

HANDWERGER, CARDEGNA, FUNKHOUSER & LURMAN, P.A.
Certified Public Accountants • Business Consultants

**THE FATHER MCKENNA
CENTER, INC.**

AUDITED FINANCIAL STATEMENTS

Years Ended September 30, 2024 and 2023



THE FATHER MCKENNA CENTER, INC.

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**HANDWERGER, CARDEGNA,
FUNKHOUSER & LURMAN, P.A.**

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of The Father McKenna Center, Inc. (the "Center"), which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year 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 Center as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit 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 Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Center as of September 30, 2023, were audited by other auditors whose report dated January 22, 2024, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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 Center'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 Center'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.

Handwerger, Cardegna, Funkhouser & Lurman, P.A.

Handwerger, Cardegna, Funkhouser & Lurman, P.A.
Timonium, Maryland
January 17, 2025

THE FATHER MCKENNA CENTER, INC.

Statements of Financial Position
September 30, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
Current Assets		
Cash	\$ 104,843	\$ 109,154
Investments	2,832,851	2,692,422
Promises to give	57,550	35,000
Prepaid expenses	34,616	32,394
Employee advances	2,800	3,231
Accrued interest	-	3,699
	<u>3,032,660</u>	<u>2,875,900</u>
Total Current Assets		
Fixed Assets		
Equipment and leasehold improvements	3,049,963	3,042,709
Less: accumulated depreciation	833,755	666,690
	<u>2,216,208</u>	<u>2,376,019</u>
Net Fixed Assets		
Total Assets	<u>\$ 5,248,868</u>	<u>\$ 5,251,919</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 51,815	\$ 31,623
Accrued vacation and payroll	35,742	28,768
Lease liability - current portion	1,851	2,076
	<u>89,408</u>	<u>62,467</u>
Total Current Liabilities		
Other Liabilities		
Lease liability - net of current portion	5,108	6,668
	<u>94,516</u>	<u>69,135</u>
Total Liabilities		
Net Assets		
Net Assets without Donor Restrictions	5,083,788	5,134,270
Net Assets with Donor Restrictions	70,564	48,514
	<u>5,154,352</u>	<u>5,182,784</u>
Total Net Assets		
Total Liabilities and Net Assets	<u>\$ 5,248,868</u>	<u>\$ 5,251,919</u>

THE FATHER MCKENNA CENTER, INC.

Statement of Activities
Year Ended September 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Organizations	\$ 67,607	\$ 26,000	\$ 93,607
Individuals	859,964	22,050	882,014
Foundations	45,000	60,000	105,000
Grants	-	10,975	10,975
In-kind contributions	941,209	-	941,209
Other revenue	6,408	-	6,408
Investment return	667,002	-	667,002
	<u>2,587,190</u>	<u>119,025</u>	<u>2,706,215</u>
Net Assets Released from Restrictions	<u>96,975</u>	<u>(96,975)</u>	<u>-</u>
Total Support and Revenue	<u>2,684,165</u>	<u>22,050</u>	<u>2,706,215</u>
Expenses			
Program Services			
Day program	1,657,034	-	1,657,034
Food pantry	427,733	-	427,733
Hypothermia	127,132	-	127,132
Other programs	78,330	-	78,330
	<u>2,290,229</u>	<u>-</u>	<u>2,290,229</u>
Supporting Activities			
Management and general	208,526	-	208,526
Fundraising	235,892	-	235,892
	<u>444,418</u>	<u>-</u>	<u>444,418</u>
Total Supporting Activities	<u>444,418</u>	<u>-</u>	<u>444,418</u>
Total Expenses	<u>2,734,647</u>	<u>-</u>	<u>2,734,647</u>
Change in Net Assets	(50,482)	22,050	(28,432)
Net Assets at Beginning of Year	<u>5,134,270</u>	<u>48,514</u>	<u>5,182,784</u>
Net Assets at End of Year	<u>\$ 5,083,788</u>	<u>\$ 70,564</u>	<u>\$ 5,154,352</u>

The accompanying notes are an integral part of these financial statements.

THE FATHER MCKENNA CENTER, INC.

Statement of Activities
Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Organizations	\$ 105,351	\$ -	\$ 105,351
Individuals	859,324	-	859,324
Foundations	155,500	35,000	190,500
Grants	(2,000)	12,012	10,012
In-kind contributions	821,366	-	821,366
Other revenue	4,237	-	4,237
Employee retention credit	268,836	-	268,836
Investment return	337,900	-	337,900
	<u>2,550,514</u>	<u>47,012</u>	<u>2,597,526</u>
Net Assets Released from Restrictions	<u>252,432</u>	<u>(252,432)</u>	<u>-</u>
Total Support and Revenue	<u>2,802,946</u>	<u>(205,420)</u>	<u>2,597,526</u>
Expenses			
Program Services			
Day program	1,268,168	-	1,268,168
Food pantry	273,756	-	273,756
Hypothermia	84,662	-	84,662
Other programs	364,696	-	364,696
	<u>1,991,282</u>	<u>-</u>	<u>1,991,282</u>
Total Program Services	<u>1,991,282</u>	<u>-</u>	<u>1,991,282</u>
Supporting Activities			
Management and general	185,999	-	185,999
Fundraising	312,828	-	312,828
	<u>498,827</u>	<u>-</u>	<u>498,827</u>
Total Supporting Activities	<u>498,827</u>	<u>-</u>	<u>498,827</u>
Total Expenses	<u>2,490,109</u>	<u>-</u>	<u>2,490,109</u>
Change in Net Assets	312,837	(205,420)	107,417
Net Assets at Beginning of Year	<u>4,821,433</u>	<u>253,934</u>	<u>5,075,367</u>
Net Assets at End of Year	<u>\$ 5,134,270</u>	<u>\$ 48,514</u>	<u>\$ 5,182,784</u>

The accompanying notes are an integral part of these financial statements.

THE FATHER MCKENNA CENTER, INC.

Statement of Functional Expenses Year Ended September 30, 2024

	Day Program	Food Pantry	Hypothermia	Other	Total Program	Management and General	Fundraising	Total
Expenses								
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,269	\$ 2,269
Depreciation	82,512	6,891	11,400	13,172	113,975	43,150	9,941	167,066
Fees and licenses	3,099	289	233	232	3,853	1,528	1,405	6,786
Food and clothing	287,629	266,361	165	-	554,155	6,033	-	560,188
Information technology	5,659	473	778	396	7,306	2,959	2,725	12,990
Insurance	4,701	408	598	8,342	14,049	4,066	582	18,697
Interest expense	-	-	-	-	-	292	-	292
Local transportation	5,393	70	-	-	5,463	-	-	5,463
Meetings, travel, and training	2,946	31	-	283	3,260	1,882	156	5,298
Occupancy	394,957	87,969	14,848	8,908	506,682	28,957	9,308	544,947
Office expenses	6,036	389	709	370	7,504	4,630	834	12,968
Payroll taxes and benefits	129,161	10,780	17,142	9,057	166,140	22,965	15,827	204,932
Printing and shipping	616	58	67	42	783	367	28,673	29,823
Professional fees	191,592	5,264	9,712	4,799	211,367	43,608	106,743	361,718
Salaries	488,009	46,617	71,149	32,292	638,067	47,164	57,186	742,417
Supplies and equipment	54,724	2,133	331	437	57,625	925	243	58,793
Total Functional Expenses	\$ 1,657,034	\$ 427,733	\$ 127,132	\$ 78,330	\$ 2,290,229	\$ 208,526	\$ 235,892	\$ 2,734,647

The accompanying notes are an integral part of these financial statements.

THE FATHER MCKENNA CENTER, INC.

Statement of Functional Expenses Year Ended September 30, 2023

	Day Program	Food Pantry	Hypothermia	Other	Total Program	Management and General	Fundraising	Total
Expenses								
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111	\$ 111
Depreciation	38,556	316	1,255	82,113	122,240	25,598	17,806	165,644
Fees and licenses	3,764	12	38	954	4,768	2,161	2,485	9,414
Food and clothing	216,166	169,130	256	4,898	390,450	13,600	-	404,050
Information technology	3,976	34	149	2,240	6,399	2,706	2,728	11,833
Insurance	3,054	26	118	9,033	12,231	3,718	1,462	17,411
Interest expense	-	-	-	-	-	230	-	230
Local transportation	5,038	-	-	694	5,732	-	-	5,732
Meetings, travel, and training	5,902	-	50	1,648	7,600	1,999	-	9,599
Occupancy	395,116	87,802	14,170	9,062	506,150	29,912	9,567	545,629
Office expenses	4,021	31	135	2,501	6,688	2,294	1,605	10,587
Payroll taxes and benefits	98,457	817	4,124	44,275	147,673	22,272	47,537	217,482
Printing and shipping	658	2	14	100	774	920	31,437	33,131
Professional fees	30,843	233	1,258	30,466	62,800	25,672	10,798	99,270
Salaries	424,797	13,056	62,926	175,994	676,773	53,523	186,568	916,864
Supplies and equipment	37,820	2,297	169	718	41,004	1,394	724	43,122
Total Functional Expenses	\$ 1,268,168	\$ 273,756	\$ 84,662	\$ 364,696	\$ 1,991,282	\$ 185,999	\$ 312,828	\$ 2,490,109

The accompanying notes are an integral part of these financial statements.

THE FATHER MCKENNA CENTER, INC.

Statements of Cash Flows Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (28,432)	\$ 107,417
Adjustments to reconcile change in net assets to net cash flows (used in) provided by operating activities		
Depreciation	167,066	165,644
Amortization of discount on long-term promises to give	-	(585)
Allowance for uncollectible promises to give	-	(5,863)
Unrealized gains on investments	(563,519)	(281,509)
Realized gains on investments	(43,607)	(395)
(Increase) decrease in assets		
Promises to give	(22,550)	67,596
Prepaid expense	(2,222)	(7,987)
Accrued interest	3,699	(462)
Employee advances	431	(2,056)
Increase (decrease) in liabilities		
Accounts payable	20,192	24,005
Accrued payroll and vacation	6,974	1,773
Lease liability	(1,785)	(1,278)
Net Cash (Used in) Provided by Operating Activities	<u>(463,753)</u>	<u>66,300</u>
Cash Flows from Investing Activities		
Purchase of furniture and equipment and leasehold improvements	(7,255)	(21,908)
Purchase of investments	(193,733)	(260,420)
Proceeds from sale of investments	660,430	221,787
Net Cash Provided by (Used in) Investing Activities	<u>459,442</u>	<u>(60,541)</u>
Net Change in Cash	(4,311)	5,759
Cash - Beginning of Year	<u>109,154</u>	<u>103,395</u>
Cash - End of Year	<u>\$ 104,843</u>	<u>\$ 109,154</u>
Additional Cash Flow Information		
Interest paid	<u>\$ 292</u>	<u>\$ 230</u>

THE FATHER MCKENNA CENTER, INC.

Notes to Financial Statements

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Father McKenna Center, Inc. (the “Center”), is a non-profit 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. The Center is supported primarily by contributions.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting, therefore, all significant receivables and payables as of September 30, 2024 and 2023, are appropriately recorded in these financial statements.

Net Assets

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

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

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

Cash

For purposes of the Statements of Cash Flows, the Center considers all monies in banks to be cash.

Credit Risk

At times during the year, the Center has deposits in a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). At September 30, 2024 and 2023, there were no amounts over the FDIC limit.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the accompanying Statements of Financial Position. Unrealized gains and losses are included in the Statements of Activities as a component of investment income.

Investment income and gains restricted by a donor 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.

THE FATHER MCKENNA CENTER, INC.

Notes to Financial Statements

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value

The Center adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 820. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. The Center accounts for a significant portion of financial instruments at fair value.

Promises to Give

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or the incurring of 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 management and general expenses when deemed uncollectible. At September 30, 2024 and 2023, management believes the entire balance is collectible and therefore, no allowance is deemed necessary.

Fixed Assets

The Center capitalizes all acquisitions of fixed assets in excess of \$1,000. Fixed assets 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 following represents the estimated useful lives:

<u>Category</u>	<u>Years</u>
Furniture and fixtures	7
Computers	3
Leasehold improvements	23
Vehicles	5

Revenue Recognition

Contributions received are recorded as with or without donor restrictions depending on the existence and or nature of any donor restrictions. When a restriction expires or the funds are spent, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Grant revenue is earned when the Center has incurred expenses related to a specific grant. Grant revenue that has been received, but not expended, is recorded within deferred income.

Donated services are recognized as support if the services create or enhance non-financial 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

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Center is exempt from federal income taxes under the Internal Revenue Code ("IRC") Section 501(c)(3) as a public charity described in Section 170(b)(1)(A). The Center's tax filings are subject to examination by various taxing authorities. The Center's tax years of September 30, 2021 through September 30, 2024, remain subject to examination. There are currently no examinations for any tax periods in progress.

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.

Advertising

The Center expenses the costs of advertising as they are incurred. Advertising costs totaled \$2,269 and \$111 for the years ended September 30, 2024 and 2023, respectively.

Program Services and Supporting Activities

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

Day Program for Men Struggling with Homelessness

The largest program of the Center is the Day Program for men experiencing homelessness. The Day Program is a "drop-in" program that welcomes guests to the Center in order to meet their immediate physical needs and to provide both case management and other support to assist them in identifying the obstacles they face in reclaiming their lives and develop strategies for overcoming those obstacles. 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 in which men who struggle with homelessness can develop the personal strategies and skills they need to move toward stability, productivity, and meaning in their lives.

One additional way in which the Center honors its commitment to respect the dignity of each of their homeless guests is by making showers available both during the Day Program and in the evening as part of the Hypothermia Program. The Center also provides the men with a daily laundry service. Additionally, the Center makes available a "clothing closet" that provides men with items of clothing.

The most important work of the Center is achieved through case management, which is guided by the "The Better Life Pyramid." This developmental plan, when followed diligently and with support, has proven to lead men 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 their guests recognize their full potential. 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 partner organizations for additional services, such as housing, rehabilitation for addiction, job training, and mental or physical health, or simply obtaining an ID or social security card.

THE FATHER MCKENNA CENTER, INC.

Notes to Financial Statements

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Day Program for Men Struggling with Homelessness (Continued)

Additional support for men who face homelessness is provided in Daily Support Group meetings, 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 Programs and Services facilitates a Recidivism Prevention Workshop. These programs offer a specialized opportunity for men to move forward to stability, productivity, and meaning in life.

Food Pantry

The Food Pantry at the Center serves low-income families in the Center's neighborhood and beyond with fresh fruits and vegetables, bread, milk, eggs, meat, and a variety of shelf-stable items. The Center is in partnership with the Capital Area Food Bank and for the past six years were designated a "Wellness Partner" because the Center purchases and provides healthy items that are low in sodium and high in fiber. The Food Pantry has experienced a substantial increase in guests.

Hypothermia/Transition Program

From November 1 through March 31, the Hypothermia/Transition Program provided 12 men with a warm, safe, and secure place to sleep out of the cold, a quality evening meal provided and served by Gonzaga College High School ("Gonzaga") families, and targeted case management services with the goal of finding a job and a permanent place to live. Unlike in the day shelter drop-in model, the same men join the Center each night until they find stable housing or reunite with their community. Participants are selected based on their readiness to move out of homelessness through a job, permanent or temporary housing, and commitment to sobriety and mental health. Participants are provided with a clean bed, intensive case management, financial literacy training, and breathing room to get their life in order in a predictable environment. Each night, volunteers from the Gonzaga Mothers Club serve the men a freshly prepared meal. Their families will join the men for dinner which will re-introduce them to family interactions. The Center partners with the Catholic Charities Financial Stability Network to conduct a series of ten workshops on financial issues and connect participants with a mentor from KPMG to further their financial education.

Other Programs

In addition to neighboring Gonzaga students, the Center welcomes student groups from colleges and high schools (locally and nationally) to its Immersion Service/Learning Program for a week of service learning. Students volunteer in the Center preparing meals, meeting their guests, helping in the Food Pantry, and supporting other services that we offer. In addition, these visitors also engage in reflection on their experience and how it has informed their views of homelessness, poverty, and hunger.

Launched in fiscal year 2022 as a pilot program, the McKenna Academy (the "Academy") graduated its second cohort of men in fiscal year 2023. Consistent with the Better Life Pyramid and complementing the Center's Day Program, the Academy provides training and support for individuals who are ready to take the next step toward meaningful employment and stable housing, including life skills, financial literacy, digital instruction, career counseling, and other related services. The Academy program was enhanced by partnerships with other agencies that serve their population.

THE FATHER MCKENNA CENTER, INC.

Notes to Financial Statements

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Programs (Continued)

The Volunteer Program is the lifeblood of the 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 they serve. Both the Food Pantry and Clothing Distribution Programs are staffed almost entirely by volunteers.

Management and General

Management and general expenses include 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

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

Financing Leases – Lessee

The Center determines if an arrangement is or contains a lease at inception. Financing leases are included as fixed assets, net of accumulated depreciation and as lease liabilities on the Statements of Financial Position. The lease liability reflects the present value of the future minimum lease payments over the lease term. Finance lease expense is recognized in the period the expense is paid. The Center does not report leases with terms of 12 months or less or that are immaterial to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Center has evaluated subsequent events through January 17, 2025, the date on which the financial statements were available to be issued.

THE FATHER MCKENNA CENTER, INC.

Notes to Financial Statements

NOTE B - LIQUIDITY AND AVAILABILITY

The Center's financial assets available within one year of the Statement of Financial Position date for general expenditure are as follows:

	<u>2024</u>	<u>2023</u>
Financial assets at end of year:		
Cash	\$ 104,843	\$ 109,154
Investments	2,832,851	2,692,422
Promises to give	57,550	35,000
Employee advances	2,800	3,231
Accrued interest	-	3,699
Total financial assets at end of year	<u>2,998,044</u>	<u>2,843,506</u>
Less those unavailable for general expenditures within one year:		
Restricted by donors with purpose restrictions	<u>13,514</u>	<u>13,514</u>
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$ 2,984,530</u>	<u>\$ 2,829,992</u>

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.

NOTE C - PROMISES TO GIVE

Unconditional promises to give by donors of the Center are included in the Statements of Financial Position as promises to give.

As of September 30, 2024 and 2023, promises to give consisted of the following:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	<u>\$ 57,550</u>	<u>\$ 35,000</u>

THE FATHER MCKENNA CENTER, INC.

Notes to Financial Statements

NOTE D - FIXED ASSETS

At September 30, 2024 and 2023, fixed assets consist of the following:

	<u>2024</u>	<u>2023</u>
Furnitures and fixtures	\$ 164,152	\$ 156,898
Computers	38,508	38,509
Leasehold improvements	2,800,222	2,800,221
Vehicles	37,059	37,059
Leased equipment under financing lease	10,022	10,022
	<u>3,049,963</u>	<u>3,042,709</u>
Less accumulated depreciation	<u>(833,755)</u>	<u>(666,690)</u>
Fixed assets, net	<u>\$ 2,216,208</u>	<u>\$ 2,376,019</u>

NOTE E - INVESTMENTS AND INVESTMENT RETURN

Investments at September 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Mutual funds	\$ 2,100,821	\$ 1,669,136
Certificates of deposit	-	200,069
Fixed income	732,030	823,217
Total Investments	<u>\$ 2,832,851</u>	<u>\$ 2,692,422</u>

Investment return for the years ended September 30, 2024 and 2023, consists of the following:

	<u>2024</u>	<u>2023</u>
Unrealized gains on investments	\$ 563,519	\$ 281,509
Realized gains on investments	43,607	395
Interest and dividends	59,876	55,996
Investment return	<u>\$ 667,002</u>	<u>\$ 337,900</u>

NOTE F - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

THE FATHER MCKENNA CENTER, INC.

Notes to Financial Statements

NOTE F - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2024 and September 30, 2023.

Level 1 Fair Value Measurements

The carrying amount of certificate of deposits approximates fair value. The fair value of fixed income investments represents bonds from a variety of holders. These investments are publicly traded and are based on the quoted interest rate. The fair value of mutual funds are based on quoted market prices.

The following tables set forth by level, within the fair value hierarchy, the Center's investments at fair value as of September 30, 2024 and 2023, as measured on a recurring basis:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual funds	\$ 2,100,821	\$ 2,100,821	\$ -	\$ -
Fixed income	<u>732,030</u>	<u>732,030</u>	-	-
Total September 30, 2024	<u>\$ 2,832,851</u>	<u>\$ 2,832,851</u>	<u>\$ -</u>	<u>\$ -</u>

THE FATHER MCKENNA CENTER, INC.

Notes to Financial Statements

NOTE F - FAIR VALUE MEASUREMENTS (CONTINUED)

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual funds	\$ 1,669,136	\$ 1,669,136	\$ -	\$ -
Certificate of deposit	200,069	200,069		
Fixed income	<u>823,217</u>	<u>823,217</u>	<u>-</u>	<u>-</u>
Total September 30, 2023	<u>\$ 2,692,422</u>	<u>\$ 2,692,422</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2024 and 2023, net assets with donor restrictions are as follows:

	<u>2024</u>	<u>2023</u>
Purpose restricted	\$ 13,514	\$ 13,514
Restricted for future periods	<u>57,050</u>	<u>35,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 70,564</u>	<u>\$ 48,514</u>

Net assets released from restriction were \$96,975 and \$252,432 for the years ended September 30, 2024 and 2023, respectively.

NOTE H - IN-KIND CONTRIBUTIONS

In-kind contributions included in the financial statements were as follows:

	<u>2024</u>	<u>2023</u>
Rent	\$ 538,506	\$ 538,506
Food	342,139	209,555
Clothing	48,047	56,962
Services	12,517	13,600
Equipment	<u>-</u>	<u>2,743</u>
Total	<u>\$ 941,209</u>	<u>\$ 821,366</u>

THE FATHER MCKENNA CENTER, INC.

Notes to Financial Statements

NOTE H - IN-KIND CONTRIBUTIONS (CONTINUED)

The Center renewed an agreement with 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, 2028. 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 \$538,506 for both years ended September 30, 2024 and 2023, and is included in in-kind contributions in the Statements of Activities and occupancy on the Statements of Functional Expenses.

The Center recognized contributed non-financial assets within revenue, including contributed rent, food, clothing, equipment, and services. Unless otherwise noted, contributed non-financial 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. 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 are comprised of 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 billing rates for similar legal services. Contributed food, clothing, equipment, 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 I - 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 percent contribution to the plan based on each employee's compensation. Retirement expense was \$17,733 and \$26,608 for the years ended September 30, 2024 and 2023, and is included in payroll taxes and benefits on the Statements of Functional Expenses.

NOTE J - FINANCING LEASE

In February 2023, the Center entered into a lease for a copier with Xerox Financial Services. The lease requires monthly rental payments of \$173 through April 2028. The lease is collateralized by the underlying equipment. The components of monthly rental payments are as follows:

Rent expense	\$	1,784
Interest expense on financing lease		292
Total	\$	2,076

As required by ASC 842, the Center reported a fixed asset and related liability of \$6,840 at September 30, 2024. The capital asset will be amortized over the life of the lease. The discount rate was determined using the risk-free treasury rate at inception of the lease. At September 30, 2024, the remaining lease term and discount rate was as follows:

Remaining lease term	3 years, 7 months
Discount rate	3.68%

THE FATHER MCKENNA CENTER, INC.

Notes to Financial Statements

NOTE J - FINANCING LEASE (CONTINUED)

Estimated future minimum lease payments for the financing lease are as follows:

2025	\$	2,076
2026		2,076
2027		2,076
2028		<u>1,211</u>
Total minimum payments		7,439
Less present value discount		<u>(599)</u>
Present value of future maturity payments	\$	<u><u>6,840</u></u>

NOTE K - EMPLOYEE RETENTION CREDIT

During the year ended September 30, 2023, the Center claimed Employee Retention Credits ("ERC") totaling \$268,836 under the provisions the Coronavirus Aid, Relief, and Economic Security Act, as amended. Employers are eligible for the ERC if they experience either a significant decline in gross receipts or the full or partial suspension of operations because of governmental orders limiting commerce, travel, or group meetings due to COVID-19. The Center determined it had a significant decline in gross receipts and claimed the ERC for eligible quarters in 2020 and 2021. The Internal Revenue Service ("IRS") generally has five years from the date an ERC claim is filed to audit the claim. Therefore, the IRS may audit the Center's eligibility for the ERC and its substantiation of the amounts claimed. If the IRS determines the Center was ineligible for the ERC, the Center could be required to repay the amount claimed along with penalties and interest.

NOTE L - RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation. Specifically, the prior year financial statements included a right-of-use asset related to the financial lease, which is now included with fixed assets.