



The Father McKenna
C E N T E R • I N C

FINANCIAL STATEMENTS

September 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Father McKenna Center, Inc.
Washington, D.C.

We have audited the accompanying financial statements of The Father McKenna Center, Inc., which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Father McKenna Center, Inc. as of September 30, 2019 and 2018, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, The Father McKenna Center, Inc., adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended September 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
December 6, 2019

THE FATHER MCKENNA CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,538,736	\$ 1,382,277
Certificates of deposit	858,628	834,933
Current portion of promises to give, net of allowance for uncollectible promises to give of \$32,704 and \$53,325 in 2019 and 2018	404,179	1,478,474
Prepaid expenses	23,371	17,724
Employee advances	13,858	13,495
Accrued interest	13,219	8,092
Total current assets	2,851,991	3,734,995
OTHER ASSETS		
Promises to give, long-term, net of discount on future cash flows of \$12,065 and \$27,072 in 2019 and 2018	332,635	746,520
Property and equipment, net of accumulated depreciation of \$61,799 and \$95,322 in 2019 and 2018	2,441,414	295,063
Total other assets	2,774,049	1,041,583
Total assets	\$ 5,626,040	\$ 4,776,578
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 202,336	\$ 10,237
Accrued payroll and vacation	26,090	26,000
Accrued expenses	680	1,061
Current portion of capital lease obligation	4,827	-
Total current liabilities	233,933	37,298
OTHER LIABILITIES		
Capital lease obligation, net of current portion	7,322	-
Total liabilities	241,255	37,298
NET ASSETS		
Without donor restrictions	4,570,095	1,974,598
With donor restrictions	814,690	2,764,682
Total net assets	5,384,785	4,739,280
Total liabilities and net assets	\$ 5,626,040	\$ 4,776,578

See accompanying notes.

THE FATHER MCKENNA CENTER, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions			
Organizations	\$ 109,460	\$ 3,000	\$ 112,460
Individuals	1,163,818	-	1,163,818
Foundations	272,499	-	272,499
Donated food and clothing	209,386	-	209,386
Donated facilities	348,768	-	348,768
Donated services	24,000	-	24,000
Net assets released from donor restrictions			
Satisfaction of purpose restrictions	1,872,992	(1,872,992)	-
Expiration of time restrictions	80,000	(80,000)	-
Total support	4,080,923	(1,949,992)	2,130,931
Other revenue	8,058	-	8,058
Interest	32,598	-	32,598
Total revenue	40,656	-	40,656
Total support and revenue	4,121,579	(1,949,992)	2,171,587
EXPENSES			
Program services			
Day Program	797,756	-	797,756
Food Pantry	168,863	-	168,863
Hypothermia	98,537	-	98,537
Other programs	41,308	-	41,308
Total program services	1,106,464	-	1,106,464
Supporting activities			
Management and general	171,680	-	171,680
Fundraising - general	107,673	-	107,673
Fundraising - capital campaign	149,072	-	149,072
Total expenses	1,534,889	-	1,534,889
Loss on disposal of property and equipment	(11,814)	-	(11,814)
Collections of previously uncollectible promises to give	20,621	-	20,621
Change in net assets	2,595,497	(1,949,992)	645,505
Net assets at beginning of year	1,974,598	2,764,682	4,739,280
Net assets at end of year	\$ 4,570,095	\$ 814,690	\$ 5,384,785

See accompanying notes.

THE FATHER MCKENNA CENTER, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions			
Organizations	\$ 87,564	\$ 62,000	\$ 149,564
Individuals	1,385,083	1,327,573	2,712,656
Foundations	151,478	556,500	707,978
Government	2,219	2,220	4,439
Donated food and clothing	255,669	-	255,669
Donated facilities	348,768	-	348,768
Donated services	55,000	-	55,000
Net assets released from donor restrictions			
Satisfaction of purpose restrictions	30,449	(30,449)	-
Expiration of time restrictions	23,500	(23,500)	-
Total support	2,339,730	1,894,344	4,234,074
Other revenue	4,353	-	4,353
Interest	14,596	-	14,596
Total revenue	18,949	-	18,949
Total support and revenue	2,358,679	1,894,344	4,253,023
EXPENSES			
Program services			
Day Program	739,108	-	739,108
Food Pantry	194,431	-	194,431
Hypothermia	101,244	-	101,244
Other programs	53,301	-	53,301
Total program services	1,088,084	-	1,088,084
Supporting activities			
Management and general	168,756	-	168,756
Fundraising - general	174,357	-	174,357
Fundraising - capital campaign	137,655	-	137,655
Total expenses	1,568,852	-	1,568,852
Allowance for uncollectible promises to give	53,325	-	53,325
Change in net assets	736,502	1,894,344	2,630,846
Net assets at beginning of year	1,238,096	870,338	2,108,434
Net assets at end of year	\$ 1,974,598	\$ 2,764,682	\$ 4,739,280

See accompanying notes.

THE FATHER MCKENNA CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2019

	Program Services				Total Program	Supporting Activities			Total
	Day Program	Food Pantry	Hypothermia	Other		Management and General	Fundraising General	Fundraising Capital Campaign	
Salaries	\$ 239,483	\$ 18,909	\$ 49,760	\$ 19,152	\$ 327,304	\$ 51,378	\$ 42,165	\$ 46,418	\$ 467,265
Payroll taxes and benefits	41,142	2,210	10,136	3,776	57,264	23,659	8,456	9,200	98,579
Occupancy	264,609	25,310	27,830	4,828	322,577	22,188	4,513	660	349,938
Food and clothing	133,176	115,842	94	-	249,112	-	736	-	249,848
Professional fees	20,838	848	3,280	11,365	36,331	60,893	2,979	72,873	173,076
Supplies and equipment	35,440	1,291	913	749	38,393	608	923	1,085	41,009
Printing and shipping	388	5	32	13	438	529	38,772	8,758	48,497
Advertising	-	-	-	-	-	168	3,358	1,866	5,392
Depreciation	23,055	2,205	2,425	421	28,106	1,933	393	57	30,489
Insurance	19,597	1,693	1,922	355	23,567	2,955	377	141	27,040
Information technology	3,598	204	826	324	4,952	1,684	1,884	869	9,389
Office expenses	5,167	259	815	238	6,479	1,771	617	5,894	14,761
Meetings, travel, and training	4,254	-	-	-	4,254	107	-	758	5,119
Fees and licenses	1,524	86	499	85	2,194	1,725	2,496	487	6,902
Local transportation	5,463	-	-	-	5,463	2,072	-	-	7,535
Interest expense	22	1	5	2	30	10	4	6	50
Total expenses	\$ 797,756	\$ 168,863	\$ 98,537	\$ 41,308	\$ 1,106,464	\$ 171,680	\$ 107,673	\$ 149,072	\$ 1,534,889

See accompanying notes.

THE FATHER MCKENNA CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2018

	Program Services				Total Program	Supporting Activities			Total
	Day Program	Food Pantry	Hypothermia	Other		Management and General	Fundraising General	Fundraising Capital Campaign	
Salaries	\$ 217,381	\$ 22,806	\$ 50,999	\$ 12,718	\$ 303,904	\$ 60,188	\$ 50,134	\$ 26,442	\$ 440,668
Payroll taxes and benefits	53,058	4,010	13,834	3,472	74,374	24,813	13,411	6,940	119,538
Occupancy	270,805	25,647	28,305	5,093	329,850	17,336	5,788	35	353,009
Food and clothing	131,179	139,074	394	30,625	301,272	41	20	-	301,333
Professional fees	4,943	77	319	13	5,352	45,380	55,128	89,661	195,521
Supplies and equipment	26,041	1,319	2,956	102	30,418	-	2,121	139	32,678
Printing and shipping	215	7	33	5	260	524	28,038	563	29,385
Advertising	196	-	-	-	196	815	10,219	10,500	21,730
Depreciation	7,357	550	1,760	477	10,144	5,939	1,878	880	18,841
Insurance	7,921	338	1,045	294	9,598	6,176	1,125	545	17,444
Information technology	3,715	306	1,159	238	5,418	3,304	2,424	417	11,563
Office expenses	4,930	141	418	133	5,622	2,874	511	746	9,753
Meetings, travel, and training	5,957	-	-	49	6,006	665	47	597	7,315
Fees and licenses	1,904	106	22	82	2,114	701	3,513	190	6,518
Local transportation	3,506	50	-	-	3,556	-	-	-	3,556
Total expenses	\$ 739,108	\$ 194,431	\$ 101,244	\$ 53,301	\$ 1,088,084	\$ 168,756	\$ 174,357	\$ 137,655	\$ 1,568,852

See accompanying notes.

THE FATHER MCKENNA CENTER, INC.
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 645,505	\$ 2,630,846
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for long-term purposes	(843,222)	(1,814,073)
Discount on long-term promises to give	-	27,072
Amortization of discount on long-term promises to give	(15,007)	(23,000)
Allowance for uncollectible promises to give	(20,261)	53,325
Loss on disposal of property and equipment	(11,814)	-
Depreciation	30,489	18,841
(Increase) decrease in assets		
Promises to give	1,684,358	(106,434)
Prepaid expenses	(5,647)	(673)
Employee advances	(363)	(7,203)
Accrued interest	(5,127)	(5,195)
Increase (decrease) in liabilities		
Accounts payable	(7,789)	367
Accrued payroll and vacation	90	7,594
Accrued expenses	(381)	607
Net cash flows from operating activities	1,450,831	782,074
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,976,296)	(119,248)
Redemptions of certificates of deposit	325,000	110,000
Purchases of certificates of deposits	(325,000)	(310,000)
Interest retained in certificates of deposit	(23,695)	(12,871)
Net cash flows from investing activities	(1,999,991)	(332,119)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on accounts payable used to finance leasehold improvements	-	(31,356)
Principal payments on capital lease obligation	(321)	-
Proceeds from contributions restricted for long-term purposes	682,312	519,901
Net cash flows from financing activities	681,991	488,545
Net change in cash	132,831	938,500
Cash at beginning of year	1,382,277	443,777
Cash at end of year	\$ 1,515,108	\$ 1,382,277
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing transactions		
Property and equipment included in accounts payable	\$ 199,888	\$ -
Property and equipment financed through capital lease	12,470	-

See accompanying notes.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

The Father McKenna Center, Inc. (Center) is a nonprofit organization incorporated in 2012 and is a Catholic social service agency serving individuals and families in need of assistance primarily in Ward 6 of Washington, D.C. The Center's mission is to accompany and care for families struggling with poverty and men facing homelessness by providing food, shelter, clothing and services to support their journey toward stability, productivity, meaning and hope, building upon the good works, ideals and values of Father Horace McKenna, S.J.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Promises to Give

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give to be received over periods longer than a single year are discounted at an interest rate commensurate with risk involved. The Center establishes an allowance for uncollectable promises to give based on an assessment of individual donors and history of collectability. Promises to give are charged against operations when deemed uncollectible.

Property and Equipment

The Center capitalizes all acquisitions of property and equipment in excess of \$1,000. Property and equipment are carried at cost or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated Services

Donated services are recognized as support if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and payroll taxes and benefits which are allocated on the basis of estimates of time and effort; and occupancy, depreciation, and information technology which are allocated on the basis of square footage.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following program services and supporting activities are included in the accompanying financial statements:

One of the most significant factors in the Center's ability to carry out its mission this fiscal year was the complete renovation of the facility. The renovation project began in February 2019 and reached substantial completion in September 2019. The Center was transformed from a configuration that primarily served as a church worship space into a social services center. Cramped dining spaces were opened, and the number of bathrooms was increased. Inadequate office spaces were improved, and a dedicated classroom/meeting room was built. Construction was phased and the Center remained open with all programs and services available. At the same time, the facility was noisy, and the usable spaces were shifting constantly. Understandably, utilization of the space declined temporarily. With renovations substantially completed, we have already seen an increase in the number of people served.

Day Program for Men Struggling with Homelessness

The largest program of The Father McKenna Center is the Day Program for men currently experiencing homelessness. The Day Program is a "drop-in" program that welcomes guests into the Center to meet their immediate needs while providing case management and other support to assist our guests to identify the obstacles they face and to develop strategies to overcome those obstacles so that they can reclaim their lives. Open Monday through Friday from 7:00 am to 1:30 pm, with special programs in the afternoon, the Day Program provides a safe and secure environment for men who struggle with homelessness to develop the individual strategies they need to move toward stability, productivity and meaning in their lives.

Each day 50-70 men come to the Center for one of many services provided, including two meals (breakfast and lunch), showers, laundry, clothing, and access to computers, phone and mail. These basic human services are an invitation to a deeper relationship of trust with the staff and our case managers. During fiscal 2019, 1,283 unique individuals made 15,546 visits to The Father McKenna Center. We served over 13,000 meals to men in the program.

The Father McKenna Center is dedicated to upholding and honoring the dignity of each one of our guests. One aspect of this approach is our program to make showers and laundry available daily. On average, 14 men were able to take a shower each day for a total of 3,418 showers over the course of the year. Our laundry services washed on average 77 loads of laundry each month, for over 900 loads of laundry in fiscal 2019.

Our most important work in this program is through case management. Our approach to case management is guided by "The Better Life Pyramid." This proven method, developed at The Father McKenna Center, when followed diligently and with support, can lead a man out of homelessness and to a life of independence, stability and meaning. The case management team provides this support along with referral services to help our guests recognize their full potential. The case management team held over 2,000 consultations over the 2019 fiscal year. This includes 379 intake consultations for men who are new to our program. The case managers listen carefully to each guest and formulate a unique plan to guide him on the journey to a better life. Frequently this includes a referral to one of our partners for additional services, such as housing, rehabilitation for addiction, job training, mental or physical health or to obtain an ID.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In fiscal 2019 the case management team made 1,200 referrals, including 172 referrals for mental health or addiction rehabilitation services. IDs were obtained by 54 of our guests, giving them access to additional services in the District.

Additional support for men who face homelessness is provided in our Daily Support Group meeting, bi-monthly Peace Building Assemblies, Restorative Justice Circles, and Spirituality/Faith Sharing group, and weekly Peace Circle meetings. On a regular basis the Director of Services facilitates a Recidivism Prevention Workshop. These programs offer a specialized opportunity for men to move forward to stability, productivity and meaning in life.

Food Pantry

The Food Pantry provides low income families from Ward 6 in Washington, D.C. the opportunity to secure supplemental groceries. The Father McKenna Center provides an array of groceries (milk, eggs, meat, breads, fresh produce and a variety of nonperishable foods) to help our neighbors fill the gap in their food budgets. The retail value of a bag of groceries is approximately \$70.00.

Many low income families receive SNAP (Supplemental Nutrition Assistance Program) support. Cuts to SNAP in 2017 have meant most families receiving assistance have enough aid to purchase 20-22 days' worth of food. In fiscal 2019, patrons of our Food Pantry made 3,792 visits.

The Pantry serves 12-17 families daily or approximately 235 different families each month. In fiscal 2019, 588 different families accessed our Food Pantry. The Food Pantry is open each day (Monday-Friday). Families may visit the Food Pantry twice per month, with two weeks between visits. In Fiscal Year 2019, we provided food to support more than 50,000 meals in our community. The Food Pantry is supported by our partnership with the Capital Area Food Bank, and by canned food drives and contributions from Holy Trinity Parish (Georgetown), Gonzaga College High School, Visitation High School, St. Peter's School, and other groups that donate via ad hoc canned food drives.

The Food Pantry offers a special program of Thanksgiving Baskets for our patrons each November. In fiscal 2019, we partnered with Holy Trinity Parish (Georgetown), Holy Child School (Potomac), St. Bernadette Elementary School (Silver Spring), and the WC Smith Company to provide 242 families with a turkey and a basket of "fixins" to make a Thanksgiving dinner to share with family members and friends.

Hypothermia/Transition Program

The Hypothermia/Transition Program offers up to 20 men a warm, safe and secure place to sleep out of the cold, a quality evening meal provided and served by Gonzaga College High School families, and targeted case management services with the goal of finding a job and a permanent place to live. The Program opens on November 1 and continues every night through March 31 each year.

The men in the Program set specific goals and work on them with the encouragement of a dedicated case manager. In fiscal 2019, 24 different men participated in the Program. Over 75% of the participants reached one or more of his goals. In FY 2019 18 men found stable housing or met one or more of their goals by the program's end.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On a weekly basis the men participate in a group meeting facilitated by the Director of Services to highlight issues that are common to men facing homelessness and to manage the issues that grow out of living in community. The men in the Hypothermia/Transition Program are encouraged to complete the Recidivism Prevention Workshop offered at the Center.

Other Programs (includes Immersion Service/Learning Program and Volunteer Program)

The Father McKenna Center welcomes student groups from across the country for a week of service and learning. Students volunteer in the Center, preparing meals, meeting our guests, helping in the Food Pantry and supporting other services that we offer. The Center offers reflections and meets with the students to challenge them to see people who face poverty and hunger in new ways. "When I arrived, I thought of the homeless as a 'demographic.' Now I know that they are individuals like me," wrote one student.

In fiscal 2019, 7 different high schools, colleges and universities participated in the Immersion Service/Learning Program, bringing 70 students and their leaders into the Center. Through this Program we are working to form the hearts and minds of young people to be "Men and Women With and For Others."

Volunteers are the lifeblood of The Father McKenna Center. Volunteers provide the hearts and hands that make the services and programs at the Center possible. From serving breakfast or lunch to distributing mail, volunteers touch the lives of the people we serve. Both our clothing distribution and our Food Pantry are staffed almost entirely by volunteers.

Nearly 600 individuals volunteered at The Father McKenna Center in fiscal 2019. They provided nearly 16,000 hours of service to people in need. This is the equivalent of more than 7 full-time employees.

Management and general

Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Center's program strategy, secure proper administrative functioning of the board of directors, and manage the financial and budgetary responsibilities of the Center.

General Fundraising

Provides the structure necessary to encourage and secure private financing from individuals, foundations, and corporations to support the Center's program and administrative functioning.

Capital Campaign Fundraising

During the year ended September 30, 2018, the Center initiated the Slow Miracles Capital Campaign to obtain donor funding to assist with financing the renovation. Contributions and promises to give in connection with the campaign are restricted for expenditures incurred during facility renovations. The estimated cost of the renovations and related program enhancements of the facility is approximately \$4,500,000.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

The Center adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, as of and for the year ended September 30, 2019. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Date of Management's Review

Management has evaluated subsequent events through December 6, 2019, the date which the financial statements were available to be issued. Further, to management's knowledge no items of note required disclosure.

NOTE 2 – PROMISES TO GIVE

Promises to give are estimated to be collected in the subsequent years ending September 30 and consist of the following:

2020	\$ 436,883
2021	226,525
2022	91,450
2023	26,200
2024	<u>525</u>
Promises to give	781,583
Less discount to net present value at rate of 3.5%	(12,065)
Less allowance for uncollectible promises to give	<u>(32,704)</u>
Promises to give, net of discount and allowance	<u><u>\$ 736,814</u></u>

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 117,170	\$ 37,349
Computers	16,665	13,109
Leasehold improvements	2,361,378	55,481
Vehicles	8,000	22,470
Construction in progress	-	261,976
	<u>2,503,213</u>	<u>390,385</u>
Property and equipment		
Accumulated depreciation	<u>(61,799)</u>	<u>(95,322)</u>
Property and equipment, net	<u><u>\$ 2,441,414</u></u>	<u><u>\$ 295,063</u></u>

NOTE 4 – CAPITAL LEASE

In July 2019, the Center entered into a capital lease for telephone equipment. The cost of the capitalized equipment at September 30, 2019 totals \$12,470. Accumulated depreciation for the leased equipment at September 30, 2019 and depreciation expense on the leased equipment for the year ended September 30, 2019 total \$693. The following is a schedule by year of future minimum lease payments under the capital lease for years ended September 30:

2020	\$ 4,827
2021	4,455
2022	<u>3,771</u>
Total minimum lease payments	13,053
Less amount representing interest	<u>(904)</u>
Present value of minimum lease payments	<u><u>\$ 12,149</u></u>

NOTE 5 – CONCENTRATIONS OF CREDIT RISK

Beginning in 2018, The Father McKenna Center has held significant amounts of cash at one financial institution resulting from high levels of revenue from a capital campaign and anticipated high levels of expenditure to fund extensive renovations. During construction, the line of credit agreement stipulated that the Center maintain all of its operating cash at the institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Center's uninsured cash balances total approximately \$1,290,000 and \$1,127,000 at September 30, 2019 and 2018. With the completion of construction, the Center will take action in the first quarter of 2020 to diversify its holdings.

NOTE 6 – LINE OF CREDIT

The Center entered into an agreement to borrow up to \$1,000,000 to assist with the timing of cash flows in connection with the Capital Campaign renovations. Advances on the line plus any monthly accrued interest are due at maturity and carry an interest rate equal to the Thirty Day LIBOR rate plus 2.5%. The line matures in February 2021 and is secured by all property and equipment and receivables of the Center. There were no draws on the line and there is no outstanding balance as of September 30, 2019 and 2018.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2019 and 2018 were available for the following:

	2019	2018
Purpose restricted		
Capital campaign	\$ 754,922	\$ 2,620,472
Ignation mission	6,042	7,646
Day Program	-	2,850
Food Pantry	-	2,220
Clothing/backpacks	726	1,494
Lessons and Carols	3,000	-
Restricted for future periods	50,000	130,000
Net assets with donor restrictions	\$ 814,690	\$ 2,764,682

NOTE 8 – DONATED SERVICES

During the years ended September 30, 2019 and 2018, the Center received donated social media consulting services with a fair value of \$24,000 and \$55,000; they are included in professional fees in the statements of functional expenses and were for both Capital Campaign fundraising activities and general promotion.

NOTE 9 – LICENSING AGREEMENT

The Center renewed an agreement with Gonzaga College High School (Gonzaga) granting the Center a license to utilize a portion of its facilities for carrying out the Center's operations at an annual base rent of \$1. The rent rate is established on an annual basis and the license expires February 20, 2023. At the expiration date, if no notice is given to terminate at the expiration date, the license automatically renews every five years for up to 25 years or February 20, 2043. The estimated fair value of the donated facilities and utilities was \$348,768 for the years ended September 30, 2019 and 2018 and is included in occupancy on the statements of functional expenses.

NOTE 10 – RETIREMENT PLAN

The Center provides a 401(k) plan that allows employees to begin making elective deferrals once they have met the eligibility requirements. The Center makes a discretionary 3% contribution to the plan based on each employee's compensation. Retirement expense was \$16,521 and \$8,115 for the years ended September 30, 2019 and 2018.

NOTE 11 – LIQUIDITY AND AVAILABILITY

The Center's financial assets consist of cash, certificates of deposit, promises to give, employee advances, and accrued interest. As part of the Center'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. The Center has a goal to maintain a six month reserve for estimated future obligations.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – LIQUIDITY AND AVAILABILITY (continued)

The table below reflects the Center's financial assets as of September 30, 2019, the date of the statement of financial position reduced by any amounts not available for general expenditures within one year of the date of the statement of financial position:

Financial assets at end of year	\$ 3,161,255
Less those unavailable for general expenditures within one year:	
Restricted by donors with purpose restrictions	764,690
Restricted by donors for future periods	50,000
Unconditional promises to give receivable in more than one year	332,635
Board designated funds for capital campaign	<u>500,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,513,930</u>