THOMPSON CHILD & FAMILY FOCUS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED JUNE 30, 2022 AND 2021

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Board of Trustees
Thompson Child & Family Focus

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal controls relevant to the audit 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 Organization's internal controls. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
November 23, 2022

THOMPSON CHILD & FAMILY FOCUS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents	$ 5,608,728	$ 3,937,644
Restricted Cash	35,787	32,684
Receivables		
Treatment Services, Net of Allowance for Doubtful Accounts	2,620,513	3,022,629
Early Childhood	69,538	375,490
Other	106,374	90,179
Promises to Give, Net Current Portion	171,650	353,833
Prepaid Expenses	171,752	138,996
Investments	30,833,556	34,667,118
Total Current Assets	39,617,898	42,618,573
INTEREST RATE SWAP	550,787	-
PROMISES TO GIVE, NET	30,397	203,438
NOTE RECEIVABLE	2,973,267	2,973,267
BENEFICIAL INTEREST IN SPLIT INTEREST AGREEMENTS	3,640,220	5,026,069
BENEFICIAL INTEREST IN PERPETUAL TRUSTS	7,828,546	9,457,996
ENDOWMENTS	3,116,675	3,689,410
PROPERTY AND EQUIPMENT, NET	12,532,468	13,081,607
Total Assets	$ 70,290,258	$ 77,050,360

See accompanying Notes to Financial Statements.

THOMPSON CHILD & FAMILY FOCUS
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2022 AND 2021

	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 1,587,952	$ 1,181,899
Accrued Compensated Absences	403,713	386,832
Note Payable, Current Portion	103,668	121,250
Bond Payable, Current Portion	445,008	431,668
Capital Lease, Current Portion	-	2,970
Total Current Liabilities	2,540,341	2,124,619
INTEREST RATE SWAP	-	110,879
DEFERRED REVENUE	-	568,083
PAYCHECK PROTECTION PROGRAM LOAN	-	2,064,832
NOTE PAYABLE, NET OF CURRENT PORTION	1,356,595	1,439,821
BOND PAYABLE, NET OF CURRENT PORTION	6,798,507	7,241,580
Total Liabilities	10,695,443	13,549,814
NET ASSETS		
Without Donor Restrictions	42,134,984	42,147,647
With Donor Restrictions	17,459,831	21,352,899
Total Net Assets	59,594,815	63,500,546
Total Liabilities and Net Assets	$ 70,290,258	$ 77,050,360

See accompanying Notes to Financial Statements.

THOMPSON CHILD & FAMILY FOCUS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Treatment Fees:			
Medicaid and Other Program Fees	$ 15,835,751	$ -	$ 15,835,751
Counties/Department of Social Services	4,124,436	-	4,124,436
Additional Program Fees and Revenues:			
Early Childhood Services - Tuition	841,368	-	841,368
Contracts for Services	6,394,333	-	6,394,333
Total Treatment Fees	27,195,888	-	27,195,888
CONTRIBUTIONS			
Public Support	2,835,407	512,000	3,347,407
Contributions of Nonfinancial Assets	79,576	-	79,576
Total Contributions	2,914,983	512,000	3,426,983
OTHER INCOME (LOSS), NET			
Investment Income, Net of Fees	669,403	170,845	840,248
Realized Net Gain on Investments	1,506,243	270,348	1,776,591
Unrealized Net Loss on Investments	(5,933,623)	(1,111,064)	(7,044,687)
Change in Value of Split-Interest Agreements	-	(1,385,849)	(1,385,849)
Change in Value of Perpetual Trusts	-	(1,629,450)	(1,629,450)
Change in Value of Swap Agreement	661,666	-	661,666
Gain on Disposal of Property and Equipment	9,790	-	9,790
Rental Income	136,811	-	136,811
Other Income	2,194,644	-	2,194,644
Total Other Income (Loss), Net	(755,066)	(3,685,170)	(4,440,236)
NET ASSETS RELEASED FROM RESTRICTIONS	719,898	(719,898)	-
Total Revenues, Gains, and Other Support	30,075,703	(3,893,068)	26,182,635
EXPENSES			
Program Services:			
Treatment Services	8,777,521	-	8,777,521
Community-Based Services	12,881,718	-	12,881,718
Early Childhood Services	1,943,382	-	1,943,382
Non-Treatment Residential	652,268	-	652,268
Supporting Services:			
Administrative	4,737,908	-	4,737,908
Resource Development and Public Relations	1,095,569	-	1,095,569
Total Expenses	30,088,366	-	30,088,366
CHANGE IN NET ASSETS	(12,663)	(3,893,068)	(3,905,731)
Net Assets - Beginning of Year	42,147,647	21,352,899	63,500,546
NET ASSETS - END OF YEAR	$ 42,134,984	$ 17,459,831	$ 59,594,815

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
Contracts for Services	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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	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	$ 4,827,862	$ 447,180	$ 1,063,210	$ 876,955	$ 4,164,791	$ 890,180	$ 389,586	$ 12,659,764	$ 2,170,582	$ 604,821	$ 2,775,403	$ 15,435,167
Employee Benefits	312,015	103,924	98,938	81,605	278,197	145,080	14,095	1,033,854	659,797	47,724	707,521	1,741,375
Payroll Taxes	431,502	100,406	104,528	86,216	265,219	112,117	16,270	1,116,258	156,998	25,784	182,782	1,299,040
Workers' Compensation Insurance	119,933	37,194	23,110	19,062	96,627	25,022	4,673	325,621	22,901	4,427	27,328	352,949
Total Compensation and Related Expenses	5,691,312	688,704	1,289,786	1,063,838	4,804,834	1,172,399	424,624	15,135,497	3,010,278	682,756	3,693,034	18,828,531
Other Expenses:												
Professional and Legal Fees	81,215	297	-	-	2,178	718	-	84,408	92,492	113	92,605	177,013
Cleaning Services	16,840	3,465	4,111	3,390	59,729	36,983	-	124,518	28,134	-	28,134	152,652
Contract Services	445,905	336,264	182,899	148,349	26,245	107,160	1,408	1,248,230	232,200	142,893	375,093	1,623,323
Office	5,197	6,651	4,516	3,725	3,993	11,403	1,151	36,636	11,615	142	11,757	48,393
Printing and Postage	27,617	5,465	8,744	7,212	16,689	11,084	1,395	78,206	14,546	66,698	81,244	159,450
Household	44,254	736	641	529	16,808	35,946	3,910	102,824	15,020	-	15,020	117,844
Educational	689	155	29,529	24,356	1,636	18,305	-	74,670	1	-	1	74,671
Food	119,059	117	463	382	18,068	73,033	40,930	252,052	454	-	454	252,506
Clothing and Health Supplies	18,122	-	378	312	1,698	442	1,014	21,966	-	-	-	21,966
Recreation and Other Activities	85,776	4,129	6,750	5,567	66,298	7,643	25,646	201,809	783	2,297	3,080	204,889
Utilities	53,813	4,411	5,248	4,329	42,450	41,402	2,293	153,946	106,810	-	106,810	260,756
Repairs and Maintenance:												
Building and Grounds	334,666	31,965	19,748	16,288	89,320	62,483	82,512	636,982	190,663	645	191,308	828,290
Vehicles	5,468	120	1,534	1,265	188	-	467	9,042	31,677	-	31,677	40,719
Computers	13,231	4,505	5,490	4,529	26,950	14,302	3,714	72,721	261,007	47,885	308,892	381,613
Telephone	33,617	29,412	24,790	20,447	82,561	53,673	1,266	245,766	95,211	7,394	102,605	348,371
Travel	1,699	23,908	43,895	36,206	189,136	5,265	-	300,109	13,771	1,151	14,922	315,031
Staff Development and Conferences	59,663	24,571	9,891	8,158	82,249	19,977	2,585	207,094	96,725	19,252	115,977	323,071
Insurance	72,793	17,364	13,684	11,286	42,698	19,664	3,495	180,984	11,947	5,791	17,738	198,722
Dues, Subscriptions, and Memberships	5,685	1,843	11,326	9,342	11,815	7,998	4,273	52,282	64,023	27,924	91,947	144,229
Licenses and Fees	3,748	1,692	452	373	21,165	737	-	28,167	2,948	520	3,468	31,635
Miscellaneous	90,380	5,098	1,181	975	2,155	31,751	-	131,540	13,942	5,023	18,965	150,505
Bad Debt	82,932	3,664	33,636	27,744	16,989	35	-	165,000	-	19,248	19,248	184,248
Miscellaneous Staff Expense	66,274	10,436	22,441	18,510	27,032	31,433	15,793	191,919	120,886	33,687	154,573	346,492
Rent	18,911	-	-	-	134,863	-	2,702	156,476	5,266	-	5,266	161,742
Public Relations	561	373	41,878	34,542	1,407	-	-	78,761	1,449	26,468	27,917	106,678
Interest Expense	-	-	-	-	492	-	-	492	209,501	-	209,501	209,993
Amortization of Bond Issuance Costs	-	-	-	-	-	-	-	-	1,936	-	1,936	1,936
Foster Care Recruiting/Training	15	-	7,509	6,194	-	-	-	13,718	-	-	-	13,718
Foster Parent Payments	-	-	2,807,796	1,009,755	-	-	-	3,817,551	-	-	-	3,817,551
Total Other Expenses	1,688,130	516,641	3,288,530	1,403,765	984,812	591,437	194,554	8,667,869	1,623,007	407,131	2,030,138	10,698,007
Expenses Before Depreciation	7,379,442	1,205,345	4,578,316	2,467,603	5,789,646	1,763,836	619,178	23,803,366	4,633,285	1,089,887	5,723,172	29,526,538
Depreciation	148,979	43,755	10,521	6,499	29,133	179,546	33,090	451,523	104,623	5,682	110,305	561,828
Total Expenses	$ 7,528,421	$ 1,249,100	$ 4,588,837	$ 2,474,102	$ 5,818,779	$ 1,943,382	$ 652,268	$ 24,254,889	$ 4,737,908	$ 1,095,569	$ 5,833,477	$ 30,088,366

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
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (3,905,731)	$ 10,459,467
Adjustments to Reconcile Change in Net Assets to Cash Provided (Used) by Operating Activities:		
Depreciation	561,828	570,927
Amortization of Bond Issuance Costs	1,936	27,590
Change in Allowance for Doubtful Accounts	17,165	177,734
Change in Amortization of Discount on Promises to Give	-	584
PPP Loan Forgiveness	(2,064,832)	
(Gain) Loss on Sales of Property and Equipment	(9,790)	29,062
Realized Net Gain on Investments	(1,776,591)	(1,591,848)
Unrealized Net (Gain) Loss on Investments	7,044,687	(5,036,673)
Reinvested Investment Income	(19,605)	(18,936)
Change in Fair Market Value of Swap Agreement	(661,666)	110,879
Change in Value of Split-Interest Agreements	1,385,849	(599,245)
Change in Value of Perpetual Trusts	1,629,450	(1,708,200)
(Increase) Decrease in Assets:		
Promises to Give	355,471	429,998
Note Receivable	-	(2,673,267)
Receivables	674,461	(1,962,201)
Prepaid Expenses and Other Assets	(32,756)	8,895
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	406,053	158,027
Deferred Income	(568,083)	568,083
Accrued Compensated Absences	16,881	29,314
Charitable Gift Annuities Payable	-	(21,739)
Net Cash Provided (Used) by Operating Activities	3,054,727	(1,041,549)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(50,000)	(138,103)
Proceeds from Disposition of Property and Equipment	47,101	-
Proceeds from Sales and Maturities of Investments	8,914,192	9,004,501
Purchase of Investments	(9,756,386)	(7,390,897)
Net Cash Provided (Used) by Investing Activities	(845,093)	1,475,501
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Debt Obligations	(535,447)	(629,188)
Payment of Debt Issuance Costs	-	(13,549)
Net Cash Used by Financing Activities	(535,447)	(642,737)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,674,187	(208,785)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	3,970,328	4,179,113
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 5,644,515	$ 3,970,328
Cash and Cash Equivalents	$ 5,608,728	$ 3,937,644
Restricted Cash	35,787	32,684
Total Cash, Cash Equivalents, and Restricted Cash	$ 5,644,515	$ 3,970,328

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 one campus in Lutz, Florida. During the year ended June 30, 2022, the Organization expanded its services into South Carolina, offering both case management and community-based mental health services within both the Upstate and Midlands regions.

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 September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958)*, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which increases transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit entities. This new standard requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities and to disclose information regarding the measurement of the nonfinancial assets. Required disclosures include whether the contributions were monetized or utilized during the reporting period, a description of the valuation technique used to determine a fair value measure, and a description of any donor-imposed restrictions associated with the contribution. The Organization's adoption of this new guidance only resulted in the presentation of a separate line item in the statement of activities and additional disclosures being added to the notes to financial statements.

Recent Accounting Pronouncement Not Yet Adopted

In June 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. 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.

Revenue Recognition

To determine revenue recognition for the arrangements that the Organization determines are within the scope of ASU 2014-09, *Revenue from Contracts with Customers (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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Treatment fees and tuition revenues are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for treatment services and tuition, respectively. Revenue is recognized as performance obligations are satisfied. For the years ended June 30, 2022 and 2021, the Organization recognized revenues totaling approximately $20,802,000 and $16,748,000, respectively, from services that transfer to the customer over time. 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. For the year ended June 30, 2020, the receivables balance for treatment services, net of allowance for doubtful accounts, and early childhood tuition were approximately $1,090,000 and $368,000, respectively.

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 $- and $568,000 as of June 30, 2022 and 2021, 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. The allowance for uncollectible accounts is based on historical collections. At June 30, 2022 and 2021, the Organization had an allowance of approximately $222,000 and $205,000, 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% for pledges made in the years ended June 30, 2022 and 2021. 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, 2022 and 2021, 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.

Contributed Nonfinancial Assets

The Organization recognizes contributed nonfinancial assets within revenue, including materials and donated services, as further described below. Contributed nonfinancial assets did not have donor-imposed restrictions.

Donated Materials and Services

Certain donated 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, 2022 and 2021, no donated professional services met the requirements for recognition. During the years ended June 30, 2022 and 2021, donated materials that met the requirements for recognition on the financial statements were approximately $79,600 and $200, respectively. In valuing donated materials, the Organization estimated the fair value of the materials on the basis of estimates of wholesale values that would be received for selling similar products.

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. The fair value of beneficial interest in split interest agreements is based on the value assets, the Organization's share, and consideration of discounted expected future payouts to the Organization. The fair value of beneficial interest in perpetual trusts is based on the value of the underlying assets and the Organization's share of the trust.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

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.

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 (IRC). Additionally, the Organization is not a private foundation pursuant to IRC 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, 2022 or 2021.

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, 2022 and 2021, 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.

	2022	2021
Cash and Cash Equivalents	$ 5,608,728	$ 3,937,644
Investments	29,146,212	32,688,042
Receivables	2,796,425	3,488,298
Promises to Give	171,650	353,833
Total Net Financial Assets Available to Meet Liquidity Needs	$ 37,723,015	$ 40,467,817

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 58% and 32% of total revenue for the years ended June 30, 2022 and 2021, respectively, and 53% and 55% of net receivables as of June 30, 2022 and 2021.

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:

	2022	2021
Unconditional Promises to Give	$ 222,997	$ 578,468
Less: Unamortized Discount	(4,436)	(4,436)
Less: Allowance for Uncollectible Promises	(16,514)	(16,761)
Unconditional Promises to Give, Net	$ 202,047	$ 557,271

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

	2022	2021
Receivable in Less than One Year	$ 171,650	$ 353,833
Receivable in One to Five Years	51,347	223,635
Receivable in More than Five Years	-	1,000
Total	$ 222,997	$ 578,468

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, 2022, 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, 2022 and 2021 were approximately $3,640,000 and $5,026,000, 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, 2022 and 2021 were approximately $7,829,000 and $9,458,000, 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, the Organization 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. Deficiencies of this nature exist in three donor-restricted endowment funds, which together have an original gift value of approximately $183,000, a current fair value of approximately $90,000, and a deficiency of $93,000 as of June 30, 2022.

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, 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
Investment Return, Net of Fees	(66,149)	(503,477)	(569,626)
Change in Cash Equivalents	-	(3,109)	(3,109)
Endowment Net Assets - June 30, 2022	$ 784,318	$ 2,332,357	$ 3,116,675

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

	2022	2021
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	1,015,195	1,521,781
Total Endowment Funds Classified as Net Assets with Donor Restrictions	$ 2,332,357	$ 2,838,943

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

	2022	2021
Equity Funds	$ 1,886,229	$ 2,572,862
Fixed Income Funds	336,386	336,515
Corporate Bonds	332,969	298,417
Mutual Funds	561,091	481,616
Total	$ 3,116,675	$ 3,689,410

NOTE 10 INVESTMENTS

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

	2022	2021
Equity Funds	$ 14,498,737	$ 18,466,356
Fixed Income Funds	1,639,188	1,848,169
Corporate Bonds	2,338,844	2,497,099
Mutual Funds	7,252,659	7,871,184
Nontraditional/Alternative	5,104,128	3,984,310
Total	$ 30,833,556	$ 34,667,118

At June 30, 2022, 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)	$ 2,301,195	7.5%
BlackRock Strategic Income Opportunity	$ 2,682,295	8.7%
American Core Realty Fund	$ 2,893,505	9.4%
Geneva Capital Management	$ 1,661,441	5.4%
Invesco Conservative Income Fund	$ 1,841,861	6.0%
Ironwood Capital Management	$ 2,210,623	7.2%

The estimated fair value of certain alternative investments, such as hedge funds, is based on valuations provided by external investment managers and is based on the underlying account balances. The value of the alternative investments is calculated on a month lag. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

The following table set forth additional disclosures for the fair value measurement of certain investments measured at net asset value (NAV) as of June 30, 2022:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
December 31, 2022				
American Core Realty Fund	$ 2,893,505	$ -	Quarterly	10 Days
Ironwood Capital Management	2,210,623	-	Semi-Annually	95 Days
Total Alternative Investments	$ 5,104,128	$ -		

NOTE 10 INVESTMENTS (CONTINUED)

The following table set forth additional disclosures for the fair value measurement of certain investments measured at NAV as of June 30, 2021:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
December 31, 2021				
American Core Realty Fund	$ 1,812,227	$ -	Quarterly	10 Days
Ironwood Capital Management	2,172,083	-	Semi-Annually	95 Days
Total Alternative Investments	$ 3,984,310	$ -		

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

	2022	2021
Investment Income, Net of Fees	$ 840,248	$ 937,891
Realized Net Gain on Sales of Investments	1,776,591	1,591,848
Unrealized Gain (Loss) on Investments	(7,044,687)	5,036,673
Total	$ (4,427,848)	$ 7,566,412

Investment income is shown net of investment expense of approximately $207,000 and $203,000 for the years ended June 30, 2022 and 2021, 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, 2022.

The following is a roll-forward of investment balances, including the Endowments, for the year ended June 30, 2022:

	General	Anonymous	Endowment	Total
Balance - Beginning of Year	$ 32,688,042	$ 1,979,076	$ 3,689,410	$ 38,356,528
Cash Equivalents, Prior Year	297,907	120	32,678	330,705
Total Investment Return	(3,398,068)	(279,754)	(542,862)	(4,220,684)
Investment Management Fees	(168,422)	(12,098)	(26,764)	(207,284)
Cash Equivalents, Current Year	(273,247)	-	(35,787)	(309,034)
Balance - End of Year	$ 29,146,212	$ 1,687,344	$ 3,116,675	$ 33,950,231

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 Expenditur	(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:

	2022	2021
Land and Improvements	$ 1,867,467	$ 1,867,467
Buildings and Improvements	19,659,556	19,647,586
Furniture and Equipment	1,000,962	1,114,649
Vehicles	150,209	150,209
Total	22,678,194	22,779,911
Less: Accumulated Depreciation	(10,145,726)	(9,698,304)
Property and Equipment, Net	$ 12,532,468	$ 13,081,607

Depreciation expense for the years ended June 30, 2022 and 2021 was approximately $562,000 and $571,000, respectively.

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 $8,639 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, 2021, 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 $36,250 plus interest 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, 2022, management believes the Organization was in compliance with these requirements.

Maturity of long-term debt is as follows:

Year Ending June 30,	Amount
2023	$ 548,676
2024	567,151
2025	585,456
2026	603,873
2027	622,398
Thereafter	5,776,224
Total	$ 8,703,778

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)

During the year ended June 30, 2022, the SBA approved Organization's PPP loan forgiveness application and as such, the Organization recognized approximately $2,065,000 as forgiveness of debt included in other income in the accompanying statement of activities.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of the liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any 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, 2022, the interest rate was 1.8948%. All amounts due under the PLA agreement are due upon demand. There was no amount outstanding at June 30, 2022 and 2021, respectively.

NOTE 15 NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Restricted for Purpose:		
Child Development Center	$ 1,951,060	$ 2,306,971
General Care of Abused Children	24,486	34,611
Educational Purposes	847,671	1,035,732
Friends of the Children - Charlotte	500,000	500,000
Repair and Maintenance of the Playground	9,915	16,224
Repair and Maintenance of the Chapel	18,258	53,178
Repair and Maintenance of Cottages	1,693	20,068
Therapeutic Foster Care	83,584	253,584
Summer Recreational Purposes	-	3,480
Restricted for Time:		
Beneficial Interest in Split Interest Trust	3,640,220	5,089,347
Promises to Give	222,997	260,895
Other	10,589	-
Investment in Perpetuity, the Income from which is Expendable to Support:		
Hiking Camping or Outdoor Sports	6,800	6,800
Educational Purposes	265,062	278,782
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	7,699,909	9,012,243
General Purposes of the School	1,385,105	1,688,502
Child Development Center	284,427	284,427
	$ 17,459,831	$ 21,352,899

Net assets released from restrictions for the year ended June 30, 2022 included Friends of the Children - Charlotte of $500,000 and approximately $220,000 related to various other purpose and time restricted items.

Net assets released from restrictions for the year ended June 30, 2021 included Friends of the Children - Charlotte of $500,000, Therapeutic Foster Care of approximately $231,000, and approximately $178,000 related to various other purpose and time restricted items.

NOTE 16 EMPLOYEE RETIREMENT PLAN

The Organization administers a defined contribution retirement plan for the benefit of all employees who meet minimum age (21) and hours worked requirements (full-time, 30 hours per week). Effective October 1, 2021, the Organization began matching 50% of employee contributions of the first 6% contributed to the plan for employees who meet the length of service (one year) requirement. The match will not exceed 3% of employee compensation. The Organization can also make additional discretionary contributions to participants in the plan. Full vesting for any employer contribution occurs 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, 2022:

	Fair Value	Level 1	Level 2	Level 3	Measured at NAV
Assets:					
Beneficial Interest in Split Interest Agreements	$ 3,640,220	$ -	$ -	$ 3,640,220	$ -
Investments	30,833,556	25,729,428	-	-	5,104,128
Beneficial Interest in Perpetual Trusts	7,828,546	-	-	7,828,546	-
Interest Rate Swap	550,787	-	550,787	-	-
Endowments	3,116,675	3,116,675	-	-	-
Total Assets	$ 45,969,784	$ 28,846,103	$ 550,787	$ 11,468,766	$ 5,104,128

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

	Fair Value	Level 1	Level 2	Level 3	Measured at NAV
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	$ -	$ 14,484,065	$ 3,984,310
Liabilities:					
Interest Rate Swaps	$ 110,879	$ -	$ 110,879	$ -	$ -
Total Liabilities	$ 110,879	$ -	$ 110,879	$ -	$ -

During the years ended June 30, 2022 and 2021, 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, 2022 and 2021 was approximately $222,000 and $330,000, respectively. Future minimum lease payments under the Organization's leases as of June 30, 2022 are as follows:

Year Ending June 30,	Amount
2023	$ 66,606
2024	48,330
2025	43,923
Total Minimum Rentals	$ 158,859

NOTE 19 SUBSEQUENT EVENTS

Subsequent events were evaluated through November 23, 2022, the date the financial statements were available to be issued.

New Sublease Agreement

On September 6, 2022 the Organization signed a new sublease agreement for a higher level crisis bed response capacity in a Level 3 group home setting for youth involved with Cumberland County Department of Social Services. This sublease agreement commenced on August 1, 2022 and will end on June 30, 2026. The rent for this sublease is $1 per year.