

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

**THE FATHER MCKENNA
CENTER, INC.**

AUDITED FINANCIAL STATEMENTS

Years Ended September 30, 2025 and 2024



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 statements of financial position as of September 30, 2025 and 2024, 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 Center as of September 30, 2025 and 2024, 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 ("GAAP").

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 Center 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.

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.

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.

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

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
February 18, 2026

THE FATHER MCKENNA CENTER, INC.

Statements of Financial Position
September 30, 2025 and 2024

<u>ASSETS</u>		
	<u>2025</u>	<u>2024</u>
Current Assets		
Cash	\$ 100,365	\$ 104,843
Investments	3,209,099	2,832,851
Promises to give	2,000	57,550
Prepaid expenses	44,167	34,616
Employee advances	-	2,800
	<u>3,355,631</u>	<u>3,032,660</u>
Fixed Assets		
Equipment and leasehold improvements	2,998,709	3,049,963
Less: Accumulated depreciation and amortization	<u>930,317</u>	<u>833,755</u>
	<u>2,068,392</u>	<u>2,216,208</u>
Net Fixed Assets		
	<u>2,068,392</u>	<u>2,216,208</u>
Total Assets	<u>\$ 5,424,023</u>	<u>\$ 5,248,868</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 34,402	\$ 51,815
Accrued vacation and payroll	33,131	35,742
Lease liability - current portion	<u>1,920</u>	<u>1,851</u>
	<u>69,453</u>	<u>89,408</u>
Total Current Liabilities		
	<u>69,453</u>	<u>89,408</u>
Other Liabilities		
Lease liability - net of current portion	<u>3,189</u>	<u>5,108</u>
	<u>72,642</u>	<u>94,516</u>
Total Liabilities		
	<u>72,642</u>	<u>94,516</u>
Net Assets		
Net Assets without Donor Restrictions	5,263,567	5,083,788
Net Assets with Donor Restrictions	<u>87,814</u>	<u>70,564</u>
	<u>5,351,381</u>	<u>5,154,352</u>
Total Net Assets		
	<u>5,351,381</u>	<u>5,154,352</u>
Total Liabilities and Net Assets	<u>\$ 5,424,023</u>	<u>\$ 5,248,868</u>

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

THE FATHER MCKENNA CENTER, INC.

Statement of Activities
Year Ended September 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions			
Organizations	\$ 142,760	\$ -	\$ 142,760
Individuals	1,171,358	2,000	1,173,358
Foundations	190,000	97,300	287,300
In-kind contributions	795,352	-	795,352
Total Contributions	<u>2,299,470</u>	<u>99,300</u>	<u>2,398,770</u>
Other revenue	4,939	-	4,939
Investment return	394,108	-	394,108
	<u>399,047</u>	<u>-</u>	<u>399,047</u>
Net Assets Released from Restrictions	<u>82,050</u>	<u>(82,050)</u>	<u>-</u>
Total Support and Revenue	<u>2,780,567</u>	<u>17,250</u>	<u>2,797,817</u>
Expenses			
Program Services			
Day program	1,317,783	-	1,317,783
Food pantry	396,467	-	396,467
Hypothermia	111,112	-	111,112
Other programs	104,607	-	104,607
Total Program Services	<u>1,929,969</u>	<u>-</u>	<u>1,929,969</u>
Supporting Activities			
Management and general	346,393	-	346,393
Fundraising	320,985	-	320,985
Total Supporting Activities	<u>667,378</u>	<u>-</u>	<u>667,378</u>
Total Expenses	<u>2,597,347</u>	<u>-</u>	<u>2,597,347</u>
Loss on Disposal of Fixed Assets	<u>(3,441)</u>	<u>-</u>	<u>(3,441)</u>
Change in Net Assets	179,779	17,250	197,029
Net Assets at Beginning of Year	<u>5,083,788</u>	<u>70,564</u>	<u>5,154,352</u>
Net Assets at End of Year	<u>\$ 5,263,567</u>	<u>\$ 87,814</u>	<u>\$ 5,351,381</u>

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

THE FATHER MCKENNA CENTER, INC.

Statement of Activities
Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions			
Organizations	\$ 67,607	\$ 26,000	\$ 93,607
Individuals	859,964	22,050	882,014
Foundations	45,000	60,000	105,000
Total Contributions	<u>972,571</u>	<u>108,050</u>	<u>1,080,621</u>
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>1,614,619</u>	<u>10,975</u>	<u>1,625,594</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
Total Program Services	<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
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 FATHER MCKENNA CENTER, INC.

Statement of Functional Expenses Year Ended September 30, 2025

	Day Program	Food Pantry	Hypothermia	Other	Total Program	Management and General	Fundraising	Total
Expenses								
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139	\$ 5,247	\$ 5,386
Depreciation and amortization	62,308	13,669	8,031	14,028	98,036	37,065	27,278	162,379
Fees and licenses	2,086	476	296	361	3,219	1,533	3,178	7,930
Food and clothing	208,043	189,561	264	317	398,185	7,282	-	405,467
Information technology	3,769	819	490	562	5,640	2,234	3,690	11,564
Insurance	4,406	954	531	7,899	13,790	4,160	1,933	19,883
Interest expense	56	13	7	10	86	111	28	225
Local transportation	1,606	86	40	-	1,732	-	-	1,732
Meetings, travel, and training	4,716	368	-	257	5,341	5,307	108	10,756
Occupancy	395,287	87,988	14,295	8,906	506,476	27,946	9,427	543,849
Office expenses	3,375	497	288	354	4,514	3,163	1,047	8,724
Payroll taxes and benefits	92,145	20,438	12,328	15,187	140,098	27,507	40,927	208,532
Printing and shipping	849	166	78	124	1,217	415	41,392	43,024
Professional fees	164,587	8,808	6,149	6,324	185,868	33,202	52,829	271,899
Salaries	327,734	70,637	68,050	49,602	516,023	194,922	132,796	843,741
Supplies and equipment	46,816	1,987	265	676	49,744	1,407	1,105	52,256
Total Functional Expenses	\$ 1,317,783	\$ 396,467	\$ 111,112	\$ 104,607	\$ 1,929,969	\$ 346,393	\$ 320,985	\$ 2,597,347

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 and amortization	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	<u>\$ 1,657,034</u>	<u>\$ 427,733</u>	<u>\$ 127,132</u>	<u>\$ 78,330</u>	<u>\$ 2,290,229</u>	<u>\$ 208,526</u>	<u>\$ 235,892</u>	<u>\$ 2,734,647</u>

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

THE FATHER MCKENNA CENTER, INC.

Statements of Cash Flows Years Ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 197,029	\$ (28,432)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	162,379	167,066
Loss on disposal of furniture and equipment	3,441	-
Unrealized gains on investments	(269,958)	(563,519)
Realized gains on investments	(61,760)	(43,607)
Decrease (increase) in assets		
Promises to give	55,550	(22,550)
Prepaid expense	(9,551)	(2,222)
Accrued interest	-	3,699
Employee advances	2,800	431
(Decrease) increase in liabilities		
Accounts payable	(17,413)	20,192
Accrued payroll and vacation	(2,611)	6,974
Net Cash Provided by (Used in) Operating Activities	<u>59,906</u>	<u>(461,968)</u>
Cash Flows from Investing Activities		
Purchase of furniture and equipment and leasehold improvements	(33,004)	(7,255)
Proceeds from sale of property and equipment	15,000	-
Purchase of investments	(1,431,478)	(193,733)
Proceeds from sale of investments	<u>1,386,948</u>	<u>660,430</u>
Net Cash (Used in) Provided by Investing Activities	<u>(62,534)</u>	<u>459,442</u>
Cash Flows from Financing Activities		
Principal repayments on lease liability - financing lease	<u>(1,850)</u>	<u>(1,785)</u>
Net Cash Used in Financing Activities	<u>(1,850)</u>	<u>(1,785)</u>
Net Change in Cash	(4,478)	(4,311)
Cash - Beginning of Year	<u>104,843</u>	<u>109,154</u>
Cash - End of Year	<u>\$ 100,365</u>	<u>\$ 104,843</u>
Additional Cash Flow Information		
Interest paid	<u>\$ 225</u>	<u>\$ 292</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, 2025 and 2024, 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 held in bank accounts 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, 2025 and 2024, 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

Promises to give are recorded at fair value when the pledge is promised, and a written pledge agreement of acknowledgement is generally required. Promises to give expected to be received in 12 months or more after the date of the Statements of Financial Position are discounted to their present value, if material, based on the U.S. Treasury Bond 30-year interest rate. Management believes that the discount would be immaterial to the financial statements, therefore, no discount is recorded on the promise to give. Management believes that the entire amount is collectible based on management’s review of historical loss rates; therefore, an allowance for credit losses was not considered necessary at September 30, 2025 and 2024.

Fixed Assets

The Center capitalizes all acquisitions of fixed assets in excess of \$2,000. 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 are recognized when cash, securities, or an unconditional promise to give is received. All contributions are considered to be available for general operations unless otherwise specified by the donor. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expired in the reporting period in which the support is recognized. When a restriction expires or is satisfied, 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.

Grant revenue results from agreements, typically with foundations, that fund specific activities at the Center. An agreement is a conditional contribution if its primary purpose is to enable the Center to provide a service to or maintain a facility for the direct benefit of the general public rather than to serve the direct needs of the granting party. Grant revenue is recognized when funds are used.

THE FATHER MCKENNA CENTER, INC.

Notes to Financial Statements

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

Revenue Recognition (Continued)

In-kind contributions are recorded at their fair values in the period received. Contributions of donated services that enhance assets or that require specialized skills provided by individuals possessing these skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

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, 2022, through September 30, 2025, remain subject to examination. There are currently no examinations for any tax periods in progress.

Functional Expense Allocation

The financial statements report certain categories of significant 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, which is allocated on the basis of square footage.

Advertising

The Center expenses the costs of advertising as they are incurred. Advertising costs totaled \$5,386 and \$2,269 for the years ended September 30, 2025 and 2024, 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 Father McKenna Center is the Day Shelter 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 while also providing case management and other support to assist them in reclaiming their lives and developing strategies for ongoing success. The Day Shelter Program provides a safe and secure environment in which the men can develop the personal strategies and skills they need to move toward stability in their lives. Other services offered during the day program include showers, laundry, and clothing distribution via our 'clothing closet.'

The McKenna Center case management team works with our clients to provide support in their journeys through and out of homelessness. Through a combination of direct support and referral services, it ensures guests are receiving the best possible assistance to achieve their goals. Case managers provide consultations which include referred appointments at one of our partner organizations for additional services such as rehabilitation for addiction, mental or physical health concerns, job training, and housing, 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)

The Day Shelter program also offers additional ways for the men to participate in programming, including Support Group meetings, weekly peace circles and de-escalation sessions, restorative justice circles, a Spirituality/Faith Sharing group, and a weekly AA meeting. The Center also facilitates blood pressure/sugar screenings, flu shots and foot health clinics, legal advice/services, and other occasional opportunities through our partners. These programs offer a specialized opportunity for men to move forward to stability, productivity, and meaning in life.

The Greg Gannon Food Pantry:

The Greg Gannon Food Pantry (the "Pantry") provides low-income and food insecure families throughout the District of Columbia with supplemental grocery assistance. Once every 21 days, families in need can visit the pantry to receive dry/canned goods and other shelf-stable items, as well as fresh produce, milk, eggs, meat, bread, and a variety of "prepared perishable" items. The Pantry is supported by our partnerships with the Capital Area Food Bank (CAFB), Giant Food, Albertsons/Safeway, Uber, and other local organizations. For the past several years, the Pantry has been designated a "Wellness Partner" by CAFB because we provide healthy items that are low in sodium and high in fiber.

The Hypothermia Transition Housing Program

From mid-November to mid-March, the McKenna Center operates an overnight housing program for 10-12 men. Participants are selected from the pool of day program clients by the case management team, targeting men who demonstrate a level of stability and interest in taking the next steps out of homelessness. The men are provided with a clean bed, intensive case management, and financial literacy training with the objective of ending the program with employment and/or housing. Each night, volunteers from the Gonzaga Mothers Club serve a freshly made meal and eat with the men.

Other Programs

In addition to neighboring Gonzaga students, the Center welcomes more than a dozen immersion groups from high schools and colleges, both local and from across the country, giving students the opportunity to fully engage in the work of the Center. These students support every aspect of the Center's programs, from serving meals and guiding families through the food pantry to cleaning up the center and facilitating clothing distributions. In addition, these visitors engage in reflection on their experience and how it has informed their views of homelessness, poverty, and hunger.

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.

THE FATHER MCKENNA CENTER, INC.

Notes to Financial Statements

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

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 Lease – Lessee

The Center determines if an arrangement is or contains a lease at inception. The financing lease is included as a fixed asset, net of accumulated amortization and as a lease liability on the Statements of Financial Position. The lease liability reflects the present value of the future minimum lease payments over the remaining lease term. Amortization expense is recognized on a straight-line basis, while interest expense on the lease liability is recognized in the period the expense is incurred. The Center does not record fixed assets for 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 February 18, 2026, the date on which the financial statements were available to be issued.

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>2025</u>	<u>2024</u>
Financial assets at end of year:		
Cash	\$ 100,365	\$ 104,843
Investments	3,209,099	2,832,851
Promises to give	2,000	57,550
Employee advances	-	2,800
Total financial assets at end of year	<u>3,311,464</u>	<u>2,998,044</u>
Less those unavailable for general expenditures within one year:		
Restricted by donors with time and purpose restrictions	<u>87,814</u>	<u>70,564</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,223,650</u>	<u>\$ 2,927,480</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.

THE FATHER MCKENNA CENTER, INC.

Notes to Financial Statements

NOTE C - PROMISES TO GIVE

As of September 30, 2025 and 2024, promises to give consisted of the following:

	<u>2025</u>	<u>2024</u>
Receivable in less than one year	<u>\$ 2,000</u>	<u>\$ 57,550</u>

NOTE D - FIXED ASSETS

At September 30, 2025 and 2024, fixed assets consist of the following:

	<u>2025</u>	<u>2024</u>
Furnitures and fixtures	\$ 159,315	\$ 164,152
Computers	21,150	38,508
Leasehold improvements	2,800,222	2,800,222
Vehicles	8,000	37,059
Leased equipment under financing lease	10,022	10,022
	<u>2,998,709</u>	<u>3,049,963</u>
Accumulated depreciation and amortization	<u>(930,317)</u>	<u>(833,755)</u>
Fixed Assets, Net	<u>\$ 2,068,392</u>	<u>\$ 2,216,208</u>

NOTE E - INVESTMENTS AND INVESTMENT RETURN

Investments at September 30, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Mutual funds	\$ 2,270,898	\$ 2,100,821
Fixed income	<u>938,201</u>	<u>732,030</u>
Total Investments	<u>\$ 3,209,099</u>	<u>\$ 2,832,851</u>

Investment return for the years ended September 30, 2025 and 2024, consists of the following:

	<u>2025</u>	<u>2024</u>
Unrealized gains on investments	\$ 269,958	\$ 563,519
Realized gains on investments	61,760	43,607
Interest and dividends	<u>62,390</u>	<u>59,876</u>
Investment Return	<u>\$ 394,108</u>	<u>\$ 667,002</u>

THE FATHER MCKENNA CENTER, INC.

Notes to Financial Statements

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:

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, 2025 and September 30, 2024.

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, 2025 and 2024, 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	\$ 2,270,898	\$ 2,270,898	\$ -	\$ -
Fixed income	938,201	938,201	-	-
Total September 30, 2025	\$ 3,209,099	\$ 3,209,099	\$ -	\$ -

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	\$ 2,100,821	\$ 2,100,821	\$ -	\$ -
Fixed income	<u>732,030</u>	<u>732,030</u>	<u>-</u>	<u>-</u>
Total September 30, 2024	<u>\$ 2,832,851</u>	<u>\$ 2,832,851</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2025 and 2024, net assets with donor restrictions are as follows:

	<u>2025</u>	<u>2024</u>
Purpose restricted	\$ 85,814	\$ 13,514
Restricted for future periods	<u>2,000</u>	<u>57,050</u>
Total Net Assets with Donor Restrictions	<u>\$ 87,814</u>	<u>\$ 70,564</u>

Net assets released from restriction were \$82,050 and \$96,975 for the years ended September 30, 2025 and 2024, respectively.

NOTE H - IN-KIND CONTRIBUTIONS

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

	<u>2025</u>	<u>2024</u>
Rent	\$ 538,506	\$ 538,506
Food	197,356	342,139
Clothing	49,496	48,047
Services	<u>9,994</u>	<u>12,517</u>
Total	<u>\$ 795,352</u>	<u>\$ 941,209</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, 2025 and 2024, 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 \$21,404 and \$17,733 for the years ended September 30, 2025 and 2024, respectively 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. Amortization expense was \$1,909 for the years ended September 30, 2025 and 2024, and is included in depreciation and amortization on the Statements of Functional Expenses. Interest expense on the financing lease was \$225 and \$292 for the years ended September 30, 2025 and 2024, respectively, and is included in interest on the Statements of Functional Expenses.

As required by ASC 842, the Center reported a fixed asset and related liability of \$5,109 at September 30, 2025. The capital asset will be amortized over the life of the lease. The discount rate was determined using the risk-free treasury rate at the inception of the lease. At September 30, 2025, the remaining lease term and discount rate were as follows:

Remaining lease term	2 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:

<u>September 30,</u>	
2026	\$ 2,076
2027	2,076
2028	<u>1,211</u>
Total minimum payments	5,363
Less present value discount	<u>(254)</u>
Present value of future maturity payments	<u><u>\$ 5,109</u></u>

NOTE K - RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation. Specifically, the prior year financial statements included the increase in the lease liability as an adjustment to reconcile change in net assets to net cash flows provided by operating activities, which is now included in financing activities.