fees | 892,936 | 44,955 | 937,891 |
| Realized Net Gain on Investments | 1,513,697 | 78,151 | 1,591,848 |
| Unrealized Net Gain on Investments | 4,229,124 | 807,549 | 5,036,673 |
| Change in Value of Split-Interest Agreements | - | 599,245 | 599,245 |
| Change in Value of Perpetual Trusts | - | 1,640,882 | 1,640,882 |
| Change in Value of Swap Agreement | (110,879) | - | (110,879) |
| Loss on Disposal of Property and Equipment | (29,062) | - | (29,062) |
| Rental Income | 167,652 | - | 167,652 |
| Other Income | 100,490 | - | 100,490 |
| Total Other Income (Loss), Net | 6,763,958 | 3,170,782 | 9,934,740 |
| **NET ASSETS RELEASED FROM RESTRICTIONS** | 908,676 | (908,676) | - |
| Total Revenues, Gains, and Other Support | 32,219,810 | 2,743,541 | 34,963,351 |
| **EXPENSES** | | | |
| Program Services: | | | |
| Treatment Services | 7,614,588 | - | 7,614,588 |
| Community-Based Services | 8,322,934 | - | 8,322,934 |
| Early Childhood Services | 3,004,629 | - | 3,004,629 |
| Non-Treatment Residential | 640,844 | - | 640,844 |
| Supporting Services: | | | |
| Administrative | 3,873,682 | - | 3,873,682 |
| Resource Development and Public Relations | 1,047,207 | - | 1,047,207 |
| Total Expenses | 24,503,884 | - | 24,503,884 |
| **CHANGE IN NET ASSETS** | 7,715,926 | 2,743,541 | 10,459,467 |
| Net Assets - Beginning of Year | 34,431,721 | 18,609,358 | 53,041,079 |
| **NET ASSETS - END OF YEAR** | $ 42,147,647 | $ 21,352,899 | $ 63,500,546 |

*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), NET** | | | |
| 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 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) |
| Rental Income | 138,915 | - | 138,915 |
| Other Income | 98,781 | - | 98,781 |
| Total Other Income (Loss), Net | 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 FUNCTIONAL EXPENSES
# YEAR ENDED JUNE 30, 2021

| | Program Services | | | | | | | | Support Services | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Treatment Services | | Community Based Services | | | | | | | | | |
| | | | Foster Care | | | | | | | | | |
| | Residential Services | Clinical and Medical | Department of Social Services | Mental Health | Community Support Services | Early Childhood Services | Non-Treatment Residential | Total Program Services | Administrative | Resource Development and Public Relations | Total Support Services | Total |
| Compensation and Related Expenses: | | | | | | | | | | | | |
| Salaries and Wages | $ 3,734,069 | $ 678,432 | $ 575,329 | $ 628,289 | $ 1,840,735 | $ 1,603,905 | $ 369,135 | $ 9,429,894 | $ 1,688,813 | $ 594,946 | $ 2,283,759 | $ 11,713,653 |
| Employee Benefits | 271,750 | 58,815 | 49,718 | 54,294 | 195,728 | 168,151 | 22,259 | 820,715 | 599,357 | 41,144 | 640,501 | 1,461,216 |
| Payroll Taxes | 346,405 | 59,094 | 62,837 | 68,622 | 167,919 | 147,339 | 31,736 | 883,952 | 120,135 | 26,109 | 146,244 | 1,030,196 |
| Workers' Compensation Insurance | 98,213 | 18,302 | 14,693 | 16,046 | 51,182 | 42,738 | 9,662 | 250,836 | 19,623 | 6,285 | 25,908 | 276,744 |
| Total Compensation and Related Expenses | 4,450,437 | 814,643 | 702,577 | 767,251 | 2,255,564 | 1,962,133 | 432,792 | 11,385,397 | 2,427,928 | 668,484 | 3,096,412 | 14,481,809 |
| Other Expenses: | | | | | | | | | | | | |
| Professional and Legal Fees | 9,525 | - | - | - | - | - | - | 9,525 | 30,232 | - | 30,232 | 39,757 |
| Cleaning Services | 13,113 | 3,110 | 3,468 | 3,788 | 50,986 | 37,430 | - | 111,895 | 28,134 | - | 28,134 | 140,029 |
| Contract Services | 364,920 | 432,557 | 11,370 | 12,417 | 43,556 | 90,677 | 2,677 | 958,174 | 194,616 | 76,431 | 271,047 | 1,229,221 |
| Office | 5,011 | 4,454 | 3,655 | 3,992 | 1,376 | 16,786 | 1,763 | 37,037 | 5,969 | 719 | 6,688 | 43,725 |
| Printing and Postage | 25,544 | 3,991 | 4,598 | 5,021 | 15,793 | 15,381 | 3,248 | 73,576 | 16,614 | 36,441 | 53,055 | 126,631 |
| Household | 20,673 | 743 | 654 | 715 | 10,156 | 39,592 | 5,247 | 77,780 | 20,082 | - | 20,082 | 97,862 |
| Educational | - | 6,867 | 11,146 | 12,171 | 180 | 117,620 | - | 147,984 | - | - | - | 147,984 |
| Food | 116,787 | - | 372 | 407 | 4,230 | 104,430 | 27,488 | 253,714 | 4,295 | 886 | 5,181 | 258,895 |
| Clothing and Health Supplies | 20,416 | - | 1,140 | 1,244 | 304 | - | 816 | 23,920 | 30 | - | 30 | 23,950 |
| Recreation and Other Activities | 78,025 | 894 | 36,027 | 39,344 | 37,025 | 39,135 | 21,969 | 252,419 | 153 | - | 153 | 252,572 |
| Utilities | 58,192 | 3,799 | 4,728 | 5,163 | 36,730 | 44,599 | 10,625 | 163,836 | 58,626 | - | 58,626 | 222,462 |
| Repairs and Maintenance: | | | | | | | | | | | | |
| Building and Grounds | 486,559 | 16,906 | 55,880 | 61,024 | 128,427 | 147,285 | 71,154 | 967,235 | 190,877 | 4,479 | 195,356 | 1,162,591 |
| Vehicles | 2,868 | - | 963 | 1,052 | - | - | 626 | 5,509 | 20,900 | - | 20,900 | 26,409 |
| Computers | 17,023 | 5,938 | 1,546 | 1,689 | 29,589 | 6,120 | 5,909 | 67,814 | 257,966 | 63,817 | 321,783 | 389,597 |
| Telephone | 30,608 | 21,825 | 15,308 | 16,717 | 70,751 | 68,094 | 3,559 | 226,862 | 88,996 | 7,685 | 96,681 | 323,543 |
| Travel | 104 | 3,600 | 5,126 | 5,598 | 15,013 | 6,628 | 39 | 36,108 | 3,497 | 2,386 | 5,883 | 41,991 |
| Staff Development and Conferences | 64,293 | 13,412 | 29,066 | 31,742 | 57,922 | 34,002 | 3,582 | 234,019 | 68,189 | 4,527 | 72,716 | 306,735 |
| Insurance | 61,989 | 9,089 | 8,693 | 9,494 | 28,219 | 32,303 | 7,828 | 157,615 | 13,399 | 7,365 | 20,764 | 178,379 |
| Dues, Subscriptions, and Memberships | 120 | 49 | 790 | 862 | 4,086 | 6,525 | 26 | 12,458 | 54,564 | 21,787 | 76,351 | 88,809 |
| Licenses and Fees | 4,194 | 3,130 | 197 | 215 | 14,387 | 1,142 | 751 | 24,016 | 2,263 | 769 | 3,032 | 27,048 |
| Miscellaneous | 1,032 | 2,006 | 68 | 74 | 6,186 | 34,645 | - | 44,011 | 17,380 | 7,522 | 24,902 | 68,913 |
| Bad Debt | 62,943 | 26,182 | 35,337 | 38,590 | 52,223 | - | - | 215,275 | - | 2,738 | 2,738 | 218,013 |
| Miscellaneous Staff Expense | 60,563 | 3,344 | 11,169 | 12,197 | 9,831 | 15,603 | 4,018 | 116,725 | 59,936 | 16,238 | 76,174 | 192,899 |
| Rent | 67,040 | 3,384 | 31,773 | 34,697 | 90,983 | - | 11,160 | 239,037 | 8,791 | - | 8,791 | 247,828 |
| Public Relations | - | 539 | 28,178 | 30,772 | 88 | 821 | - | 60,398 | 3,000 | 119,717 | 122,717 | 183,115 |
| Interest Expense | - | - | - | - | 486 | - | - | 486 | 171,525 | - | 171,525 | 172,011 |
| Amortization of Bond Issuance Costs | - | - | - | - | - | - | - | - | 27,590 | - | 27,590 | 27,590 |
| Foster Care Recruiting/Training | - | - | 10,241 | 11,183 | - | - | - | 21,424 | - | - | - | 21,424 |
| Foster Parent Payments | - | - | 2,276,524 | 914,641 | - | - | - | 3,191,165 | - | - | - | 3,191,165 |
| Total Other Expenses | 1,571,542 | 565,819 | 2,588,017 | 1,254,809 | 708,527 | 858,818 | 182,485 | 7,730,017 | 1,347,624 | 373,507 | 1,721,131 | 9,451,148 |
| Expenses Before Depreciation | 6,021,979 | 1,380,462 | 3,290,594 | 2,022,060 | 2,964,091 | 2,820,951 | 615,277 | 19,115,414 | 3,775,552 | 1,041,991 | 4,817,543 | 23,932,957 |
| Depreciation | 155,373 | 56,774 | 10,557 | 11,528 | 24,104 | 183,678 | 25,567 | 467,581 | 98,130 | 5,216 | 103,346 | 570,927 |
| Total Expenses | $ 6,177,352 | $ 1,437,236 | $ 3,301,151 | $ 2,033,588 | $ 2,988,195 | $ 3,004,629 | $ 640,844 | $ 19,582,995 | $ 3,873,682 | $ 1,047,207 | $ 4,920,889 | $ 24,503,884 |

*See accompanying Notes to Financial Statements.*

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

| | Program Services | | | | | | | | Support Services | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Treatment Services | | Community Based Services | | | | | | | | | |
| | | | Foster Care | | | | | | | | | |
| | Residential Services | Clinical and Medical | Department of Social Services | Mental Health | Community Support Services | Early Childhood Services | Non-Treatment Residential | Total Program Services | Administrative | Resource Development and Public Relations | Total Support Services | Total |
| 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
## STATEMENTS OF CASH FLOWS
## YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ 10,459,467 | $ 3,693,240 |
| Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used in) Operating Activities: | | |
| Depreciation | 570,927 | 582,289 |
| Amortization of Bond Issuance Costs | 27,590 | 7,158 |
| Change in Allowance for Doubtful Accounts | 177,734 | (13,089) |
| Change in Amortization of Discount on Promises to Give | 584 | (36,968) |
| Loss on Sales of Property and Equipment | 29,062 | - |
| Contributed Equipment | - | (9,809) |
| Realized Net Gain on Investments | (1,591,848) | (287,240) |
| Unrealized Net (Gain) Loss on Investments | (5,036,673) | 539,502 |
| Reinvested Investment Income | (18,936) | (717,548) |
| Change in Fair Market Value of Swap Agreement | 110,879 | - |
| (Increase) Decrease in Assets: | | |
| Promises to Give | 429,998 | (157,817) |
| Note Receivable | (2,673,267) | (300,000) |
| Receivables | (1,962,201) | (122,322) |
| Beneficial Interest in Split-Interest Agreements | (599,245) | (125,296) |
| Beneficial Interest in Perpetual Trusts | (1,708,200) | 301,810 |
| Prepaid Expenses and Other Assets | 8,895 | (133,342) |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable and Accrued Expenses | 158,027 | 227,209 |
| Deferred Income | 568,083 | - |
| Accrued Compensated Absences | 29,314 | 63,677 |
| Charitable Gift Annuities Payable | (21,739) | 7,595 |
| Net Cash Provided by (Used in) Operating Activities | (1,041,549) | 3,519,049 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of Property and Equipment | (138,103) | (18,368) |
| Proceeds from Sales and Maturities of Investments | 9,004,501 | 9,725,464 |
| Purchase of Investments | (7,390,897) | (11,976,223) |
| Net Cash Provided by (Used in) Investing Activities | 1,475,501 | (2,269,127) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from Paycheck Protection Program Loan | - | 2,064,832 |
| Principal Payments on Debt Obligations | (629,188) | (444,958) |
| Payment of Debt Issuance Costs | (13,549) | - |
| Net Cash Provided by (Used in) Financing Activities | (642,737) | 1,619,874 |
| **NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH** | (208,785) | 2,869,796 |
| Cash, Cash Equivalents, and Restricted Cash - Beginning | 4,179,113 | 1,309,317 |
| **CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - ENDING** | $ 3,970,328 | $ 4,179,113 |
| Cash and Cash Equivalents | $ 3,937,644 | $ 4,080,256 |
| Restricted Cash | 32,684 | 98,857 |
| Total Cash, Cash Equivalents, and Restricted Cash | $ 3,970,328 | $ 4,179,113 |
| **SUPPLEMENTAL CASH FLOW INFORMATION** | | |
| Purchase of Construction in Progress Included in Accounts Payable | $ - | $ 106,640 |

*See accompanying Notes to Financial Statements.*

## 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. In June 2021, the Organization entered into a contract with another not-for-profit organization to begin providing case management services to three counties in Florida. As of June 30, 2021, no case management services had been provided under this contract.

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 accepted 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.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Adoption of New Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's financial statements reflect the application of Topic 606 guidance beginning in 2018, as Topic 606 was adopted using the full retrospective approach. No cumulative effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

During the year ended June 30, 2020, the Organization adopted ASU 2016-18, *Statement of Cash Flows*. The 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 net assets.

### Future Accounting Pronouncements

In June 2020, the FASB issued ASU 2020-05, *Leases (Topic 842)*. The amendments in the update increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statements of financial position and disclosing key information about leasing arrangements. The guidance is required to be applied by the Organization for the year ended June 30, 2023; however, early adoption is permitted. The Organization is currently evaluating the effect that the standard will have on the financial statements.

### 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.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue Recognition

To determine revenue recognition for the arrangements that the Organization determines are within the scope of Topic 606, the Organization performs the following five steps: (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when the Organization satisfies a performance obligation.

Treatment fee revenue and tuition is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for treatment services and tuition, respectively. These amounts are due from third-party payors, including Medicaid and other government departments. Generally, the Organization bills the third-party payors after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on amounts expected to be received under its agreements. The organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue for performance obligations satisfied at a point in time is generally recognized when expenses have been incurred, or when specific events have occurred, and the Organization does not believe it is required to provide additional services related to the obligation.

### Contributions and Support

Contributions received are recorded as net assets with or without donor restrictions support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. 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 with conditions met in the same reporting period in which they are received are reported as unconditional contributions.

Grant awards are evaluated by management and determined to either be unconditional contributions, exchange transactions, or conditional contributions. If considered to be an unconditional contribution, revenue from grants is recorded upon notification of the award. If considered to be an exchange transaction, revenue from grants is recorded as expenses are incurred under the terms of the respective grant agreement. If considered to be a conditional contribution, revenue from grants is recorded at the time the conditions on which they depend have been met.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Contributions and Support (Continued)

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position. The Organization had received approximately $568,000 and $-0- as of June 30, 2021 and 2020, respectively, for which no qualifying expenditures have been incurred.

### 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, Net of Allowance for Doubtful Accounts

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, 2021 and 2020, receivables in excess of 90 days outstanding were approximately $1,062,000 and $35,000, respectively. The allowance for uncollectible accounts is based on historical collections. At June 30, 2021 and 2020, the Organization had an allowance of approximately $205,000 and $20,000, 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.

### 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 1.02% and 0.43% for pledges made in the years ended June 30, 2021 and 2020, respectively. Amortization of the discount is included in contribution revenue. Allowance for uncollectible pledges is determined based on the Organization's experience with the donor. 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 with conditions 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, 2021 and 2020, respectively.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investments

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.

### 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, 2021 and 2020, no donated professional services met the requirements for recognition. During the years ended June 30, 2021 and 2020, donated materials that met the requirements for recognition on the financial statements were approximately $200 and $2,100, respectively.

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.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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, Unrestricted 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.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Interest Rate Swap

In June 2021, the Organization entered into three separate interest rate swap agreements (Swaps) with a financial institution with the objective of minimizing the risks and costs associated with its variable rate debt. The payments made or received by the Organization are based on a monthly resetting rate ranging from 83.4% to 100% of the 1-month LIBOR rate plus a spread ranging from 1.397% to 1.65%, compared to fixed interest rates of 2.42% to 2.80%. The initial notional amount of the Swaps is $9,256,000, and the agreements terminate on various dates in June 2028.

The Swaps are valued utilizing pricing models which use inputs such as interest rate forecasts and notional amounts. Fair value measurements for the Organizations Swaps are classified under Level 2 of the fair value hierarchy because such measurements are based on significant unobservable inputs.

### 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, 2021 or 2020.

### Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation, with no effect on the previously reported net assets or change in net assets.

### Risks and Uncertainties

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts the Organization’s results are dependent on the breadth and duration of the pandemic and could be affected by other factors currently unable to be predicted. These impacts may include, but are 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 is unknown and cannot be reasonably estimated at this time.

## NOTE 3 LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of June 30, 2021 and 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.

| | 2021 | 2020 |
|---|---|---|
| Cash and Cash Equivalents | $ 3,937,644 | $ 4,080,256 |
| Investments | 32,688,042 | 28,859,254 |
| Receivables | 3,488,298 | 1,710,957 |
| Promises to Give | 353,833 | 489,594 |
| Total Net Financial Assets Available to Meet Liquidity Needs | $ 40,467,817 | $ 35,140,061 |

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 32% and 39% of total revenue for the years ended June 30, 2021 and 2020, respectively, and 55% and 64% of net receivables as of June 30, 2021 and 2020.

## 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 on June 30 consisted of the following:

| | 2021 | 2020 |
|---|---|---|
| Unconditional Promises to Give | 578,468 | 1,008,466 |
| Less: Unamortized Discount | (4,436) | (3,852) |
| Less: Allowance for Uncollectible Promises | (16,761) | (23,887) |
| Unconditional Promises to Give, Net | $ 557,271 | $ 980,727 |

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

| | 2021 | 2020 |
|---|---|---|
| Receivable in Less than One Year | $ 353,833 | $ 489,594 |
| Receivable in One to Five Years | 223,635 | 505,353 |
| Receivable in More than Five Years | 1,000 | 13,519 |
| Total | $ 578,468 | $ 1,008,466 |

## NOTE 6 NOTE RECEIVABLE AND COMPENSATION AGREEMENT

The Organization has a compensation agreement with an employee whereby an interest-bearing loan of up to $3,000,000 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. During the year ended June 30, 2021, the decision was made to fully fund the split dollar agreement to lock in historically low interest rates and was funded in February 2021 with a single premium annuity. The annuity is collaterally assigned to the Organization and triggers a payment annually to cover the cost of the split dollar program. 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 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.

As of June 30, 2021, 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.

The value of split interest agreements at June 30, 2021 and 2020 were approximately $5,026,000 and $4,427,000, 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, 2021 and 2020 were approximately $9,458,000 and $7,750,000, 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.

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 $80,000 and $108,000 was reported in net assets without donor restrictions as of June 30, 2021 and 2020.

## 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, 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 | 640,704 | 2,261,207 | 2,901,911 |
| Investment Return, Net of Fees | 209,763 | 539,916 | 749,679 |
| Change in Cash Equivalents | - | 37,820 | 37,820 |
| Endowment Net Assets - June 30, 2021 | $ 850,467 | $ 2,838,943 | $ 3,689,410 |

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

| | 2021 | 2020 |
|---|---|---|
| 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 | 1,521,781 | 944,045 |
| Total endowment funds classified as net assets with donor restrictions | $ 2,838,943 | $ 2,261,207 |

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

| | 2021 | 2020 |
|---|---|---|
| Equity Funds | $ 2,572,862 | $ 1,646,464 |
| Fixed Income Funds | 336,515 | 248,187 |
| Corporate Bonds | 298,417 | - |
| Mutual Funds | 481,616 | 1,007,260 |
| Total | $ 3,689,410 | $ 2,901,911 |

## NOTE 10 INVESTMENTS

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

| | 2021 | 2020 |
|---|---|---|
| Equity Funds | $ 18,466,356 | $ 15,439,222 |
| Fixed Income Funds | 1,848,169 | 1,553,873 |
| Corporate Bonds | 2,497,099 | 638,565 |
| Mutual Funds | 7,871,184 | 9,870,675 |
| Nontraditional/Alternative | 3,984,310 | 2,918,429 |
| Total | $ 34,667,118 | $ 30,420,764 |

At June 30, 2021, the following investments represented a significant concentration (over 5% of total fair value of investments) of market risk:

| | Amount at Risk | Percent of Total Investments |
|---|---|---|
| Lord Abbett SHT Duration Inc F (LDLFX) | $ 2,093,622 | 6.0% |
| BlackRock Strategic Income Opportunity | $ 2,497,134 | 7.2% |
| American Core Realty Fund | $ 1,812,227 | 5.2% |
| Invesco Conservative Income Fund | $ 1,863,749 | 5.4% |
| Ironwood Capital Management | $ 2,172,083 | 6.3% |

Investment return, net of fees, on investments (including Endowments) was comprised of the following for the years ended June 30:

| | 2021 | 2020 |
|---|---|---|
| Investment Income, Net of Fees | $ 937,891 | $ 717,548 |
| Realized Net Gain (Loss) on Sales of Investments | 1,591,848 | 287,240 |
| Unrealized Gain (Loss) on Investments | 5,036,673 | (539,502) |
| Total | $ 7,566,412 | $ 465,286 |

Investment income is shown net of investment expense of approximately $203,000 and $178,000 for the years ended June 30, 2021 and 2020, respectively. During the year ended June 30, 2021, the Organization determined funds to be expendable of approximately $2,673,000 for the purpose of prefunding the policy premium of the compensation agreement as further described in Note 6. No amounts were determined to be expendable for operations or other purposes during the year ended June 30, 2020. In addition, during the years ended June 30, 2021 and 2020, $-0- and $500,000, respectively, was determined to be expendable for debt service on notes and bonds payable.

## NOTE 10 INVESTMENTS (CONTINUED)

The following is a roll-forward of investment balances, including the Endowments, for the year ended June 30, 2021:

| | General | Anonymous | Endowment | Total |
|---|---|---|---|---|
| Balance - Beginning of Year | $ 28,859,254 | $ 1,561,510 | $ 2,901,911 | $ 33,322,675 |
| Cash Equivalents, Prior Year | 373,253 | 28,359 | 70,498 | 472,110 |
| Total Investment Return | 6,589,611 | 400,110 | 778,386 | 7,768,107 |
| Investment Management Fees | (162,908) | (10,897) | (28,707) | (202,512) |
| Appropriations of Assets for Expenditure | (2,673,267) | - | - | (2,673,267) |
| Cash Equivalents, Current Year | (297,901) | (6) | (32,678) | (330,585) |
| Balance - End of Year | $ 32,688,042 | $ 1,979,076 | $ 3,689,410 | $ 38,356,528 |

## NOTE 11 PROPERTY AND EQUIPMENT, NET

A summary of property and equipment on June 30 was as follows:

| | 2021 | 2020 |
|---|---|---|
| Land and Improvements | $ 1,867,467 | $ 1,910,872 |
| Buildings and Improvements | 19,647,586 | 20,358,278 |
| Furniture and Equipment | 1,114,649 | 2,100,537 |
| Vehicles | 150,209 | 173,137 |
| Total | 22,779,911 | 24,542,824 |
| Less: Accumulated Depreciation | (9,698,304) | (11,105,971) |
| Total | 13,081,607 | 13,436,853 |
| Construction in Progress | - | 106,640 |
| Property and Equipment, Net | $ 13,081,607 | $ 13,543,493 |

Depreciation expense for the years ended June 30, 2021 and 2020 was approximately $571,000 and $582,000, respectively. Construction in progress on June 30, 2020 consisted of playground equipment.

## NOTE 12 LONG-TERM DEBT

**Note Payable**

The Organization has a term note payable dated March 2013 with a bank, due in monthly installments of $10,104 plus interest accrued on the outstanding balance at a rate of the one-month London Interbank Offered Rate (LIBOR) plus 1.65%, with a final maturity date of October 2024. During the year ended June 30, 2021, the note payable agreement was modified to extend the final maturity to June 2028. The note is collateralized by property and a guaranty agreement.

## NOTE 12 LONG TERM DEBT (CONTINUED)

**Bond Payable**

The Organization has a tax-exempt bond payable (Special Purpose Revenue Bonds) dated October 2010 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. As of June 30, 2020, the bond is payable in payments of principal plus interest at a rate of the one-month London Interbank Offered Rate (LIBOR) plus 1.65%, adjusted annually, totaling monthly payments of $51,339 with a final balloon payment due June 2024. During the year ended June 30, 2021, the note payable agreement was modified to extend the final maturity to June 2028. The bond is cross collateralized with the note payable.

The Organization is required to comply with certain restrictive covenants as defined in the guaranty agreement. As of June 30, 2021, management believes the Organization was in compliance with these requirements.

Maturity of long-term debt is as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2022 | $ 552,918 |
| 2023 | 566,258 |
| 2024 | 581,254 |
| 2025 | 596,250 |
| 2026 | 611,250 |
| Thereafter | 6,326,389 |
| Total | $ 9,234,319 |

## NOTE 13 PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Organization entered into a new unsecured loan (the PPP Loan) 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). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for 6 months. Subsequent to this, the law changed the loan deferral terms retroactively, and the PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum and has a term of two years. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender, or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date.

The Organization is following ASC 470, *Debt*, to account for the receipt of the PPP Loan. Under ASC 470, the loan is recorded as a liability until the lender formally issues its forgiveness. At that time, amounts forgiven will be recognized as income pursuant to the accounting guidance for debt forgiveness.

## NOTE 13 PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

The SBA may subsequently review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any subsequent review will not have a material adverse impact on the Organization's financial position.

## NOTE 14 LINE OF CREDIT

As part of the Organization's investment strategy, a Portfolio Loan Account (PLA) has been 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. As of June 30, 2021, the interest rate was 0.84613%. All amounts due under the PLA agreement are due upon demand. There was no amount outstanding at June 30, 2021 and 2020, respectively.

## NOTE 15 NET ASSETS WITH DONOR RESTRICTIONS

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

| | 2021 | 2020 |
|---|---|---|
| Restricted for Purpose: | | |
| Child Development Center | $ 2,306,971 | $ 1,779,761 |
| General Care of Abused Children | 34,611 | 21,285 |
| Educational Purposes | 1,035,732 | 788,225 |
| Friends of the Children - Charlotte | 500,000 | 500,000 |
| Repair and Maintenance of the Playground | 16,224 | 7,921 |
| Repair and Maintenance of the Chapel | 53,178 | 7,220 |
| Repair and Maintenance of Cottages | 20,068 | - |
| Therapeutic Foster Care | 253,584 | 484,168 |
| Summer Recreational Purposes | 3,480 | - |
| Restricted for Time: | | |
| Beneficial Interest in Split Interest Trust | 5,089,347 | 4,426,825 |
| United Way | - | 36,095 |
| Promises to Give | 260,895 | 419,932 |
| Investment in Perpetuity, the Income from which is Expendable to Support: | | |
| Hiking Camping or Outdoor Sports | 6,800 | 6,800 |
| Educational Purposes | 278,782 | 264,732 |
| 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 | 9,012,243 | 7,672,480 |
| General Purposes of the School | 1,688,502 | 1,401,432 |
| Child Development Center | 284,427 | 284,427 |
| | $ 21,352,899 | $ 18,609,358 |

## NOTE 16 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.

## NOTE 17 FAIR VALUE MEASUREMENTS

The following table presents the fair value of financial assets and liabilities on June 30, 2021:

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Assets: | | | | |
| Beneficial Interest in Split Interest Agreements | $ 5,026,069 | $ - | $ - | $ 5,026,069 |
| Investments | 34,667,118 | 30,682,808 | | 3,984,310 |
| Beneficial Interest in Perpetual Trusts | 9,457,996 | - | - | 9,457,996 |
| Endowments | 3,689,410 | 3,689,410 | | - |
| Total Assets | $ 52,840,593 | $ 34,372,218 | $ - | $ 18,468,375 |
| Liabilities: | | | | |
| Interest Rate Swaps | $ 110,879 | $ - | $ 110,879 | $ - |
| Total Liabilities | $ 110,879 | $ - | $ 110,879 | $ - |

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

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Assets: | | | | |
| Beneficial Interest in Split Interest Agreements | $ 4,426,824 | $ - | $ - | $ 4,426,824 |
| Investments | 30,420,764 | 27,502,335 | - | 2,918,429 |
| Beneficial Interest in Perpetual Trusts | 7,749,796 | - | - | 7,749,796 |
| Endowments | 2,901,911 | 2,901,911 | - | - |
| Total Assets | $ 45,499,295 | $ 30,404,246 | $ - | $ 15,095,049 |

During the years ended June 30, 2021 and 2020, there were no purchases, issuances, or transfers related to Level 3 financial assets. The key inputs for the level 3 beneficial interest in split interest agreements, investments, and beneficial interest in perpetual trusts were determined on the fair value of the assets of the trust. The significant unobservable inputs used in the fair value measurements are allocated based on the portion of the underlying assets.

## NOTE 18 LEASES

The Organization has leases for certain real estate, office equipment, and vehicles. Rent expense for the years ended June 30, 2021 and 2020 was approximately $330,000 and $200,000, respectively. Future minimum lease payments under the Organization's leases as of June 30, 2021 are as follows:

| Year Ending June 30, | Amount |
| --- | --- |
| 2022 | $ 218,535 |
| 2023 | 142,444 |
| 2024 | 110,340 |
| 2025 | 95,904 |
| 2026 | 95,904 |
| Thereafter | 95,904 |
| Total Minimum Rentals | $ 759,031 |

## NOTE 19 ACQUISITION

On 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 for the year ended June 30, 2020. No goodwill was recognized as part of the transaction.

## NOTE 20 SUBSEQUENT EVENTS

Subsequent events were evaluated through October 29, 2021, the date the financial statements were available to be issued.

**PPP Loan Forgiveness**

On August 2, 2021, the Organization received notification from its lender that the SBA approved its loan forgiveness application for the full loan amount.