

FLORENCE CRITTENTON SERVICES, INC.

Financial Statements

With Independent Auditors' Report

June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

FLORENCE CRITTENTON SERVICES, INC.

Notes to Financial Statements

June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Florence Crittenton Services, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Florence Crittenton Services, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Report on Summarized Comparative Information

We have previously audited Florence Crittenton Services, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dodson, Shelton & Nelson, P.A.

January 27, 2022
Greensboro, North Carolina

FLORENCE CRITTENTON SERVICES, INC.

Statement of Financial Position

June 30, 2021

(With Comparative Financial Information as of June 30, 2020)

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 361,188 | \$ 519,248 |
| Restricted cash | 236,950 | - |
| Receivables: | | |
| Fees from government agencies | 77,668 | 55,692 |
| Contributions, net | 309,554 | 46,878 |
| Other | 1,689 | 1,956 |
| Inventory | - | 2,228 |
| Total current assets | <u>987,049</u> | <u>626,002</u> |
| Contributions receivable, net | 502,572 | - |
| Investments | 2,929,233 | 1,936,027 |
| Property and equipment, net | 40,047 | 889,445 |
| Endowments controlled by Foundation | 218,682 | 173,216 |
| Total assets | <u>\$ 4,677,583</u> | <u>\$ 3,624,690</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 8,236 | \$ 16,120 |
| Accrued payroll expenses | 38,187 | 32,888 |
| Accrued compensated absences | 51,768 | 48,258 |
| Paycheck Protection Program loan | 240,838 | 237,840 |
| Total current liabilities | <u>339,029</u> | <u>335,106</u> |
| Net assets | | |
| Without donor restrictions | 1,664,291 | 1,787,381 |
| With donor restrictions | 2,674,263 | 1,502,203 |
| Total net assets | <u>4,338,554</u> | <u>3,289,584</u> |
| Total liabilities and net assets | <u>\$ 4,677,583</u> | <u>\$ 3,624,690</u> |

The accompanying notes to financial statements are an integral part of this statement.

FLORENCE CRITTENTON SERVICES, INC.

Statement of Activities

For the Year Ended June 30, 2021

(With Summarized Financial Information for the Year Ended June 30, 2020)

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total 2021</u> | <u>Total 2020</u> |
|---|---------------------------------------|------------------------------------|-----------------------|-----------------------|
| SUPPORT AND REVENUE | | | | |
| Support | | | | |
| Contributions | \$ 113,639 | \$ 1,138,893 | \$ 1,252,532 | \$ 135,727 |
| United Way | 33,977 | 27,500 | 61,477 | 7,240 |
| Grants | 473,297 | - | 473,297 | 216,267 |
| Revenue | | | | |
| Program service fees: | | | | |
| Governmental agencies | 778,325 | - | 778,325 | 1,148,832 |
| Other | 1,300 | - | 1,300 | - |
| Investment income, net | 338,345 | 228,946 | 567,291 | 50,247 |
| Loss on disposition of property and equipment | (663,758) | - | (663,758) | (3,097) |
| Paycheck Protection Program loan forgiveness | 237,840 | - | 237,840 | - |
| Special events | 180,674 | - | 180,674 | 157,754 |
| Total support and revenue | <u>1,493,639</u> | <u>1,395,339</u> | <u>2,888,978</u> | <u>1,712,970</u> |
| Net Assets Released from Restrictions | <u>223,279</u> | <u>(223,279)</u> | <u>-</u> | <u>-</u> |
| Total Support and Other Revenue | <u>1,716,918</u> | <u>1,172,060</u> | <u>2,888,978</u> | <u>1,712,970</u> |
| Expenses | | | | |
| Program services | 1,606,534 | - | 1,606,534 | 1,755,906 |
| Management and general | 85,818 | - | 85,818 | 82,925 |
| Fundraising | 147,656 | - | 147,656 | 125,900 |
| Total Expenses | <u>1,840,008</u> | <u>-</u> | <u>1,840,008</u> | <u>1,964,731</u> |
| Change in Net Assets | <u>(123,090)</u> | <u>1,172,060</u> | <u>1,048,970</u> | <u>(251,761)</u> |
| Net assets at beginning of year | <u>1,787,381</u> | <u>1,502,203</u> | <u>3,289,584</u> | <u>3,541,345</u> |
| Net assets at end of year | <u>\$ 1,664,291</u> | <u>\$ 2,674,263</u> | <u>\$ 4,338,554</u> | <u>\$ 3,289,584</u> |

The accompanying notes to financial statements are an integral part of this statement.

FLORENCE CRITTENTON SERVICES, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2021

(With Summarized Financial Information for the Year Ended June 30, 2020)

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fund Raising</u> | <u>Total 2021</u> | <u>Total 2020</u> |
|-----------------------------------|-----------------------------|-----------------------------------|-------------------------|-----------------------|-----------------------|
| Salaries and wages | \$ 1,012,289 | \$ 45,847 | \$ 27,523 | \$ 1,085,659 | \$ 1,116,050 |
| Payroll taxes | 73,763 | 2,792 | 1,874 | 78,429 | 82,241 |
| Employee benefits | 101,309 | 3,835 | 2,574 | 107,718 | 114,218 |
| Total personnel costs | 1,187,361 | 52,474 | 31,971 | 1,271,806 | 1,312,509 |
| Food | 47,507 | - | 47 | 47,554 | 44,867 |
| Building repairs and maintenance | 10,586 | 1,188 | 2,376 | 14,150 | 76,816 |
| Equipment repairs and maintenance | 3,749 | 1,071 | 535 | 5,355 | 3,408 |
| Utilities | 69,460 | 1,886 | 3,772 | 75,118 | 66,377 |
| Supplies | 16,152 | 3,328 | 978 | 20,458 | 24,851 |
| Professional fees | 39,777 | 11,881 | - | 51,658 | 44,392 |
| Insurance | 33,565 | 5,038 | 82 | 38,685 | 39,017 |
| Technology | 18,158 | 5,187 | 2,594 | 25,939 | 29,801 |
| Equipment leases | 16,370 | 303 | 293 | 16,966 | 15,769 |
| Transportation | 5,580 | 183 | 415 | 6,178 | 6,905 |
| Interest expense | 62 | 2 | 3 | 67 | 439 |
| Capital campaign | 25,893 | - | 76,517 | 102,410 | 44,750 |
| Training and education | 4,690 | 593 | 525 | 5,808 | 19,581 |
| Client recreation and assistance | 4,379 | 38 | - | 4,417 | 7,467 |
| Special events | 15,027 | 12 | 22,609 | 37,648 | 44,619 |
| Telephone | 9,061 | 245 | 490 | 9,796 | 9,882 |
| Subscriptions and publications | 15,396 | 483 | 356 | 16,235 | 5,402 |
| Building lease | 48,244 | 893 | 863 | 50,000 | - |
| Other | 10,391 | 334 | 1,872 | 12,597 | 20,912 |
| | <u>394,047</u> | <u>32,665</u> | <u>114,327</u> | <u>541,039</u> | <u>505,255</u> |
| Totals before depreciation | 1,581,408 | 85,139 | 146,298 | 1,812,845 | 1,817,764 |
| Depreciation | 25,126 | 679 | 1,358 | 27,163 | 146,967 |
| Total expense | <u>\$ 1,606,534</u> | <u>\$ 85,818</u> | <u>\$ 147,656</u> | <u>\$ 1,840,008</u> | <u>\$ 1,964,731</u> |

The accompanying notes to financial statements are an integral part of this statement.

FLORENCE CRITTENTON SERVICES, INC.

Statement of Cash Flows

For the Year Ended June 30, 2021

(With Comparative Financial Information for the Year Ended June 30, 2020)

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 1,048,970 | \$ (251,761) |
| Adjustments to reconcile change in net assets to net cash - operating activities: | | |
| Depreciation | 27,164 | 146,969 |
| Contributions restricted to capital campaign | (1,138,893) | - |
| Paycheck Protection Program loan forgiveness | (237,840) | - |
| Loss on disposition of property and equipment | 663,758 | 3,097 |
| Unrealized and realized gains on investments | (465,908) | (7,036) |
| Changes in operating assets and liabilities: | | |
| Receivables | (14,283) | 528,433 |
| Inventory | 2,228 | 1,386 |
| Accounts payable | (7,884) | 6,871 |
| Accrued payroll | 5,299 | 9,314 |
| Accrued compensated absences | 3,510 | 2,333 |
| Net cash - operating activities | <u>(113,879)</u> | <u>439,606</u> |
| Cash flows from investing activities | | |
| Distributions from endowment | 5,660 | 5,693 |
| Proceeds from the sale of investments | 30,140 | 23,027 |
| Proceeds from the sale of property and equipment | 158,126 | - |
| Purchase of investments | (608,564) | (604,088) |
| Net cash - investing activities | <u>(414,288)</u> | <u>(575,368)</u> |
| Cash flows from financing activities | | |
| Proceeds received from Paycheck Protection Program | 240,838 | 237,840 |
| Proceeds received for capital campaign | 366,219 | - |
| Principal payments on notes payable | - | (45,657) |
| Net cash - financing activities | <u>607,057</u> | <u>192,183</u> |
| Net increase in cash | 78,890 | 56,421 |
| Cash and restricted cash, beginning of year | <u>519,248</u> | <u>462,827</u> |
| Cash and restricted cash, end of year | <u>\$ 598,138</u> | <u>\$ 519,248</u> |
| Supplemental information: | | |
| Interest paid | <u>\$ 67</u> | <u>\$ 439</u> |
| Disclosure of noncash investing and financing activities | | |
| Paycheck Protection Program loan forgiveness | <u>\$ 237,840</u> | <u>\$ -</u> |
| Reconciliation to Cash Within the Statement of Financial Position | | |
| | <u>2021</u> | <u>2020</u> |
| Cash | \$ 361,188 | \$ 519,248 |
| Restricted cash | 236,950 | - |
| Total cash | <u>\$ 598,138</u> | <u>\$ 519,248</u> |

The accompanying notes to financial statements are an integral part of this statement.

FLORENCE CRITTENTON SERVICES, INC.

Notes to Financial Statements

June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

1. NATURE OF OPERATIONS

Organization

Florence Crittenton Services, Inc., (the “Organization”) is incorporated under the laws of the State of North Carolina as a nonprofit organization. It was organized in 1903 and opened its first home in 1905. The Organization is located at 3350 Holabird Lane, Charlotte, North Carolina.

Vision

The Organization is a client-centered program with comprehensive innovative services to improve the well-being of single pregnant and non-pregnant adolescents, women and their children and families.

Purpose

The mission of the Organization is to promote health and hope for tomorrow’s children by providing comprehensive health, educational pregnancy prevention and social services for single pregnant and non-pregnant adolescents, young women, and their families. The major programs of the Organization are as follows:

Residential Maternity – The primary operation of the Organization is a 20 bed, 24-hour residential maternity program for single pregnant women age 10 and older. Through the provision of prenatal and medical care, education, vocational, individual and group counseling, parenting education and adoption support, life skills, and substance abuse intervention, prevention and treatment, the Organization provides an opportunity for vulnerable young mothers to have healthy pregnancies and healthy babies as well as gain new skills and tools to become successful in the future. During the year, the Organization provided 1,915 days of care to 42 maternity clients.

Sarah’s House Mother-Child Program – The purpose of this program is to assure a safe, supportive environment in which teen mothers in foster care can acquire the knowledge and skills to become effective parents and learn life skills that promote self-sufficiency. Sarah’s House provides a 24-hour residential program for adolescent mothers and their children who need placement together. During the year, the Organization provided 2,068 days of care to 16 clients (8 moms and 8 babies).

Aftercare Parenting Education Program (APEP) – This non-residential home visitation program offers aftercare services for former clients living in Mecklenburg, Gaston, and surrounding counties. Services are provided for up to three years or longer if needed. During the year, 71 family members were served.

Legacy Hall: Preparation for Adult Living Services (PALS) – This independent living program focuses on prevention and is designed to aid non-pregnant at-risk females ages 16-21, in breaking the cycle of adolescent pregnancy, child abuse, substance abuse and neglect that is a barrier to healthy adult living. The program serves, in a residential setting, females who are aging out of foster care system. A primary goal of the program is to educate high risk young females and help them develop vocational, life and social skills that will facilitate a positive life outcome for the future. During the year, PALS provided 1,781 days of service for 18 clients.

Funding Sources

Activities of the Organization are financed by governmental agencies, the United Way, and public and private contributions.

FLORENCE CRITTENTON SERVICES, INC.

Notes to Financial Statements

June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

Contributions are recognized when cash, securities or other assets or an unconditional promise to give is received. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions which increases that net asset class.

Grant revenue on cost-reimbursement grants is recognized when program expenditures have been incurred and is recorded as earned income-contracts. The Organization must submit claims for reimbursement within 90 days of date of service. A claim is subject to review and such a review could result in the disallowance of the claim under the terms of the grant contract. Based on prior experience, management believes that claims ultimately disallowed, if any, would not materially affect the financial position of the Organization. Revenue from special events are recorded as earned when the event is held or when the workshop/program has been provided.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Receivables

Receivables consist of reimbursement of sales tax, fees due for services rendered, and grant funding. Receivables are stated at the amount the Organization expects to collect from outstanding balances. Amounts deemed uncollectible are immediately written off but all receivables reported at year end are considered collectible by management.

Investments

The Organization's investments are carried on the statement of financial position at fair value. Gains and losses on the change in the value of investments are recorded as increases or decreases in the applicable net asset category.

FLORENCE CRITTENTON SERVICES, INC.

Notes to Financial Statements

June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Endowments Controlled by Foundation

The Organization established endowment funds with Foundation for the Carolinas (the Foundation) and named the Organization as the beneficiary. The endowments are held and invested by the Foundation for the Organization's benefit and are reported at fair value in the statement of financial position, with changes in fair value recognized in the statement of activities.

Donated Services and Goods

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various assignments. Also, the Organization receives clothing and similar noncash contributions, which are either given to residents or are donated to other nonprofit organizations for distribution. No amounts have been reflected in the financial statements for these contributions as the contributions are either insignificant or do not meet the criteria of recognition.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefitted. Costs that can be identified with a particular program or support function are charged directly to that program or function. Expense allocations, including salaries and benefits, are allocated on the basis of management's estimates of the proportion of these costs applicable to each program and supporting service based on time and effort for each. Rent and depreciation expense are allocated based upon estimates of use.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could be different from those estimates.

Federal Income Tax Status

The Organization is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3). U.S. generally accepted accounting principles require an organization to recognize a tax benefit or expense from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Organization had no uncertain tax positions as of June 30, 2021 and 2020.

Prior-Year Comparative Totals

The financial statements include prior year summarized information, which is presented for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's 2020 financial statements, from which the summarized information is derived.

FLORENCE CRITTENTON SERVICES, INC.

Notes to Financial Statements

June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

Change in Accounting Principle

In August 2018, the FASB issued ASU 2018-13—*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), to streamline the disclosure requirements of ASC Topic 820—Fair Value Measurement. This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and the reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU No. 2018-13 is effective for all entities for interim and annual reporting periods beginning after December 31, 2019. The Organization adopted ASU 2018-13 as of July 1, 2020. The standard had no material impact on its financial statements and related disclosures.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, is comprised of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 361,188 | \$ 519,248 |
| Restricted cash | 236,950 | - |
| Receivables | <u>388,911</u> | <u>104,526</u> |
| Total financial assets | \$ 987,049 | \$ 623,774 |
| Less amounts unavailable for general expenditures within one year: | | |
| Net assets with donor time or purpose restrictions | <u>(612,220)</u> | <u>(176,887)</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 374,829</u> | <u>\$ 446,887</u> |

4. UNCONDITIONAL CONTRIBUTIONS RECEIVABLE

Unconditional contributions for which payment has not been received are included in the financial statements as contributions receivable and revenue in the appropriate net asset category. The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

Contribution balances are written off at the time they are determined to be uncollectible. The Organization uses the allowance method to determine uncollectible unconditional contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. New unconditional contributions are recorded when received. The discount rate to net present value was 2.2% at June 30, 2021.

Unconditional contributions receivable are as follows at June 30:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|------------------|
| Amount receivable within one year | \$ 309,554 | \$ 46,878 |
| Amount receivable in one to five years | 515,458 | - |
| Total contributions receivable | 825,012 | 46,878 |
| Discount to present value for future contributions | (12,886) | - |
| Allowance for uncollectible contributions | - | - |
| Contributions receivable, net | <u>\$ 812,126</u> | <u>\$ 46,878</u> |

FLORENCE CRITTENTON SERVICES, INC.

Notes to Financial Statements

June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

5. PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost if purchased or fair market value if donated, both subject to a \$500 capitalization policy. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is five years. Major classes of property and equipment at June 30, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|------------------|-------------------|
| Buildings and improvements | \$ - | \$ 3,538,868 |
| Equipment | 9,462 | 91,970 |
| Furniture and fixtures | 128,748 | 312,952 |
| Transportation equipment | 49,665 | 53,815 |
| Total property and equipment | <u>187,875</u> | <u>3,997,605</u> |
| Less accumulated depreciation | <u>147,828</u> | <u>3,108,160</u> |
| Property and equipment, net | <u>\$ 40,047</u> | <u>\$ 889,445</u> |

6. FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America define fair value measurements, establish a framework for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and enhance disclosure requirements for fair value measurements.

The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level I – Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but which are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed.

Level III – These instruments are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgement or estimation.

The following methods and assumptions were used to estimate the fair value of the following:

Mutual funds and exchange traded funds: valued by readily determinable fair values based on daily redemption values.

Endowments controlled by foundation: The fair value of endowments controlled by the Foundation is based upon the Organization’s proportionate share of the Foundation’s pooled investment portfolio. The Organization’s management and Board of Directors review the valuations and returns in comparison to industry benchmarks and other information provided by the Foundation, but do not receive a detailed listing of the holdings in which the Foundation is invested. The Organization uses the net asset value to determine the endowments held by the Foundation using the market approach based upon the Organization's proportionate share of the Foundation's pooled investment portfolio. Distributions are limited to the terms of the Organization's agreement with the Foundation.

FLORENCE CRITTENTON SERVICES, INC.

Notes to Financial Statements

June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

6. FAIR VALUE MEASUREMENTS, CONCLUDED

The following table presents investment assets measured at fair value on a recurring basis at June 30, 2021 and 2020:

| <u>June 30, 2021</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Measured at NAV</u> | <u>Total</u> |
|-------------------------------------|----------------------------|--------------------|--------------------|----------------------------|----------------------------|
| Mutual funds | \$ 1,920,481 | \$ - | \$ - | \$ - | \$ 1,920,481 |
| Cash reserve | 26,312 | - | - | - | 26,312 |
| Exchange traded funds | 982,440 | - | - | - | 982,440 |
| Endowments controlled by foundation | - | - | - | 218,682 | 218,682 |
| Total | <u>\$ 2,929,233</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 218,682</u> | <u>\$ 3,147,915</u> |
| | | | | | |
| <u>June 30, 2020</u> | | | | | |
| Mutual funds | \$ 1,153,288 | \$ - | \$ - | \$ - | \$ 1,153,288 |
| Cash reserve | 277,005 | - | - | - | 277,005 |
| Exchange traded funds | 505,734 | - | - | - | 505,734 |
| Endowments controlled by foundation | - | - | - | 173,216 | 173,216 |
| Total | <u>\$ 1,936,027</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 173,216</u> | <u>\$ 2,109,243</u> |

There were no unfunded commitments within the endowments controlled by the Foundation.

7. INVESTMENTS

Investments held at June 30, 2021 and 2020 are classified as trading. All gains and losses from investments have been recognized in the change in net assets in the statement of activities for the years ended June 30, 2021 and 2020. Investments are comprised of the following:

| | <u>2021</u> | <u>2020</u> |
|-----------------------|----------------------------|----------------------------|
| Mutual funds | \$ 1,920,481 | \$ 1,153,288 |
| Cash reserve | 26,312 | 277,005 |
| Exchange traded funds | 982,440 | 505,734 |
| | <u>\$ 2,929,233</u> | <u>\$ 1,936,027</u> |

The mutual funds consisted of the following types of funds at market value as of June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|------------------------|----------------------------|----------------------------|
| Emerging markets | \$ 165,072 | \$ 63,166 |
| Large cap | 175,291 | 95,392 |
| Large blend | 253,513 | 158,235 |
| Large growth | 189,647 | 100,325 |
| High yield bond | 20,329 | - |
| Intermediate term bond | 233,608 | 186,088 |
| Foreign large growth | 106,653 | 60,693 |
| Short term bond | 630,413 | 415,707 |
| Mid cap | 145,955 | 73,682 |
| | <u>\$ 1,920,481</u> | <u>\$ 1,153,288</u> |

FLORENCE CRITTENTON SERVICES, INC.

Notes to Financial Statements

June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

8. PAYCHECK PROTECTION PROGRAM

The Organization applied for and received a loan under the Paycheck Protection Program in the amount of \$240,838 and \$237,840 at June 30, 2021 and 2020, respectively. Each loan accrues interest at 1%, but payments are not required to begin for six months after the funding of each loan. The Organization is eligible for loan forgiveness of up to 100% of each loan, upon meeting certain requirements. Each loan is uncollateralized and is fully guaranteed by the Federal government. The Organization recorded forgiveness of \$237,840 when the first loan obligation was legally released March 2021. Subsequent to year end, the Organization recognized \$240,838 of loan forgiveness income in September 2021 when the second loan was legally released.

9. ENDOWMENTS CONTROLLED BY FOUNDATION

The endowments controlled by foundation consists of funds given to the Organization by donors to establish an endowment to provide annual funding for specific activities and general operations. The Organization has established the Florence Crittenton Services Endowment Fund of the Foundation (FCS Endowment Fund) and the Kimberly Ann Sipes Memorial Endowment Fund of the Foundation (KAS Memorial Endowment Fund). The Organization provided these funds as well as additional funds to the Foundation to hold and invest on its behalf. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization

The Organization's endowment complies with the Foundation's investment policies which attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the assets, to provide the necessary capital to fund the distributions, and to cover the costs of managing the investments.

The Organization's distribution policy is subject to the Foundation's spending policy. Currently, the Foundation's spending policy is that the amount available for distribution on an annual basis is 4.5% of the average ending balance of the fund for the last 3 years, as long as the individual fund balance is greater than 66% of historical dollar value.

FLORENCE CRITTENTON SERVICES, INC.

Notes to Financial Statements

June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

9. ENDOWMENTS CONTROLLED BY FOUNDATION, CONCLUDED

As of June 30, 2021 and 2020, the entire balance of the endowments were donor restricted. Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

| | <u>With Donor Restrictions</u> |
|---|------------------------------------|
| June 30, 2021 | |
| Endowment net assets, beginning of year | \$ 173,216 |
| Net investment earnings | 52,448 |
| Investment fees | (1,322) |
| Distributions | (5,660) |
| Endowment net assets, end of year | <u>\$ 218,682</u> |
| June 30, 2020 | |
| Endowment net assets, beginning of year | \$ 181,045 |
| Net investment earnings | (644) |
| Investment fees | (1,492) |
| Distributions | (5,693) |
| Endowment net assets, end of year | <u>\$ 173,216</u> |

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2021 and 2020 were restricted for the following purposes:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Campaign for Tomorrow's Children | \$ 579,921 | \$ 402,100 |
| Kimberly Ann Sipes Memorial Endowment Fund | 70,664 | 54,482 |
| Florence Crittenton Services Endowment Fund | 148,018 | 118,734 |
| Facility, program and staff improvements | 811,678 | 880,009 |
| Capital campaign | 1,036,482 | - |
| United Way contribution - time restricted | 27,500 | 46,878 |
| | <u>\$ 2,674,263</u> | <u>\$ 1,502,203</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| ABC Grant - time restricted | \$ - | \$ 100,000 |
| Facility, program and staff improvements | 68,331 | 49,991 |
| Capital campaign | 102,410 | - |
| United Way contribution - time restricted | 46,878 | 93,747 |
| Florence Crittenton Services Endowment Fund | 5,660 | 5,693 |
| | <u>\$ 223,279</u> | <u>\$ 249,431</u> |

FLORENCE CRITTENTON SERVICES, INC.

Notes to Financial Statements

June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

11. RETIREMENT PLAN

The Organization has established a 401(k) Profit Sharing Plan which covers all full-time and certain part-time employees who have attained the age of 21 and have one year of service. The Organization matches 50% of each employee's deferral up to 5% of the employee's annual salary. For the years ended June 30, 2021 and 2020, the Organization made matching contributions of \$10,889 and \$10,345 to the Plan, respectively.

12. OPERATING LEASES

Building

The Organization leased the land for its main location from the Charlotte-Mecklenburg Hospital Authority (the Hospital Authority) under a lease agreement which ended October 2020. Rental payments under the terms of the lease were \$100 per year. The lease allowed that, under specified circumstances, the Organization may either purchase the land from the Hospital Authority at fair market value or require the Hospital Authority to purchase the building and improvements from the Organization at fair market value. The Hospital Authority purchased the building and improvements during the year ended June 30, 2021 and reimbursed the Organization for certain costs associated with relocation.

The Organization entered into a lease for facilities with terms of the lease commencing November 2020 with the initial term ending November 2030. During this period, monthly rent of \$6,250 is due amounting in rent payments of \$75,000 annually. There are options to renew for 4 successive terms for 5 years each. The Organization also has the option to purchase the property for \$3,000,000 within the seventh to tenth years of the lease. Rent for this lease during the year ended June 30, 2021 was \$50,000.

Equipment

The Organization leases vehicles and office equipment under various operating lease agreements. These leases can be cancelled at any time. Lease payments made during the years ended June 30, 2021 and 2020, totaled \$16,966 and \$15,769, respectively, which includes month to month rentals.

13. CONCENTRATIONS OF RISK

Credit

The Organization regularly maintains cash balances in excess of insured limits, currently \$250,000, at various local financial institutions. However, management believes that the risk of loss on these accounts is minimal. At June 30, 2021 and 2020, \$129,721 and \$254,235, respectively, was deposited in excess of the insured amount.

Investments held in financial institutions are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC); however, this insurance does not cover the loss of value of the underlying assets. As disclosed in Note 7, the Organization maintains a variety of investments which are subject to fluctuations in market values and expose the Organization to a certain degree of investment risk.

Revenue

During June 30, 2021 and 2020, the Organization received approximately 27% and 69%, respectively, of its funding from contracts with government agencies. At June 30, 2021 and 2020, one donor comprises 45% and 100% of contributions receivable, respectively.

Geographic Area

The Organization operates in a limited geographic area and is sensitive to changes in the local economy.

FLORENCE CRITTENTON SERVICES, INC.

Notes to Financial Statements

June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

14. BENEFICIAL INTEREST IN CHARITABLE TRUSTS HELD BY OTHERS

The Organization is beneficiary to the Vance Memorial Fund and is named to receive a proportional share of the assets of this trust in the year 2050. This trust has not been recorded in the Organization's financial statements as it is revocable and the funds are not guaranteed. The Organization also receives a proportional share of income from the trust annually and received \$10,393 and \$10,355 during the years ended June 30, 2021 and 2020, respectively. The fair value of the Organization's proportion of the assets of this trust at June 30, 2021 and 2020 is \$194,917 and \$158,527, respectively.

15. RISKS AND UNCERTAINTIES

The COVID-19 pandemic developed rapidly in 2020 and has continued into 2022, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The Organization has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for employees (such as social distancing and working from home) and securing the supply of materials that are essential to serving clients. At this stage, the impact on the Organization's operations and financial results has not been significant and based on experience to date, the Organization expects this to remain the case. The Organization will continue to follow the various government policies and advice and, in parallel, will do its utmost to continue its operations in the best and safest way possible without jeopardizing the health of employees and clients.

15. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date of the audit report which is the date the financials were available to be issued.

FLORENCE CRITTENTON SERVICES, INC.
Supplemental Schedule of Expenses
Year Ended June 30, 2021

| | <u>Residential Maternity</u> | <u>PALS</u> | <u>Maternity</u> | <u>Mother/ Child</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|----------------------------------|----------------------------------|------------------|-------------------|--------------------------|-----------------------------------|--------------------|---------------------|
| Salaries and wages | \$ 645,132 | \$ 58,946 | \$ 70,747 | \$ 237,464 | \$ 45,847 | \$ 27,523 | \$ 1,085,659 |
| Payroll taxes | 47,074 | 4,400 | 4,768 | 17,521 | 2,792 | 1,874 | 78,429 |
| Employee benefits | 64,653 | 6,043 | 6,549 | 24,064 | 3,835 | 2,574 | 107,718 |
| Total personnel | <u>756,859</u> | <u>69,389</u> | <u>82,064</u> | <u>279,049</u> | <u>52,474</u> | <u>31,971</u> | <u>1,271,806</u> |
| Food | 33,783 | 6,936 | 3,526 | 3,262 | - | 47 | 47,554 |
| Repairs and maintenance - | | | | | | | |
| buildings | 2,011 | - | 3,822 | 4,753 | 1,188 | 2,376 | 14,150 |
| vehicles and equipment | 3,185 | - | 296 | 268 | 1,071 | 535 | 5,355 |
| Utilities | 54,936 | 1,052 | 5,928 | 7,544 | 1,886 | 3,772 | 75,118 |
| Supplies | 11,214 | 318 | 3,046 | 1,574 | 3,328 | 978 | 20,458 |
| Professional fees | 36,950 | - | 1,277 | 1,550 | 11,881 | - | 51,658 |
| Insurance | 20,633 | 2,345 | 2,301 | 8,286 | 5,038 | 82 | 38,685 |
| Technology | 15,425 | - | 1,434 | 1,299 | 5,187 | 2,594 | 25,939 |
| Equipment leases | 8,541 | 2,125 | 932 | 4,772 | 303 | 293 | 16,966 |
| Transportation | (1,192) | 1,324 | (147) | 5,595 | 183 | 415 | 6,178 |
| Interest expense | 50 | - | 5 | 7 | 2 | 3 | 67 |
| Capital campaign | 25,893 | - | - | - | - | 76,517 | 102,410 |
| Training and education | 86 | 1,397 | (358) | 3,565 | 593 | 525 | 5,808 |
| Client recreation and assistance | (5,603) | 2,609 | (626) | 7,999 | 38 | - | 4,417 |
| Special events | 14,662 | - | - | 365 | 12 | 22,609 | 37,648 |
| Telephone | 7,293 | - | 788 | 980 | 245 | 490 | 9,796 |
| Subscriptions and publications | 12,958 | 471 | 1,436 | 531 | 483 | 356 | 16,235 |
| Building lease | 25,171 | 6,263 | 2,747 | 14,063 | 893 | 863 | 50,000 |
| Other | 8,773 | 213 | 581 | 824 | 334 | 1,872 | 12,597 |
| | <u>274,769</u> | <u>25,053</u> | <u>26,988</u> | <u>67,237</u> | <u>32,665</u> | <u>114,327</u> | <u>541,039</u> |
| Totals before depreciation | 1,031,628 | 94,442 | 109,052 | 346,286 | 85,139 | 146,298 | 1,812,845 |
| Depreciation | 20,226 | - | 2,184 | 2,716 | 679 | 1,358 | 27,163 |
| Total expense | <u>\$ 1,051,854</u> | <u>\$ 94,442</u> | <u>\$ 111,236</u> | <u>\$ 349,002</u> | <u>\$ 85,818</u> | <u>\$ 147,656</u> | <u>\$ 1,840,008</u> |