

**THE CHILDREN'S ROOM
CENTER FOR GRIEVING CHILDREN
& TEENAGERS, INC.**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

**THE CHILDREN'S ROOM
CENTER FOR GRIEVING CHILDREN & TEENAGERS, INC.**

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SEPTEMBER 30, 2020

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*ELAINE RENZI,
CPA, LLC*

Independent Auditor's Report

To the Board of Directors
The Children's Room
Center for Grieving Children & Teenagers, Inc.
Arlington, Massachusetts

I have audited the accompanying financial statements of The Children's Room: Center for Grieving Children & Teenagers, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Room: Center for Grieving Children & Teenagers, Inc. as of September 30, 2020, 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.

Report on Summarized Comparative Information

I have previously audited The Children's Room: Center for Grieving Children & Teenagers, Inc.'s 2019 financial statements and I expressed an unmodified audit opinion on those audited financial statements in my report dated December 16, 2019. In my opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Elaine Renzi, CPA, LLC

January 7, 2021

THE CHILDREN'S ROOM
CENTER FOR GRIEVING CHILDREN & TEENAGERS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020 AND 2019

| | 2020 | 2019 |
|---|--------------|--------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 938,833 | \$ 545,457 |
| Promises to give, net | 373,396 | 321,339 |
| Grants receivable | 61,000 | 33,000 |
| Other receivables | 2,454 | 2,458 |
| Prepaid expenses | 13,159 | 17,106 |
| Total current assets | 1,388,842 | 919,360 |
| Property and equipment, net | 800,833 | 828,512 |
| Deferred mortgage acquisition expense, net | 5,502 | 5,954 |
| Investments | 194,285 | 187,872 |
| Promises to give, long-term | 627,091 | 718,968 |
| Grants receivable, long-term | 205,212 | 223,117 |
| | \$ 3,221,765 | \$ 2,883,783 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 100,210 | \$ 75,522 |
| Note payable PPP, current | 42,325 | - |
| Mortgage note payable, current | 13,651 | 12,076 |
| Total current liabilities | 156,186 | 87,598 |
| Long-term portion of note payable, PPP | 126,975 | - |
| Long-term portion of mortgage note payable | 520,796 | 535,239 |
| Total long-term liabilities | 647,771 | 535,239 |
| Net assets: | | |
| Without donor restrictions | | |
| Undesignated | 428,052 | 325,466 |
| Designated by the Board for operating reserve | 418,187 | 378,039 |
| Designated by the Board for endowment | 194,285 | 187,872 |
| With donor restrictions | 1,377,284 | 1,369,569 |
| Total net assets | 2,417,808 | 2,260,946 |
| Total liabilities and net assets | \$ 3,221,765 | \$ 2,883,783 |

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

THE CHILDREN'S ROOM
CENTER FOR GRIEVING CHILDREN & TEENAGERS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|---------------------|
| Public support : | | | |
| Individuals | \$ 696,804 | \$ 292,605 | \$ 989,409 |
| Foundations | 96,879 | 133,095 | 229,974 |
| Corporations | 79,874 | - | 79,874 |
| Government | 50,000 | - | 50,000 |
| | <u>923,557</u> | <u>425,700</u> | <u>1,349,257</u> |
| Revenue: | | | |
| Donated volunteer services | 214,078 | - | 214,078 |
| Training | 2,625 | - | 2,625 |
| Investment income | 23,081 | - | 23,081 |
| Other income | 966 | - | 966 |
| Total revenue | <u>240,750</u> | <u>-</u> | <u>240,750</u> |
| Release of donor restricted net assets | <u>417,985</u> | <u>(417,985)</u> | <u>-</u> |
| Total public support & revenue | 1,582,292 | 7,715 | 1,590,007 |
| Expenses: | | | |
| Program services | 880,595 | - | 880,595 |
| Management and general | 183,842 | - | 183,842 |
| Development | 368,708 | - | 368,708 |
| Total expenses | <u>1,433,145</u> | <u>-</u> | <u>1,433,145</u> |
| Increase in net assets | 149,147 | 7,715 | 156,862 |
| NET ASSETS, beginning of year | <u>891,377</u> | <u>1,369,569</u> | <u>2,260,946</u> |
| NET ASSETS, end of year | <u>\$ 1,040,524</u> | <u>\$ 1,377,284</u> | <u>\$ 2,417,808</u> |

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

THE CHILDREN'S ROOM
CENTER FOR GRIEVING CHILDREN & TEENAGERS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|---------------------|
| Public support: | | | |
| Individuals | \$ 538,246 | \$ 576,533 | \$ 1,114,779 |
| Foundations | 134,424 | 306,117 | 440,541 |
| Corporations | 93,455 | 10,750 | 104,205 |
| | <u>766,125</u> | <u>893,400</u> | <u>1,659,525</u> |
| Revenue: | | | |
| Donated volunteer services | 253,921 | - | 253,921 |
| Training | 13,475 | - | 13,475 |
| Investment income | 22,117 | - | 22,117 |
| Total revenue | <u>289,513</u> | <u>-</u> | <u>289,513</u> |
| Release of donor restricted net assets | <u>501,494</u> | <u>(501,494)</u> | <u>-</u> |
| Total public support & revenue | 1,557,132 | 391,906 | 1,949,038 |
| Expenses: | | | |
| Program services | 832,766 | - | 832,766 |
| Management and general | 224,202 | - | 224,202 |
| Development | 357,394 | - | 357,394 |
| Total expenses | <u>1,414,362</u> | <u>-</u> | <u>1,414,362</u> |
| Increase in net assets | 142,770 | 391,906 | 534,676 |
| NET ASSETS, beginning of year | <u>748,607</u> | <u>977,663</u> | <u>1,726,270</u> |
| NET ASSETS, end of year | <u>\$ 891,377</u> | <u>\$ 1,369,569</u> | <u>\$ 2,260,946</u> |

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

**THE CHILDREN'S ROOM
CENTER FOR GRIEVING CHILDREN & TEENAGERS, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2020 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019

| | 2020 | | | | 2019 | |
|-------------------------------------|------------------------------|-------------------------|-------------------|---------------------------------|---------------------|---------------------|
| | Total Program Services | Supporting Services | | | Total Expenses | Total Expenses |
| | | Management & General | Develop- ment | Total Supporting Services | | |
| Salaries | \$ 473,114 | \$ 97,886 | \$ 254,911 | \$ 352,797 | \$ 825,911 | \$ 737,776 |
| Payroll taxes | 39,045 | 8,078 | 21,037 | 29,115 | 68,160 | 61,759 |
| Health insurance supplement | 19,076 | 3,624 | 12,240 | 15,864 | 34,940 | 23,131 |
| Simple IRA match | 6,017 | 1,146 | 4,298 | 5,444 | 11,461 | 13,545 |
| Short term disability insurance | 3,437 | 1,250 | - | 1,250 | 4,687 | 4,029 |
| Workers compensation insurance | 2,143 | 779 | - | 779 | 2,922 | 2,812 |
| Total salaries and related expenses | <u>542,832</u> | <u>112,763</u> | <u>292,486</u> | <u>405,249</u> | <u>948,081</u> | <u>843,052</u> |
| Donated volunteer services | 214,078 | - | - | - | 214,078 | 253,921 |
| Occupancy costs | 45,076 | 4,855 | 4,859 | 9,714 | 54,790 | 53,789 |
| Consulting & contract services | 8,563 | 44,799 | 2,880 | 47,679 | 56,242 | 79,204 |
| Bank and admin fees | - | 4,523 | 10,585 | 15,108 | 15,108 | 16,049 |
| Depreciation & amortization | 23,112 | 2,528 | 2,491 | 5,019 | 28,131 | 27,679 |
| Dues & memberships | 885 | 1,414 | - | 1,414 | 2,299 | 981 |
| Event expenses | - | - | 27,575 | 27,575 | 27,575 | 26,551 |
| Filing & license fees | 159 | 500 | - | 500 | 659 | 519 |
| Furnishings & equipment | 3,492 | 1,003 | - | 1,003 | 4,495 | 15,435 |
| Insurance | 3,013 | 1,880 | 417 | 2,297 | 5,310 | 2,873 |
| Meetings | 732 | 758 | 1,479 | 2,237 | 2,969 | 6,367 |
| Miscellaneous | - | 2,323 | 666 | 2,989 | 2,989 | 3,212 |
| Postage and shipping | 643 | 158 | 4,439 | 4,597 | 5,240 | 4,565 |
| Printing & copying | 361 | 579 | 7,295 | 7,874 | 8,235 | 8,104 |
| Professional development | 4,128 | 251 | 1,189 | 1,440 | 5,568 | 7,200 |
| Promotion | - | 305 | - | 305 | 305 | 2,867 |
| Rental & maintenance of equipment | 2,157 | 1,196 | 1,162 | 2,358 | 4,515 | 3,800 |
| Supplies | 10,052 | 222 | 2,022 | 2,244 | 12,296 | 9,628 |
| Technology | 10,335 | 1,939 | 6,916 | 8,855 | 19,190 | 19,211 |
| Teen program expenses | 6,696 | - | - | - | 6,696 | 15,149 |
| Telecommunications | 3,142 | 1,493 | 1,551 | 3,044 | 6,186 | 6,620 |
| Travel | 1,139 | 353 | 696 | 1,049 | 2,188 | 7,586 |
| Total expenses | <u>\$ 880,595</u> | <u>\$ 183,842</u> | <u>\$ 368,708</u> | <u>\$ 552,550</u> | <u>\$ 1,433,145</u> | <u>\$ 1,414,362</u> |

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

**THE CHILDREN'S ROOM
CENTER FOR GRIEVING CHILDREN & TEENAGERS, INC.**

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

| | 2020 | 2019 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Total increase in net assets | \$ 156,862 | \$ 534,676 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 28,131 | 28,136 |
| Change in reserve for uncollectible promises to give | (17,906) | (24,599) |
| Change in promises to give discount | (29,531) | (15,863) |
| Change in grants receivable discount | (12,094) | 16,883 |
| Net gains on securities | (12,876) | (6,168) |
| Investment earnings re-invested | (5,897) | (6,056) |
| (Increase) decrease in operating assets: | | |
| Promises to give | 87,257 | (155,887) |
| Grants receivable | 2,000 | (268,500) |
| Other receivables | 4 | 3,130 |
| Prepaid expenses | 3,947 | (8,831) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 24,688 | 16,342 |
| Total adjustments | <u>67,723</u> | <u>(421,413)</u> |
| Net cash provided by operating activities | <u>224,585</u> | <u>113,263</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Change in investments in securities | <u>12,359</u> | <u>(53,024)</u> |
| Net cash provided (used) by investing activities | 12,359 | (53,024) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds on note payable, PPP | 169,300 | - |
| Payments on long-term debt, mortgage | <u>(12,868)</u> | <u>(12,076)</u> |
| Net cash provided (used) by financing activities | <u>156,432</u> | <u>(12,076)</u> |
| NET INCREASE IN CASH | 393,376 | 48,163 |
| CASH, BEGINNING OF YEAR | 545,457 | 497,294 |
| CASH, END OF YEAR | \$ 938,833 | \$ 545,457 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during the year for interest | \$ 26,761 | \$ 27,934 |

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

THE CHILDREN'S ROOM CENTER FOR GRIEVING CHILDREN & TEENAGERS, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

(1) NATURE OF OPERATIONS

Nature of Organization - The Children's Room: Center for Grieving Children & Teenagers, Inc. (The Children's Room) is a private, not-for-profit Massachusetts corporation that operates a publicly accessible site in Arlington, Massachusetts for grieving children, teenagers, and their caregivers and families. The Organization provides a setting and support for interaction of grieving children in various age groups from toddler through teenagers. The Organization also educates the public and community at large regarding the needs of and services available to grieving children and their families.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with The Children's Room's financial statements for the year ended September 30, 2019, from which the information is summarized.

Basis of Presentation

The Organization's financial statements are presented in conformity with U.S. generally accepted accounting principles ("US GAAP") and have been prepared on the accrual basis of accounting.

Net Assets Classifications

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-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 (or certain grantor) restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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. Contributions restricted by donors 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 revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**THE CHILDREN'S ROOM
CENTER FOR GRIEVING CHILDREN & TEENAGERS, INC.**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash includes all monies in banks and highly- liquid investments with maturity dates of less than three months.

Promises to Give and Contributed Support

The Organization recognizes all contributed support when it is received or unconditionally pledged. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity as net assets released from restrictions.

Unconditional promises to give cash and other assets are reported at net realizable value at the date the promise is received. Conditional promises to give are reported at net realizable value at the date the gift is received or the conditional promise becomes unconditional. The gifts are reported as "with donor restrictions" if they are received with donor stipulations that limit the use of the donated asset. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the year of receipt are reported as unrestricted contributions in the accompanying financial statements.

Property and Equipment

Property and equipment acquisitions are recorded at cost or fair market value when received. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Expenditures for major renewals in excess of \$5,000 are capitalized. Estimated useful lives are as follows:

| Assets | Years |
|---------------------------|--------------|
| Building and improvements | 39 |
| Office equipment | 3 - 5 |

**THE CHILDREN'S ROOM
CENTER FOR GRIEVING CHILDREN & TEENAGERS, INC.**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable securities with readily determinable fair values are stated at fair market value. Investment expenses are netted against investment income for financial statement presentation

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Donated Services and In-Kind Support

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contributions, require specialized skills and are provided by individuals possessing those skills. Donated equipment and materials, if significant, are included in public support at fair value.

Advertising Costs

The Organization's policy is to expense advertising costs as incurred.

Functional Allocation of Expenses

Expenses are charged to program or supporting services based on direct expenditures incurred. Expenditures not directly chargeable are allocated based on either payroll expenses or square footage occupied, whichever method more closely correlates to the expenditure incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization evaluated subsequent events through January 7, 2021, which is the date the financial statements were available to be issued.

THE CHILDREN'S ROOM CENTER FOR GRIEVING CHILDREN & TEENAGERS, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standard

During the fiscal year ending September 30, 2020, the Organization adopted FASB's Accounting Standards Update (ASU) 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances the comparability of financial information among not-for-profit entities. The Organization adopted ASU 2018-08 using a modified prospective method effective October 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of October 1, 2019. As a result, the fiscal year end 2019 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of October 1, 2019.

Additionally, the Organization adopted FASB's ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash as of September 30, 2020. This ASU amends the presentation of restricted cash within the statement of cash flows. The new guidance requires that restricted cash be added to cash for purposes of the statement of cash flows. The adoption of ASU 2016-18 had no effect on the current year or prior year presentations in the accompanying financial statements as the Organization did not hold cash for restricted purposes in the periods presented.

(3) LIQUIDITY AND AVAILABILITY OF RESOURCES

The Children's Room regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Children's Room manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity goal of maintaining current financial assets less current liabilities at a minimum of four months of operating expenses.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | |
|-----------------------------|--------------------|
| Cash and cash equivalents | \$ 938,833 |
| Promises to give (current) | 373,396 |
| Grants receivable (current) | 61,000 |
| Other receivables | <u>2,454</u> |
| | <u>\$1,375,683</u> |

As part of The Children Room's liquidity management plan, cash in excess of daily requirements is invested in interest-bearing money market accounts. The Organization typically maintains segregated financial assets on hand to meet a minimum of four months of normal operating expenses.

**THE CHILDREN'S ROOM
CENTER FOR GRIEVING CHILDREN & TEENAGERS, INC.**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(4) TAX STATUS

The Children's Room: Center for Grieving Children & Teenagers, Inc. is an exempt organization under Internal Revenue Code Section 501(c)(3) and is not considered a private foundation. The Organization is also exempt from Massachusetts income taxes.

The Organization has identified its tax status as a tax-exempt entity as a tax position; however, it has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. Its Federal and state income tax returns are generally open for examination for the past three years.

(5) CONCENTRATION OF RISK

The Organization is funded primarily by grants, contributions and other donations, which are made at the discretion of the grantor or donor. Any decrease in such support would significantly affect the operations of the Organization.

(6) CONCENTRATION OF CASH

The Organization maintains its cash in accounts with high credit-quality financial institutions. Balances in these accounts, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk. Uninsured amounts total \$693,809 and \$289,420 as of September 30, 2020 and 2019, respectively.

(7) PROMISES TO GIVE

Promises to give represent unconditional promises to give by donors. Receivables are classified as current and noncurrent. Current receivables are expected to be collected during the next year and are recorded at their net realizable value. Noncurrent contributions receivable have been discounted at 3.64% and 4.0%, respectively, for fiscal years ending September 30, 2020 and 2019. They are reflected in the financial statements at their net present value.

**THE CHILDREN'S ROOM
CENTER FOR GRIEVING CHILDREN & TEENAGERS, INC.**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(7) PROMISES TO GIVE (Continued)

At September 30, 2020 and 2019 unconditional promises to give consisted of the following:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| Amounts due in: | | |
| Less than one year | \$ 373,396 | \$ 321,339 |
| One to five years | 709,691 | 770,384 |
| More than five years | <u>-</u> | <u>78,621</u> |
| Gross unconditional promises to give | 1,083,087 | 1,170,344 |
| Less: | | |
| Discounts to present value | (50,105) | (79,636) |
| Allowances for uncollectible promises to give | <u>(32,495)</u> | <u>(50,401)</u> |
| Net unconditional promises to give | <u>\$1,000,487</u> | <u>\$1,040,307</u> |

(8) GRANTS RECEIVABLE

Grants receivable consists of awards from well established, highly regarded foundations. Amounts expected to be collected during the next year are included in current assets. Noncurrent amounts have been discounted at a risk-free rate of .58% and 1.65% as of September 30, 2020 and 2019, respectively and are reflected in the financial statements at net present value. No allowance is deemed necessary due to the nature of the donors.

As of September 30, 2020 and 2019, 90% and 99%, respectively, of grants receivable is from one foundation.

At September 30, 2020 and 2019 grants receivable consisted of the following:

| | <u>2020</u> | <u>2019</u> |
|---------------------------|------------------|------------------|
| Amounts due in: | | |
| Less than one year | \$ 61,000 | \$ 33,000 |
| One to five years | 150,000 | 150,000 |
| More than five years | <u>60,000</u> | <u>90,000</u> |
| Grants receivable, gross | 271,000 | 273,000 |
| Less: | | |
| Discount to present value | <u>(4,788)</u> | <u>(16,883)</u> |
| Grants receivable, net | <u>\$266,212</u> | <u>\$256,117</u> |

**THE CHILDREN'S ROOM
CENTER FOR GRIEVING CHILDREN & TEENAGERS, INC.**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(9) INVESTMENTS – FAIR VALUES MEASURED ON A RECURRING BASIS

ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available.

Fair values of investments measured on a recurring basis are summarized as follows:

| Mutual Funds in Board Designated Endowment | Investment in <u>Funds</u> | Cumulative Earnings <u>Re-invested</u> | Cost <u>Basis</u> | Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u> |
|---|-------------------------------|--|----------------------|--|
| Year ending September 30, 2020 | \$150,000 | \$16,870 | \$166,870 | \$194,285 |
| Year ending September 30, 2019 | \$150,000 | \$13,318 | \$163,318 | \$187,872 |

The following schedule summarizes the investment return on term endowment mutual funds and its classification in the Statement of Activities for the years ended September 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|-------------------------|-----------------|-----------------|
| Investment income | \$21,976 | \$ 6,056 |
| Unrealized gain (loss) | <u>(4,791)</u> | <u>8,510</u> |
| Total investment return | <u>\$17,185</u> | <u>\$14,566</u> |

(10) PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classification as follows:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|-------------------|-------------------|
| Building and improvements | \$1,021,418 | \$1,021,418 |
| Land | 127,000 | 127,000 |
| Office equipment | <u>10,058</u> | <u>10,058</u> |
| | 1,158,476 | 1,158,476 |
| Less: accumulated depreciation | <u>(357,643)</u> | <u>(329,964)</u> |
| | <u>\$ 800,833</u> | <u>\$ 828,512</u> |

Depreciation expense was \$27,679 for each of the years ended September 30, 2020 and 2019.

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(11) MORTGAGE NOTE PAYABLE

Mortgage note payable consists of the following:

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Mortgage note payable to a bank, due January 2043, secured by land and buildings. Interest rate through January 2018 is 3.99%. On that date, and every 5 years thereafter, the rate shall be adjusted to the Federal Home Loan Bank Rate in effect at that time plus 250 basis points, with a maximum 2% increase adjustment and maximum 6% increase over the life of the loan. In February 2018 the rate was increased to 4.99%. | \$534,447 | \$547,315 |
| Less - Current portion | <u>13,651</u> | <u>12,076</u> |
| | <u>\$520,796</u> | <u>\$535,239</u> |

At September 30, 2020, long-term debt matures as follows:

| Years | Amount |
|--------------|------------------|
| 2022 | \$ 14,347 |
| 2023 | 15,080 |
| 2024 | 15,850 |
| 2025 | 16,659 |
| 2026 | 17,509 |
| Thereafter | <u>441,351</u> |
| | <u>\$520,796</u> |

Interest expense was \$26,761 and \$27,965 for the years ended September 30, 2020 and 2019, respectively.

(12) NOTE PAYABLE, PPP

On April 14, 2020, the Organization received loan proceeds in the amount of \$169,300, pursuant to the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying Organization. The loan and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Per these terms, the current portion is \$42,325 and the long-term portion is \$126,975. The Organization intends to use the proceeds for purposes consistent with the PPP and, therefore, anticipates the loan will be forgiven.

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(13) BOARD DESIGNATED NET ASSETS

Endowment

During fiscal year 2019, the donors of amounts previously held in the Endowment elected to lift their previously imposed time restriction contingent upon the Board of Directors' agreement to transfer the amounts held in the Endowment to a Board Designated Endowment. The Board voted to establish a Board Designated Endowment on January 14, 2019. In accordance with the donors' directive, amounts held in the donor restricted endowment, along with cumulative investment earnings, were transferred to the Board Designated Endowment. The Board also voted to designate an additional amount of \$50,000, at the suggestion of that donor, to the Endowment.

Although no longer subject to the State Prudent Management of Institutional Funds Act (SPMIFA) due to the release of donor-imposed restrictions, the Board continues to follow the investment policies previously adopted for endowment assets. Under this approach, the endowment assets are invested in a manner that is intended to produce results that equal or exceed relevant benchmarks while assuming a low level of investment risk.

Operating Reserve

During fiscal year 2014, the Board voted to implement an operating reserve as a contingency. Current policy is to provide four times average monthly expenses in the reserve. In accordance with this policy, the reserve balance was increased to \$418,187 as of September 30, 2020.

Board Designated net assets at September 30, 2020 and 2019 are summarized as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------|------------------|------------------|
| Endowment | \$194,285 | \$187,872 |
| Operating Reserve | <u>418,187</u> | <u>378,039</u> |
| | <u>\$612,472</u> | <u>\$565,911</u> |

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(14) NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| Unrestricted purposes after the passage of time | \$1,377,284 | \$1,366,569 |
| Purpose restricted | <u> -</u> | <u> 3,000</u> |
| | <u>\$1,377,284</u> | <u>\$1,369,569</u> |

Net assets were released from restrictions during September 30, 2020 and 2019 as follows:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|--------------------|--------------------|
| Satisfaction of time restrictions | \$414,985 | \$489,994 |
| Satisfaction of use restrictions | <u> 3,000</u> | <u> 11,500</u> |
| | <u>\$417,985</u> | <u>\$501,494</u> |

(15) RETIREMENT PLAN

Effective July 11, 2012, the Organization adopted a Simple IRA Plan. All employees are eligible to participate and may make elective deferrals of their compensation subject to Internal Revenue Service statutory limits. The Organization has elected an option to match the employee's elective deferral on a dollar-for-dollar basis up to 3% of the employee's compensation. Matching amounts totaled \$11,462 and \$13,545 for the years ending September 30, 2020 and 2019, respectively.

(16) DONATED SERVICES AND MATERIALS

Donated services for program volunteer hours were recorded based upon comparable compensation which would be paid to individuals if they were to occupy these positions. Other donated services and items were valued at fair market value at date of donation. A summary of in-kind donations and donated services is as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|-------------|-------------|
| Donated program volunteer hours | \$214,078 | \$253,921 |

(17) UNCERTAINTIES -COVID-19

The COVID-19 outbreak in the United States has caused economic disruption through mandated and voluntary closings of numerous businesses and organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and resultant impact. At this point, the extent to which COVID-19 may impact our future financial condition or changes in net assets is uncertain.