



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

FINANCIAL STATEMENTS

September 30, 2021 and 2020

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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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

***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, 2021 and 2020, 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.



Wegner CPAs, LLP  
Alexandria, Virginia  
February 28, 2022

**THE FATHER MCKENNA CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 310,297	\$ 1,697,184
Certificates of deposit	300,000	775,000
Investments	2,478,914	-
Current portion of promises to give, net	58,868	372,941
Prepaid expenses	20,606	20,953
Employee advances	-	6,060
Accrued interest	83	9,017
Total current assets	3,168,768	2,881,155
<b>OTHER ASSETS</b>		
Promises to give, long-term, net	27,596	148,785
Equipment and leasehold improvements, net	2,636,768	2,790,187
Total other assets	2,664,364	2,938,972
<b>Total assets</b>	<b>\$ 5,833,132</b>	<b>\$ 5,820,127</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 18,218	\$ 23,289
Accrued payroll and vacation	20,635	44,374
Accrued expenses	-	560
Current portion of PPP loan payable	-	81,955
Current portion of capital lease obligation	4,041	4,455
Total current liabilities	42,894	154,633
<b>OTHER LIABILITIES</b>		
PPP loan payable, net of current portion	-	52,545
Capital lease obligation, net of current portion	-	3,737
Total liabilities	42,894	210,915
<b>NET ASSETS</b>		
Without donor restrictions	5,430,938	4,973,590
With donor restrictions	359,300	635,622
Total net assets	5,790,238	5,609,212
<b>Total liabilities and net assets</b>	<b>\$ 5,833,132</b>	<b>\$ 5,820,127</b>

See accompanying notes.

**THE FATHER MCKENNA CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions			
Organizations	\$ 147,624	\$ -	\$ 147,624
Individuals	799,595	7,512	807,107
Foundations	136,287	-	136,287
Grants	-	6,581	6,581
Donated food and clothing	149,657	-	149,657
Donated facilities	552,168	-	552,168
Donated professional fees	3,494	-	3,494
Net assets released from donor restrictions			
Satisfaction of purpose restrictions	290,415	(290,415)	-
<b>Total support</b>	<b>2,079,240</b>	<b>(276,322)</b>	<b>1,802,918</b>
Other revenue	9,166	-	9,166
PPP loan forgiveness	134,500	-	134,500
Investment return	236,694	-	236,694
<b>Total revenue</b>	<b>380,360</b>	<b>-</b>	<b>380,360</b>
<b>Total support and revenue</b>	<b>2,459,600</b>	<b>(276,322)</b>	<b>2,183,278</b>
<b>EXPENSES</b>			
Program services			
Day Program	1,097,521	-	1,097,521
Food Pantry	220,531	-	220,531
Hypothermia	14,569	-	14,569
Other programs	257,839	-	257,839
<b>Total program services</b>	<b>1,590,460</b>	<b>-</b>	<b>1,590,460</b>
Supporting activities			
Management and general	203,905	-	203,905
Fundraising - general	207,887	-	207,887
<b>Total expenses</b>	<b>2,002,252</b>	<b>-</b>	<b>2,002,252</b>
<b>Change in net assets</b>	<b>457,348</b>	<b>(276,322)</b>	<b>181,026</b>
Net assets at beginning of year	4,973,590	635,622	5,609,212
<b>Net assets at end of year</b>	<b>\$ 5,430,938</b>	<b>\$ 359,300</b>	<b>\$ 5,790,238</b>

See accompanying notes.

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
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)	-
<b>Total support</b>	<b>2,241,868</b>	<b>(179,068)</b>	<b>2,062,800</b>
Other revenue	20,474	-	20,474
Interest	18,833	-	18,833
<b>Total revenue</b>	<b>39,307</b>	<b>-</b>	<b>39,307</b>
<b>Total support and revenue</b>	<b>2,281,175</b>	<b>(179,068)</b>	<b>2,102,107</b>
<b>EXPENSES</b>			
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
<b>Total program services</b>	<b>1,537,909</b>	<b>-</b>	<b>1,537,909</b>
Supporting activities			
Management and general	125,599	-	125,599
Fundraising - general	157,787	-	157,787
Fundraising - capital campaign	56,385	-	56,385
<b>Total expenses</b>	<b>1,877,680</b>	<b>-</b>	<b>1,877,680</b>
<b>Change in net assets</b>	<b>403,495</b>	<b>(179,068)</b>	<b>224,427</b>
Net assets at beginning of year	4,570,095	814,690	5,384,785
<b>Net assets at end of year</b>	<b>\$ 4,973,590</b>	<b>\$ 635,622</b>	<b>\$ 5,609,212</b>

See accompanying notes.

**THE FATHER MCKENNA CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended September 30, 2021

	Program Services				Total Program	Supporting Activities		Total
	Day Program	Food Pantry	Hypothermia	Other		Management and General	Fundraising	
Salaries	\$ 366,341	\$ 26,835	\$ -	\$ 105,374	\$ 498,550	\$ 48,890	\$ 66,624	\$ 614,064
Payroll taxes and benefits	81,644	4,936	-	28,475	115,055	17,442	17,488	149,985
Occupancy	402,521	89,964	14,518	9,246	516,249	28,616	10,242	555,107
Food and clothing	111,474	91,244	-	6,019	208,737	234	258	209,229
Professional fees	20,878	1,238	-	28,776	50,892	58,963	48,903	158,758
Supplies and equipment	42,637	3,112	-	3,944	49,693	3,491	1,478	54,662
Printing and shipping	491	52	-	116	659	1,612	39,934	42,205
Advertising	329	-	-	375	704	-	5,279	5,983
Depreciation	43,744	2,436	-	70,817	116,997	31,873	9,592	158,462
Insurance	7,385	215	-	1,421	9,021	3,879	914	13,814
Information technology	3,901	199	-	1,376	5,476	2,292	2,653	10,421
Office expenses	5,057	132	51	956	6,196	1,933	564	8,693
Meetings, travel, and training	1,763	21	-	-	1,784	1,094	25	2,903
Fees and licenses	2,390	147	-	873	3,410	3,586	3,933	10,929
Local transportation	6,966	-	-	71	7,037	-	-	7,037
<b>Total expenses</b>	<b>\$ 1,097,521</b>	<b>\$ 220,531</b>	<b>\$ 14,569</b>	<b>\$ 257,839</b>	<b>\$ 1,590,460</b>	<b>\$ 203,905</b>	<b>\$ 207,887</b>	<b>\$ 2,002,252</b>

See accompanying notes.

**THE FATHER MCKENNA CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended September 30, 2020

	Program Services				Supporting Activities				
	Day Program	Food Pantry	Hypothermia	Other	Total Program	Management and General	Fundraising General	Fundraising Capital Campaign	Total
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
<b>Total expenses</b>	<b>\$ 939,853</b>	<b>\$ 244,984</b>	<b>\$ 156,023</b>	<b>\$ 197,049</b>	<b>\$ 1,537,909</b>	<b>\$ 125,599</b>	<b>\$ 157,787</b>	<b>\$ 56,385</b>	<b>\$ 1,877,680</b>

See accompanying notes.



**THE FATHER MCKENNA CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended September 30, 2021 and 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 181,026	\$ 224,427
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for long-term purposes	-	(437,793)
Amortization of discount on long-term promises to give	(4,762)	(6,700)
Allowance for uncollectible promises to give	(23,302)	(13,984)
PPP loan forgiveness	(134,500)	-
Unrealized gain on investments	(214,176)	-
Depreciation	158,462	147,150
(Increase) decrease in assets		
Promises to give	26,095	355,479
Prepaid expenses	347	2,418
Employee advances	6,060	7,798
Accrued interest	8,934	4,202
Increase (decrease) in liabilities		
Accounts payable	9,640	6,130
Accrued payroll and vacation	(23,739)	18,284
Accrued expenses	(560)	(120)
<b>Net cash flows from operating activities</b>	<b>(10,475)</b>	<b>307,291</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment and leasehold improvements	(5,043)	(481,212)
Redemptions of certificates of deposit	475,000	434,000
Purchases of certificates of deposits	-	(351,000)
Interest retained in certificates of deposit	-	628
Purchases of investments	(2,295,788)	-
Proceeds from sale of investments	50,000	-
Dividends and interest retained in investments	(18,950)	-
<b>Net cash flows from investing activities</b>	<b>(1,794,781)</b>	<b>(397,584)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on accounts payable used to finance equipment and leasehold improvements	(14,711)	(199,888)
Proceeds from PPP loan	-	134,500
Principal payments on capital lease obligation	(4,151)	(3,957)
Proceeds from contributions restricted for long-term purposes	437,231	318,086
<b>Net cash flows from financing activities</b>	<b>418,369</b>	<b>248,741</b>
<b>Net change in cash</b>	<b>(1,386,887)</b>	<b>158,448</b>
Cash at beginning of year	1,697,184	1,538,736
<b>Cash at end of year</b>	<b>\$ 310,297</b>	<b>\$ 1,697,184</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Noncash investing and financing transactions		
Equipment and leasehold improvements in accounts payable	\$ -	\$ 14,711

See accompanying notes.

**THE FATHER MCKENNA CENTER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

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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.

**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.

**Investments**

The Center reports investments in mutual funds with readily determinable fair values at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**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.

**THE FATHER MCKENNA CENTER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

When the fiscal year began (October 2020), we were six months into the pandemic and it was not at all clear what path the virus would take. The Center was open and continuing to serve to the best of our abilities given necessary health and safety protocols. The Day Program had reopened in July 2020 and we were serving meals outside under tents. We were able to open our showers and hired a staff member to disinfect the showers after each use. In the winter we added propane heaters. Case management appointments were held in a rented “party tent” with a propane heater in winter and a portable air conditioner in the summer. Once the staff was fully vaccinated, we were able to open the Center to Day Program guests and Food Pantry patrons, and provide services inside.

The Center’s ability to provide services was limited due to the reduced number of people who could safely be in the space at one time. Programs were adjusted as much as possible with health and safety as top priorities.

On September 17th the Center adopted a vaccination mandate for everyone who entered the building. As of January 1, 2022, over 200 guests in our Day Program have produced their vaccination cards. At least two dozen guests have told us they got a vaccination in order to continue receiving services at the Center.

*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 7:30 am to 1:00 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.

Despite serving guests outdoors for six months of the fiscal year, the Center was able to provide over 6,800 meals over approximately 6,600 visits to men in the program.

**THE FATHER MCKENNA CENTER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The Center has, on average, 14 showers available each day, with a total of over 1,900 showers provided during the fiscal year. Our laundry services washed on average 80 loads of laundry each month, for over 600 loads of laundry in fiscal 2021. The Center was also able to provide over 6,550 items of clothing over approximately 520 visits to the clothing closet, with an estimated value of items provided of over \$19,400.

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 1,800 consultations over the 2021 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 2021 the case management team worked with 65 individuals to obtain IDs, 66 individuals to obtain birth certificates, and 73 individuals to obtain Social Security cards, giving them access to additional services in the District. In addition, approximately \$760 of transportation benefits were provided on 54 metro cards to grant travel abilities to those in need.

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.

A new initiative in the fiscal year was The McKenna Man Project. The goal of The McKenna Man Project is to provide support for men who have overcome homelessness, received housing and are still evolving. The project recognizes that the creation of a social network is critical to overcome the loneliness that might lead a man back to old habits and old haunts. The McKenna Man Project had a successful launch in July 2021. Over 70 people gathered to recognize 20 men from the Program who have remained stable and independent for over a year. Mr. Martin Cole was selected as our first “McKenna Man of the Year.” Each of the men spoke about how much he appreciated the opportunity for a fresh start and a better life. The McKenna Men have met with their mentors from Omega Psi Phi, a fraternity of African American men.

*Food Pantry*

The Food Pantry at the Center serves low-income families in our neighborhood with fresh fruits and vegetables, bread, milk, eggs, meat, and a variety of shelf-stable items. We are in partnership with the Capital Area Food Bank and for the past five years have been designated as a “Wellness Partner” because we purchase and provide healthy items that are low in sodium and high in fiber.

**THE FATHER MCKENNA CENTER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Like the Day Program we adjusted some aspects of our Food Pantry to ensure the health and safety of patrons, volunteers and staff. The hours were changed from 10:45 – 11:45 AM to 1:30 – 2:30 PM in order to reduce the number of people who were at the Center at any one time. In addition, we served our Food Pantry patrons outside in front of the building from October 2020 to April 2021. Our Food Pantry is set up like a mini-grocery; since patrons could not enter the building, the Food Pantry Coordinator created a shopping list each day with the items that were available. Patrons could choose the items that they wanted, and the volunteers would bag the groceries and bring them out to the front of the building.

In the past year we served 337 unique households, comprised of 708 people. There were 2,035 shopping visits to our Food Pantry. This is fewer than in previous years. In a telephone survey of our patrons we learned that they were unwilling to travel to our Food Pantry during the pandemic and that they were looking forward to returning. The Center serves all of Ward 6 in the District, and many patrons take two buses to get their groceries.

The Center, in cooperation with the Capitol Area Food Bank, opened a Community Food Hub which was open through April of 2021. We served 95 households comprised of 262 persons. There were 296 visits to the Food Hub. In addition, the Center continued to provide a grab 'n go boxed lunch for people struggling with homelessness five days each week through the end of July, in partnership with the D.C. Department of Human Services.

We estimate that in the past year we have provided over \$143,000 worth of groceries to our neighbors.

*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 Hypothermia/Transition program was suspended in 2020/2021 due to the pandemic.

*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.

The Immersion Service/Learning Program was suspended in 2020/2021 due to the pandemic.

**THE FATHER MCKENNA CENTER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Volunteers are the lifeblood of The Father McKenna Center. They 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 Food Pantry and our Clothing Distribution Programs are staffed almost entirely by volunteers.

The impact of the pandemic on our Volunteer Program was significant. In addition to reducing the number of people in the facility, many of our regular volunteers are retired and to protect their health and the health of others, chose not to be in service. The suspension of the Hypothermia/Transition Program and the Immersion/Service Learning Program also reduced the number of opportunities for volunteers. Despite the pandemic and reduced programs, 466 individuals volunteered at The Father McKenna Center in fiscal 2021. Volunteers provided over 11,600 hours of service to people in need and to the upkeep of our Center. This is the hour equivalent of 5.5 full-time employees and has a big impact on the Center's ability to provide programs and services.

*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.

**THE FATHER MCKENNA CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Date of Management’s Review**

Management has evaluated subsequent events through February 28, 2022, 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:

2022	\$	63,450
2023		27,674
2024		<u>525</u>
Promises to give		91,649
Less discount to net present value at rate of 3.5%		(603)
Less allowance for uncollectible promises to give		<u>(4,582)</u>
Promises to give, net of discount and allowance	\$	<u><u>86,464</u></u>

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 \$4,582 and \$18,720 as of September 30, 2021 and 2020. Long-term promises to give are reported on the statements of financial position net of a 3.5% discount that totals \$603 and \$5,365 as of September 30, 2021 and 2020.

NOTE 3 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at September 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 165,201	\$ 163,750
Computers	18,396	22,935
Leasehold improvements	2,797,881	2,794,288
Vehicles	<u>8,000</u>	<u>8,000</u>
Equipment and leasehold improvements	2,989,478	2,988,973
Accumulated depreciation	<u>(352,710)</u>	<u>(198,786)</u>
Equipment and leasehold improvements, net	<u><u>\$ 2,636,768</u></u>	<u><u>\$ 2,790,187</u></u>

NOTE 4 – INVESTMENTS

Investments consist of the following:

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 2,428,802	\$ -
Money market	<u>50,112</u>	<u>-</u>
Investments	<u><u>\$ 2,478,914</u></u>	<u><u>\$ -</u></u>

**THE FATHER MCKENNA CENTER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 4 – INVESTMENTS (continued)

Fair values of mutual funds are based on quoted net asset values of the shares as reported by the fund. The mutual funds held by the Center are open-end mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The mutual funds held by the Center are considered to be actively traded, which are Level 1 fair value measurements.

NOTE 5 – 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 (CARES) Act and administered by the U.S. Small Business Administration (SBA). On June 8, 2021, the SBA preliminarily approved forgiveness of the loan. The Center recorded Payroll Protection Program income for loan forgiveness in the amount of \$134,500 for the year ended September 30, 2021, to match the period the covered costs of the loan were incurred.

The Center must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Center's good-faith certification concerning the necessity of its loan request, whether the Center calculated the loan amount correctly, whether the Center used loan proceeds for the allowable uses specified in the CARES Act, and whether the Center is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Center was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 6 – CAPITAL LEASE

In July 2019, the Center entered into a capital lease for telephone equipment. The cost of the capitalized equipment at September 30, 2021 and 2020 totals \$12,470. Accumulated depreciation for the leased equipment at September 30, 2021 and 2020 totals \$8,313 and \$4,503 and depreciation expense on the leased equipment for the years ended September 30, 2021 and 2020 totals \$3,810.

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

2022	<u>\$ 4,442</u>
Total minimum lease payments	4,442
Less amount representing interest	<u>(401)</u>
Present value of minimum lease payments	<u><u>\$ 4,041</u></u>

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

The Center maintains cash balances at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Center's uninsured cash balances total approximately \$24,000 and \$256,000 at September 30, 2021 and 2020. In early fiscal year 2021, the Center implemented policies and took action to ensure appropriate concentrations of risk.



**THE FATHER MCKENNA CENTER, INC.**  
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**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at September 30, 2021 and 2020 were available for the following:

	2021	2020
Purpose restricted		
Program improvements	\$ 338,100	\$ 500,342
Ignatian mission	20,625	34,554
Clothing/backpacks	575	726
Lessons and Carols	-	-
Restricted for future periods	-	100,000
Net assets with donor restrictions	\$ 359,300	\$ 635,622

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

**NOTE 9 – DONATED SERVICES**

During the year ended September 30, 2021, the Center received pro bono legal services with a fair value of \$2,500; they are included in professional fees in the statements of functional expenses and were for contract negotiation. There were no donated services during the year ended September 30, 2020.

**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 \$14,721 and \$14,639 for the years ended September 30, 2021 and 2020.

**NOTE 11 – 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 \$552,168 and \$348,768 for the years ended September 30, 2021 and 2020 and is included in occupancy on the statements of functional expenses. Upon completion of the renovations, the fair market value of the space was increased to reflect the improved facilities

**NOTE 12 – 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 FATHER MCKENNA CENTER, INC.**  
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NOTE 12 – LIQUIDITY AND AVAILABILITY (continued)

The table below reflects the Center’s financial assets as of September 30, 2021 and 2020, 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:

	2021	2020
Financial assets at end of year	\$ 3,175,758	\$ 3,008,987
Less those unavailable for general expenditures within one year:		
Restricted by donors with purpose restrictions	359,300	535,622
Restricted by donors for future periods	-	100,000
Unconditional promises to give receivable in more than one year	27,596	148,785
Board designated funds for capital campaign	500,000	500,000
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,288,862	\$ 1,724,580

As a result of the successful capital campaign, the board designated \$500,000 of general contributions to be retained to fund future program expansion. These funds are expected to be retained until the board considers it necessary to access the funds to support the Center’s program activities.

NOTE 13 – 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.