



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

FINANCIAL STATEMENTS

September 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 Guidance

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. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of and for the year ended September 30, 2020. 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
March 18, 2021

THE FATHER MCKENNA CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,697,184	\$ 1,538,736
Certificates of deposit	775,000	858,628
Current portion of promises to give, net	372,941	404,179
Prepaid expenses	20,953	23,371
Employee advances	6,060	13,858
Accrued interest	9,017	13,219
Total current assets	2,881,155	2,851,991
OTHER ASSETS		
Promises to give, long-term, net	148,785	332,635
Property and equipment, net	2,790,187	2,441,414
Total other assets	2,938,972	2,774,049
Total assets	\$ 5,820,127	\$ 5,626,040
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 23,289	\$ 202,336
Accrued payroll and vacation	44,374	26,090
Accrued expenses	560	680
Current portion of PPP loan payable	81,955	-
Current portion of capital lease obligation	4,455	4,827
Total current liabilities	154,633	233,933
OTHER LIABILITIES		
PPP loan payable, net of current portion	52,545	-
Capital lease obligation, net of current portion	3,737	7,322
Total liabilities	210,915	241,255
NET ASSETS		
Without donor restrictions	4,973,590	4,570,095
With donor restrictions	635,622	814,690
Total net assets	5,609,212	5,384,785
Total liabilities and net assets	\$ 5,820,127	\$ 5,626,040

See accompanying notes.

THE FATHER MCKENNA CENTER, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions			
Organizations	\$ 153,368	\$ -	\$ 153,368
Individuals	1,026,234	-	1,026,234
Foundations	178,120	50,000	228,120
Grants	20,552	-	20,552
Donated food and clothing	285,758	-	285,758
Donated facilities	348,768	-	348,768
Net assets released from donor restrictions			
Satisfaction of purpose restrictions	229,068	(229,068)	-
Total support	2,241,868	(179,068)	2,062,800
Other revenue	20,474	-	20,474
Interest	18,833	-	18,833
Total revenue	39,307	-	39,307
Total support and revenue	2,281,175	(179,068)	2,102,107
EXPENSES			
Program services			
Day Program	939,853	-	939,853
Food Pantry	244,984	-	244,984
Hypothermia	156,023	-	156,023
Other programs	197,049	-	197,049
Total program services	1,537,909	-	1,537,909
Supporting activities			
Management and general	125,599	-	125,599
Fundraising - general	157,787	-	157,787
Fundraising - capital campaign	56,385	-	56,385
Total expenses	1,877,680	-	1,877,680
Change in net assets	403,495	(179,068)	224,427
Net assets at beginning of year	4,570,095	814,690	5,384,785
Net assets at end of year	\$ 4,973,590	\$ 635,622	\$ 5,609,212

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 FUNCTIONAL EXPENSES
Year Ended September 30, 2020

	Program Services				Supporting Activities				Total
	Day Program	Food Pantry	Hypothermia	Other	Total Program	Management and General	Fundraising General	Fundraising Capital Campaign	
Salaries	\$ 321,171	\$ 22,905	\$ 96,981	\$ 64,468	\$ 505,525	\$ 29,657	\$ 66,442	\$ 14,827	\$ 616,451
Payroll taxes and benefits	60,557	3,207	20,969	14,857	99,590	11,523	14,991	3,522	129,626
Occupancy	253,943	56,834	9,240	5,692	325,709	18,531	5,842	2,707	352,789
Food and clothing	170,596	151,495	1,439	5,000	328,530	-	561	-	329,091
Professional fees	22,418	1,201	8,140	34,788	66,547	28,276	11,796	17,511	124,130
Supplies and equipment	46,778	6,078	4,483	1,100	58,439	2,083	1,338	1,429	63,289
Printing and shipping	116	421	56	17	610	584	41,401	2,972	45,567
Advertising	-	-	-	-	-	3,280	-	-	3,280
Depreciation	37,912	1,879	11,019	68,507	119,317	19,509	8,324	-	147,150
Insurance	7,511	213	1,407	919	10,050	3,785	984	10,347	25,166
Information technology	3,148	174	1,000	708	5,030	1,852	1,919	224	9,025
Office expenses	5,928	110	577	577	7,192	1,947	510	1,038	10,687
Meetings, travel, and training	3,798	247	-	-	4,045	2,804	-	1,580	8,429
Fees and licenses	1,506	82	629	340	2,557	1,708	3,592	127	7,984
Local transportation	3,956	-	-	-	3,956	-	-	-	3,956
Interest expense	515	138	83	76	812	60	87	101	1,060
Total expenses	\$ 939,853	\$ 244,984	\$ 156,023	\$ 197,049	\$ 1,537,909	\$ 125,599	\$ 157,787	\$ 56,385	\$ 1,877,680

See accompanying notes.

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

	Program Services					Supporting Activities			
	Day Program	Food Pantry	Hypothermia	Other	Total Program	Management and General	Fundraising General	Fundraising Capital Campaign	Total
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.
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 224,427	\$ 645,505
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for long-term purposes	(437,793)	(843,222)
Amortization of discount on long-term promises to give	(6,700)	(15,007)
Allowance for uncollectible promises to give	(13,984)	(20,261)
Loss on disposal of property and equipment	-	(11,814)
Depreciation	147,150	30,489
(Increase) decrease in assets		
Promises to give	355,479	1,684,358
Prepaid expenses	2,418	(5,647)
Employee advances	7,798	(363)
Accrued interest	4,202	(5,127)
Increase (decrease) in liabilities		
Accounts payable	6,130	(7,789)
Accrued payroll and vacation	18,284	90
Accrued expenses	(120)	(381)
Net cash flows from operating activities	307,291	1,450,831
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(481,212)	(1,952,668)
Redemptions of certificates of deposit	434,000	325,000
Purchases of certificates of deposits	(351,000)	(325,000)
Interest retained in certificates of deposit	628	(23,695)
Net cash flows from investing activities	(397,584)	(1,976,363)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on accounts payable used to finance leasehold improvements	(199,888)	-
Proceeds from PPP loan	134,500	-
Principal payments on capital lease obligation	(3,957)	(321)
Proceeds from contributions restricted for long-term purposes	318,086	682,312
Net cash flows from financing activities	248,741	681,991
Net change in cash	158,448	156,459
Cash at beginning of year	1,538,736	1,382,277
Cash at end of year	\$ 1,697,184	\$ 1,538,736
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing transactions		
Property and equipment included in accounts payable	\$ 14,711	\$ 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, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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.

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. The current portion of promises to give is reported on the statements of financial position net of an allowance for uncollectible promises to give that totals \$18,720 and \$32,704 as of September 30, 2020 and 2019. Long-term promises to give are reported on the statements of financial position net of a 3.5% discount that totals \$5,365 and \$12,065 as of September 30, 2020 and 2019.

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.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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. The new spaces became fully available for use at the beginning of fiscal year 2020.

The 2020 Fiscal Year was cut neatly in two by the arrival of the coronavirus. In the first quarter of the fiscal year the Center completed the Slow Miracles Campaign – a successful effort to raise \$4.5 million for a complete renovation of our facility and funding for program enhancements over the next four years. The renovation itself was substantially completed in November. The Center remained open during ten months of construction and program numbers had fallen due to the noise, dust and disruption. Service levels in the Day Program and the Food Pantry were returning to pre-construction levels when the pandemic reached Washington, DC.

In March, in cooperation with the DC government's effort to limit the spread among the homeless population, we made the painful but prudent decision to suspend the Day Program for Men. We continued the Hypothermia / Transition Program until mid-July with five men, offering them a safe and secure environment in which to "ride out the storm." The Food Pantry continued and we added a Community Food Hub, offering supplemental nonperishable items to families from across DC. In June we added a midday "Grab-n-Go" meal service for people who are homeless. In July the Day Program resumed, mostly out-of-doors, on part of the Gonzaga campus along the Eye Street Esplanade.

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.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the first half of the fiscal year, 50 – 70 men came to the Center daily 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. The Day Program was suspended in mid-March due to the pandemic.

The Center re-opened the Day Program in July after a four-month suspension. We formed an advisory committee including medical professionals to consider what protocols needed to be in place to keep everyone safe. The greatest needs at that time were for showers and clothing. The Center opened the shower facility and Clothing Closet immediately. Meals were served outside as well as Case Management appointments. The continued closure of social services offices and agencies made it difficult for men to progress toward stability.

The Day Program was closed for 18 weeks during fiscal 2020. Still, 724 unique individuals made 9,113 visits to the Father McKenna Center. We served over 6,800 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 2,253 showers over the course of the year. Our laundry services washed on average 80 loads of laundry each month, for over 600 loads of laundry in fiscal 2020.

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 1,200 consultations over the 2020 fiscal year. This includes 324 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.

In fiscal 2020 the case management team made 687 referrals, including 76 referrals for mental health or addiction rehabilitation services. IDs were obtained by 41 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. Where possible, these programs resumed via zoom after the Day Program re-opened in July.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2020, patrons of our Food Pantry made 3,585 visits.

The Pantry serves 12-17 families daily or approximately 230 different families each month. In fiscal 2020, 526 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 2020, we provided food to support more than 45,000 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 2020, we partnered with Holy Trinity Parish (Georgetown), Holy Child School (Potomac), and St. Bernadette Elementary School (Silver Spring) to provide 230 families with a turkey and a basket of "fixins" to make a Thanksgiving dinner to share with family members and friends.

Recognizing that the demand for groceries was likely to increase in the second half of our fiscal year, we partnered with the Capital Area Food Bank and established a Community Food Hub, open to any resident of DC. The Community Food Hub is open two days each week from 1 to 2 pm. Recipients take home approximately 17 shelf-stable items, including canned tuna, peanut butter, canned vegetables and fruit, beans, rice and pasta. The retail value of each bag of groceries is about \$23.00. In last five months of the fiscal year, we distributed 2,138 bags of groceries with a retail value of \$49,174.

Another partnership was begun with the Department of Human Services to provide boxed lunches to people who are homeless. Beginning at 1 pm, Monday through Friday, we distribute between 40 and 50 boxed lunches daily and have provided 3,036 lunches in the four months beginning June 2020.

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 FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The coronavirus pandemic put the city at a standstill in the middle of March, two weeks before the Hypothermia/Transition Program was set to end. There were 11 men in the program at the time and they were on track to have housing or employment by April 1st. With the mayor's Shelter-In-Place order, these men were not able to take the last steps to achieve their goals. The Center decided to extend the Program, rather than send these men back onto the streets. The men in the program agreed to follow the shelter- in-place orders and not leave the building except for doctor's appointments. The participants remained with us an additional three and a half months. A cook was hired from among the participants and they took responsibility for sanitizing public spaces. In addition, they worked together to sew face masks, creating 250 masks, of which 200 were sent to a long-term care facility in the Bronx.

Despite the additional pressures of the pandemic, of the 32 men who participated in the program over the course of the 8.5 months, 23 or 72% reached one or more of their goals, such as finding a job, securing housing, or reunification with family.

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 2020, 4 different high schools, colleges and universities participated in the Immersion Service/Learning Program, bringing 40 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." The Program was suspended in March 2020 and remained closed through the end of the fiscal year.

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 450 individuals volunteered at The Father McKenna Center in fiscal 2020. They provided nearly 11,000 hours of service to people in need. This is the equivalent of more than 5 full-time employees.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Our capital campaign, the Slow Miracles Campaign, was completed in November 2019 and raised \$4,600,000 to finance a complete renovation of the Center. The renovation was substantially completed in September of 2019. Contributions and promises to give in connection with the campaign are restricted for expenditures incurred during facility renovations. The funds raised included money to support program enhancements over the course of four years, 2019 through 2023.

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 Guidance

On June 21, 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions or contributions. The ASU also assists entities in determining whether a contribution is conditional. The Center adopted the requirements of the ASU as of October 1, 2019. The changes in the ASU have been applied on a prospective basis, that is, the changes have been applied to agreements that are either not completed as of October 1, 2019, or entered into after that date.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management’s Review

Management has evaluated subsequent events through March 18, 2021, the date which the financial statements were available to be issued, and has no knowledge of additional items of note requiring 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:

2021	\$ 391,661
2022	135,935
2023	17,690
2024	<u>525</u>
Promises to give	545,811
Less discount to net present value at rate of 3.5%	(5,365)
Less allowance for uncollectible promises to give	<u>(18,720)</u>
Promises to give, net of discount and allowance	<u><u>\$ 521,726</u></u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 163,750	\$ 117,170
Computers	22,935	16,665
Leasehold improvements	2,794,288	2,361,378
Vehicles	<u>8,000</u>	<u>8,000</u>
Property and equipment	2,988,973	2,503,213
Accumulated depreciation	<u>(198,786)</u>	<u>(61,799)</u>
Property and equipment, net	<u><u>\$ 2,790,187</u></u>	<u><u>\$ 2,441,414</u></u>

NOTE 4 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On April 14, 2020, the Center received a \$134,500 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan accrues interest at 1% but payments are deferred until a determination of the amount of forgiveness is made. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by the Center during the covered period. Eligible expenses include payroll costs, interest on mortgages, rent, and utilities. Any unforgiven portion is payable over 18 months after the amount forgiven is determined. The Center is confident that the full amount will be forgiven.

THE FATHER MCKENNA CENTER, INC.
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NOTE 5 – CAPITAL LEASE

In July 2019, the Center entered into a capital lease for telephone equipment. The cost of the capitalized equipment at September 30, 2020 and 2019 totals \$12,470. Accumulated depreciation for the leased equipment at September 30, 2020 and 2019 totals \$4,503 and \$693 and depreciation expense on the leased equipment for the years ended September 30, 2020 and 2019 totals \$3,810 and \$693.

The following is a schedule by year of future minimum lease payments under the capital lease for years ended September 30:

2021	\$	4,455
2022		<u>4,138</u>
Total minimum lease payments		8,593
Less amount representing interest		<u>(401)</u>
Present value of minimum lease payments	\$	<u><u>8,192</u></u>

NOTE 6 – 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 \$256,331 and \$1,290,000 at September 30, 2020 and 2019. In early fiscal year 2020, the Center allocated cash above FDIC insured levels into investment accounts. In May 2020, the line of credit was terminated and the stipulations were removed.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2020 and 2019 were available for the following:

	<u>2020</u>	<u>2019</u>
Purpose restricted		
Program improvements	\$ 500,342	\$ 754,922
Ignatian mission	34,554	6,042
Clothing/backpacks	726	726
Lessons and Carols	-	3,000
Restricted for future periods	<u>100,000</u>	<u>50,000</u>
Net assets with donor restrictions	<u><u>\$ 635,622</u></u>	<u><u>\$ 814,690</u></u>

The Center has plans to spend down donor restricted funds over the next four years.

THE FATHER MCKENNA CENTER, INC.
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NOTE 8 – DONATED SERVICES

During the year ended September 30, 2019, the Center received donated social media consulting services with a fair value and \$24,000; they are included in professional fees in the statements of functional expenses and were for both Capital Campaign fundraising activities and general promotion. There were no donated services during the year ended September 30, 2020.

NOTE 9 – 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 \$14,639 and \$16,521 for the years ended September 30, 2020 and 2019.

NOTE 10 – 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, 2020 and 2019 and is included in occupancy on the statements of functional expenses.

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 met its six-month reserve fund goal with liquidity characteristics that match anticipated needs.

The table below reflects the Center's financial assets as of September 30, 2020 and 2019, the date of the statements of financial position reduced by any amounts not available for general expenditures within one year of the date of the statements of financial position:

	2020	2019
Financial assets at end of year	\$ 3,008,987	\$ 3,161,255
Less those unavailable for general expenditures within one year:		
Restricted by donors with purpose restrictions	535,622	764,690
Restricted by donors for future periods	100,000	50,000
Unconditional promises to give receivable in more than one year	148,785	332,635
Board designated funds for capital campaign	500,000	500,000
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,724,580	\$ 1,513,930

THE FATHER MCKENNA CENTER, INC.
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NOTE 12 – UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that could impact operating results. The related financial impact and duration cannot be reasonably estimated at this time.