



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

FINANCIAL STATEMENTS

September 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The Father McKenna Center, Inc., which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Adoption of New Accounting Guidance

As discussed in Note 1 of the financial statements, The Father McKenna Center, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update No 2020-07, *Not for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, effective October 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Father McKenna Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Father McKenna Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
January 10, 2023

THE FATHER MCKENNA CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 103,395	\$ 310,297
Certificates of deposit	300,000	300,000
Investments	2,071,885	2,478,914
Current portion of promises to give, net	95,098	58,868
Prepaid expenses	24,407	20,606
Employee advances	2,769	-
Accrued interest	1,643	83
Total current assets	2,599,197	3,168,768
OTHER ASSETS		
Promises to give, long-term, net	1,050	27,596
Equipment and leasehold improvements, net	2,509,733	2,636,768
Total other assets	2,510,783	2,664,364
Total assets	\$ 5,109,980	\$ 5,833,132
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,618	\$ 18,218
Accrued payroll and vacation	26,995	20,635
Current portion of capital lease obligation	-	4,041
Total liabilities	34,613	42,894
NET ASSETS		
Without donor restrictions	4,821,433	5,430,938
With donor restrictions	253,934	359,300
Total net assets	5,075,367	5,790,238
Total liabilities and net assets	\$ 5,109,980	\$ 5,833,132

See accompanying notes.

THE FATHER MCKENNA CENTER, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions			
Organizations	\$ 127,429	\$ -	\$ 127,429
Individuals	689,449	-	689,449
Foundations	137,603	60,000	197,603
Grants	-	49,616	49,616
In-kind contributions	710,007	-	710,007
Net assets released from donor restrictions			
Satisfaction of purpose restrictions	214,982	(214,982)	-
Total support	1,879,470	(105,366)	1,774,104
Other revenue	10,956	-	10,956
Investment return	(321,487)	-	(321,487)
Total revenue	(310,531)	-	(310,531)
Total support and revenue	1,568,939	(105,366)	1,463,573
EXPENSES			
Program services			
Day program	1,010,818	-	1,010,818
Food pantry	183,912	-	183,912
Hypothermia	95,373	-	95,373
Other programs	432,401	-	432,401
Total program services	1,722,504	-	1,722,504
Supporting activities			
Management and general	185,624	-	185,624
Fundraising	270,316	-	270,316
Total expenses	2,178,444	-	2,178,444
Change in net assets	(609,505)	(105,366)	(714,871)
Net assets at beginning of year	5,430,938	359,300	5,790,238
Net assets at end of year	\$ 4,821,433	\$ 253,934	\$ 5,075,367

See accompanying notes.

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

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions			
Organizations	\$ 147,624	\$ -	\$ 147,624
Individuals	799,595	7,512	807,107
Foundations	136,287	-	136,287
Grants	-	6,581	6,581
In-kind contributions	705,319	-	705,319
Net assets released from donor restrictions			
Satisfaction of purpose restrictions	290,415	(290,415)	-
Total support	2,079,240	(276,322)	1,802,918
Other revenue	9,166	-	9,166
PPP loan forgiveness	134,500	-	134,500
Investment return	236,694	-	236,694
Total revenue	380,360	-	380,360
Total support and revenue	2,459,600	(276,322)	2,183,278
EXPENSES			
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
Total program services	1,590,460	-	1,590,460
Supporting activities			
Management and general	203,905	-	203,905
Fundraising	207,887	-	207,887
Total expenses	2,002,252	-	2,002,252
Change in net assets	457,348	(276,322)	181,026
Net assets at beginning of year	4,973,590	635,622	5,609,212
Net assets at end of year	\$ 5,430,938	\$ 359,300	\$ 5,790,238

See accompanying notes.

THE FATHER MCKENNA CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2022

	Program Services				Supporting Activities			Total
	Day Program	Food Pantry	Hypothermia	Other	Total Program	Management and General	Fundraising	
Salaries	\$ 332,484	\$ 15,088	\$ 57,213	\$ 200,526	\$ 605,311	\$ 43,028	\$ 127,433	\$ 775,772
Payroll taxes and benefits	66,940	1,680	12,036	46,621	127,277	22,900	29,503	179,680
Occupancy	403,606	89,987	14,518	9,480	517,591	29,097	9,490	556,178
Food and clothing	104,154	73,056	573	5,517	183,300	-	1,500	184,800
Professional fees	25,547	1,203	4,838	33,312	64,900	53,569	51,572	170,041
Supplies and equipment	30,210	1,032	1,289	2,162	34,693	1,329	697	36,719
Printing and shipping	390	253	66	162	871	3,254	32,888	37,013
Advertising	-	-	-	78	78	-	374	452
Depreciation	18,093	1,080	3,175	118,626	140,974	14,242	7,899	163,115
Insurance	2,501	95	386	8,238	11,220	3,405	992	15,617
Information technology	3,394	141	578	2,413	6,526	2,838	3,474	12,838
Office expenses	5,341	160	528	2,509	8,538	2,502	1,291	12,331
Meetings, travel, and training	2,747	78	-	665	3,490	6,833	-	10,323
Fees and licenses	3,321	59	173	1,273	4,826	2,530	3,203	10,559
Local transportation	12,090	-	-	819	12,909	-	-	12,909
Interest expense	-	-	-	-	-	97	-	97
Total expenses	\$ 1,010,818	\$ 183,912	\$ 95,373	\$ 432,401	\$ 1,722,504	\$ 185,624	\$ 270,316	\$ 2,178,444

See accompanying notes.

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

	Program Services				Total Program	Supporting Activities		
	Day Program	Food Pantry	Hypothermia	Other		Management and General	Fundraising	Total
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
Total expenses	\$ 1,097,521	\$ 220,531	\$ 14,569	\$ 257,839	\$ 1,590,460	\$ 203,905	\$ 207,887	\$ 2,002,252

See accompanying notes.

THE FATHER MCKENNA CENTER, INC.
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (714,871)	\$ 181,026
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Amortization of discount on long-term promises to give	(585)	(4,762)
Allowance for uncollectible promises to give	(5,863)	(23,302)
PPP loan forgiveness	-	(134,500)
Unrealized (gain) loss on investments	355,063	(214,176)
Depreciation	163,115	158,462
(Increase) decrease in assets		
Promises to give	(3,236)	26,095
Prepaid expenses	(3,801)	347
Employee advances	(2,769)	6,060
Accrued interest	(1,560)	8,934
Increase (decrease) in liabilities		
Accounts payable	(10,600)	9,640
Accrued payroll and vacation	6,360	(23,739)
Accrued expenses	-	(560)
Net cash flows from operating activities	(218,747)	(10,475)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment and leasehold improvements	(36,080)	(5,043)
Redemptions of certificates of deposit	-	475,000
Purchases of investments	-	(2,295,788)
Proceeds from sale of investments	85,542	50,000
Dividends and interest retained in investments	(33,576)	(18,950)
Net cash flows from investing activities	15,886	(1,794,781)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on accounts payable used to finance equipment and leasehold improvements	-	(14,711)
Principal payments on capital lease obligation	(4,041)	(4,151)
Proceeds from contributions restricted for long-term purposes	-	437,231
Net cash flows from financing activities	(4,041)	418,369
Net change in cash	(206,902)	(1,386,887)
Cash at beginning of year	310,297	1,697,184
Cash at end of year	\$ 103,395	\$ 310,297

See accompanying notes.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

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.

Adoption of New Accounting Guidance

On September 17, 2020, the Financial Accounting Standards Board issued Accounting Standards Update No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The intent of this Update is to improve transparency in the reporting of contributed nonfinancial assets (also known as in-kind contributions) received by not-for-profit entities. The Update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The Update also requires enhanced disclosures about the valuation of contributed nonfinancial assets and their use in programs and other activities, including any donor-imposed restrictions on such use. The Center adopted the requirements of this Update effective October 1, 2021. The changes required by this Update have been applied retrospectively to all periods presented.

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 uncollectable.

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.

Equipment and Leasehold Improvements

The Center capitalizes all acquisitions of equipment and leasehold improvements in excess of \$1,000. Equipment and leasehold improvements 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.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

Now, two and a half years into the pandemic with the severity of the COVID-19 virus considerably diminished and with each of our homeless guests, staff, and volunteers fully vaccinated and following public health protocols, activity and participation at the Center is approaching pre-pandemic levels.

As the Center approaches a pre-pandemic level of service with numbers consistent with those of 2019 and early 2020, we have instituted processes to cover increased demand for services. The Center is also experiencing an increased number of guests who are considered migrants seeking asylum. Many of these are part of groups being bused to Washington from the border states. Given the Center's proximity to the Union Station, we are often these people's first stop upon leaving the bus depot. In response we have recently hired a part-time case manager, fluent in Spanish, to support the needs of these new arrivals.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

During fiscal year 2022, improved public health conditions enabled the Center to provide the men with 10,723 meals during 9,117 separate visits, a 56% annual increase in meals served.

One additional way in which the Father McKenna Center honors its commitment to respecting the dignity of each of our homeless guests is by making showers available both during the Day Program and in the evening as part of the Hypothermia Program. During fiscal year 2022 the Center provided 5850 showers. The Center also provides the men with a daily laundry service, and during the past year laundered 1440 loads of clothing, which more than doubled the prior year’s total. Additionally, the Center makes available a “clothing closet” that during fiscal year 2022 provided 454 of the men with 4,248 items of clothing valued at \$22,790.

Our most important work in this program is achieved 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 to a life of independence, stability, and meaning. The case management team (CMT) provides this support along with referral services to help our guests recognize their full potential. The CMT held over 3,843 consultations during fiscal year 2022, a 114% increase over the previous year. The case managers listen carefully to each guest and formulate an individual 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 year 2022, the case management team also assisted men in obtaining a total of 129 ID’s, 82 birth certificates, and 70 Social Security cards enabling them to gain access to a variety of social services provided by the District of Columbia. In addition, the CMT helped the men in obtain a total of \$783 in transportation benefits (Metro cards and tokens).

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 past two years has been The McKenna Man Project. The goal of The McKenna Man Project is to provide support for men who have overcome homelessness and received housing but are still evolving. Working in collaboration with mentors from Omega Psi Phi, a fraternity of African American men, the project recognizes that the creation of a social network is critical to overcoming 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.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Over 70 people gathered to recognize 20 men from the Program who had remained stable and independent for over a year one of whom was selected as the first “McKenna Man of the Year.” COVID-19 restrictions limited the number of events we could schedule for the McKenna Men this past year, but this Summer, 28 men and friends of the Center were still able to come together for a reunion and to honor this past year’s McKenna Man of the Year, a guest of the Center who was able to obtain naturalization status and who also helped establish a school in his native country. He is currently working with us in the Hypothermia -Transition Program. We are planning programs over the Winter to help these McKenna Men reconnect with the Center.

During the past year the Center has maintained a vaccination mandate for everyone who entered the building. All guests, including 508 Day Program participants, the 14 men in the Hypothermia Program, and all guests to the Food Pantry are fully vaccinated as, of course, are all Center staff and volunteers.

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.

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 403 unique households representing 4,565 individuals, including both shoppers and their families. There were 2,337 individual shopping visits to our Food Pantry.

We estimate that in the past year we have provided over \$180,000 worth of groceries to our neighbors.

Hypothermia/Transition Program

The Hypothermia/Transition Program offers up to 15 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 2021/2022 due to the pandemic.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Programs (includes Immersion Service/Learning Program, The McKenna Academy and Volunteer Program)

The Immersion Service/Learning Program was reinstated in March of 2022. We have gradually been able to offer the immersion experience to the students at Gonzaga College High School and several colleges and universities.

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.

As of May 2022, the Center launched the McKenna Academy (“the Academy”) as a pilot program. Consistent with the Better Life Pyramid, The Academy represents a significant step toward helping the men we serve break the cycle of poverty, addiction, and homelessness. Its initial cohort of 14 men are enrolled in a comprehensive program offering life skills, financial literacy, digital instruction, career counseling and other related services. The participants commit to a five-day week, full-day program that extends for six months. The goal is to provide training and support for men who are ready to take the next step toward meaningful employment and stable housing. The program has been enhanced by partnerships with other agencies that serve our population. To facilitate the program, we serve two meals a day, and we have hired a part-time driver to provide transportation for those who need it.

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.

During the first half of the fiscal year, COVID-19 restrictions remained in place and there were fewer volunteers working at the Center. Those restrictions were lifted in March, and volunteer participation has returned to pre-COVID-19 levels with high school students serving, Immersion trips in place, and volunteers again regularly serving at the Center.

During fiscal year 2022, 441 individuals volunteered at The Father McKenna Center. Volunteers provided over 9,569 hours of service to people in need and to the upkeep of our Center. This is the hour equivalent of 4.6 full-time employees, and it has a substantial 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.

THE FATHER MCKENNA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Date of Management’s Review

Management has evaluated subsequent events through January 10, 2023, 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:

2023	\$	96,379
2024		525
2025		525
		97,429
Promises to give		97,429
Less discount to net present value at rate of 3.5%		-
Less allowance for uncollectible promises to give		(1,281)
		96,148
Promises to give, net of discount and allowance	\$	96,148

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 \$1,281 and \$4,582 as of September 30, 2022 and 2021. Long-term promises to give are reported on the statements of financial position net of a 3.5% discount that totals \$603 as of September 30, 2021. No discount was reported as of September 30, 2022.

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NOTE 3 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at September 30, 2022 and 2021 consist of the following:

	2022	2021
Equipment	\$ 167,612	\$ 165,201
Computers	20,666	18,396
Leasehold improvements	2,800,221	2,797,881
Vehicles	37,059	8,000
Equipment and leasehold improvements	3,025,558	2,989,478
Accumulated depreciation	(515,825)	(352,710)
Equipment and leasehold improvements, net	\$ 2,509,733	\$ 2,636,768

NOTE 4 – INVESTMENTS

Investments consist of the following:

	2022	2021
Mutual funds	\$ 2,071,578	\$ 2,428,802
Money market	307	50,112
Investments	\$ 2,071,885	\$ 2,478,914

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.

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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, 2022 and 2021 totals \$12,470. Accumulated depreciation for the leased equipment at September 30, 2022 and 2021 totals \$12,470 and \$8,313 and depreciation expense on the leased equipment for the year ended September 30, 2021 totals \$3,810. The lease agreement ended as of September 30, 2022.

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 on September 30, 2021, and no uninsured balances on September 30, 2022. In early fiscal year 2021, the Center implemented policies and took action to ensure appropriate concentrations of risk.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2022 and 2021 were available for the following:

	<u>2022</u>	<u>2021</u>
Purpose restricted		
Program improvements	\$ 130,723	\$ 338,100
Ignatian mission	88,211	20,625
Clothing/backpacks	-	575
Restricted for future periods	<u>35,000</u>	<u>-</u>
Net assets with donor restrictions	<u>\$ 253,934</u>	<u>\$ 359,300</u>

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

NOTE 9 – IN-KIND CONTRIBUTIONS

In-kind contributions for the fiscal years ended September 30, 2022, and 2021, included in the financial statements, were as follows:

	<u>2022</u>	<u>2021</u>
Rent	\$ 552,168	\$ 552,168
Food	99,423	117,062
Clothing	27,957	33,589
Services	1,400	2,500
Vehicles	<u>29,059</u>	<u>-</u>
Total	<u>\$ 710,007</u>	<u>\$ 705,319</u>

The Center recognized contributed nonfinancial assets within revenue, including contributed rent, food, clothing, vehicles, and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. The Center does not sell gifts-in-kind and only distributes goods for program use, including food and clothing.

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NOTE 9 – IN-KIND CONTRIBUTIONS (continued)

Contributed rent was utilized to carry out the Center's various programs. The Center estimated the fair value on the basis of comparable rent of similar space at rental rates in Washington, D.C.

Contributed services recognized compromised professional services from attorneys advising the Center on various administrative legal matters. Contributed services are valued and are reported as the estimated fair value in the financial statements based on current rates for similar legal services.

Contributed food, clothing goods and vehicles are valued at the estimated fair value on the basis of estimates of wholesale values that would be received for selling products in the United States.

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 \$14,399 and \$14,721 for the years ended September 30, 2022 and 2021.

NOTE 11 – LIQUIDITY AND AVAILABILITY

The Center's financial assets consist of cash, 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, 2022 and 2021, 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:

	2022	2021
Financial assets at end of year	\$ 2,575,840	\$ 3,175,758
Less those unavailable for general expenditures within one year:		
Restricted by donors with purpose restrictions	218,934	359,300
Unconditional promises to give receivable in more than one year	1,050	27,596
Board designated funds for capital campaign	500,000	500,000
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,855,856	\$ 2,288,862

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.

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NOTE 12 – 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 for the years ended September 30, 2022 and 2021 and is included in occupancy on the statements of functional expenses.