



EPWORTH CHILDREN & FAMILY SERVICES, INC.

Financial Statements with
Independent Auditor's Report

December 31, 2021

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 25

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Epworth Children & Family Services, Inc.
St. Louis, Missouri

Opinion

We have audited the accompanying financial statements of Epworth Children & Family Services, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2021, 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 Epworth Children & Family Services, Inc. as of December 31, 2021, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Epworth Children & Family Services, Inc. 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.

Responsibilities of Management 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, 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 Epworth Children & Family Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Epworth Children & Family Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Epworth Children & Family Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Prior Period Financial Statements

The financial statements as of December 31, 2020, were audited by Brown Smith Wallace, LLP, whose practice became part of Armanino^{LLP} as of August 1, 2021, and whose report dated April 29, 2021, expressed an unmodified opinion on those statements.



Armanino^{LLP}
St. Louis, Missouri

September 21, 2022

Epworth Children & Family Services, Inc.
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,309,403	\$ 2,047,648
Investments, at fair value	7,158,671	6,501,868
Accounts receivable, net	1,155,185	1,055,615
Contributions receivable, net	10,341	22,792
Grants receivable	806,380	626,207
Prepaid and other assets	485,868	559,283
Property and equipment, net	10,974,003	11,356,900
Beneficial interest in trusts, at fair value	<u>3,461,462</u>	<u>3,165,874</u>
Total assets	<u>\$ 25,361,313</u>	<u>\$ 25,336,187</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 35,750	\$ 98,931
Accrued expenses	303,964	214,312
Other liabilities	134,604	135,830
Notes payable	<u>2,123,767</u>	<u>2,188,750</u>
Total liabilities	<u>2,598,085</u>	<u>2,637,823</u>
Net assets		
Without donor restrictions		
Undesignated	2,474,230	3,173,250
Board designated	2,952,990	2,623,719
Investment in property and equipment	<u>8,850,236</u>	<u>9,168,150</u>
Total without donor restrictions	14,277,456	14,965,119
With donor restrictions	<u>8,485,772</u>	<u>7,733,245</u>
Total net assets	<u>22,763,228</u>	<u>22,698,364</u>
Total liabilities and net assets	<u>\$ 25,361,313</u>	<u>\$ 25,336,187</u>

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

Epworth Children & Family Services, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and public support			
Revenue			
Fees for service - exchange	\$ 1,122,467	\$ -	\$ 1,122,467
Fees for service - grants	6,351,416	-	6,351,416
Federal and state grants	1,312,494	-	1,312,494
Investment income, net of fees	713,984	444,592	1,158,576
Miscellaneous	<u>172,656</u>	<u>-</u>	<u>172,656</u>
Total revenue	<u>9,673,017</u>	<u>444,592</u>	<u>10,117,609</u>
Public support			
Contributions	1,221,297	468,743	1,690,040
Special events	340,680	-	340,680
Change in value of perpetual trusts	-	295,588	295,588
Legacies, bequests and trusts	226,151	-	226,151
United Way of Greater St. Louis	9,016	528,452	537,468
Net assets released from restriction	<u>984,848</u>	<u>(984,848)</u>	<u>-</u>
Total public support	<u>2,781,992</u>	<u>307,935</u>	<u>3,089,927</u>
Total revenue and public support	<u>12,455,009</u>	<u>752,527</u>	<u>13,207,536</u>
Functional expenses			
Program services			
Residential treatment	3,272,959	-	3,272,959
Supportive housing	1,688,999	-	1,688,999
Emergency shelter	975,855	-	975,855
Foster care	2,239,774	-	2,239,774
Older youth services	1,450,580	-	1,450,580
Family support services	742,116	-	742,116
Psychological services	<u>349,182</u>	<u>-</u>	<u>349,182</u>
Total program services	<u>10,719,465</u>	<u>-</u>	<u>10,719,465</u>
Support services			
Management and general	1,988,558	-	1,988,558
Fundraising	<u>434,649</u>	<u>-</u>	<u>434,649</u>
Total support services	<u>2,423,207</u>	<u>-</u>	<u>2,423,207</u>
Total functional expenses	<u>13,142,672</u>	<u>-</u>	<u>13,142,672</u>
Total other income (expenses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(687,663)	752,527	64,864
Net assets, beginning of year	<u>14,965,119</u>	<u>7,733,245</u>	<u>22,698,364</u>
Net assets, end of year	<u>\$ 14,277,456</u>	<u>\$ 8,485,772</u>	<u>\$ 22,763,228</u>

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

Epworth Children & Family Services, Inc.
Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and public support			
Revenue			
Fees for service - exchange	\$ 1,291,776	\$ -	\$ 1,291,776
Fees for service - grants	6,275,470	-	6,275,470
Federal and state grants	1,451,401	-	1,451,401
Investment income, net of fees	633,742	443,871	1,077,613
Miscellaneous	<u>119,196</u>	<u>-</u>	<u>119,196</u>
Total revenue	<u>9,771,585</u>	<u>443,871</u>	<u>10,215,456</u>
Public support			
Contributions	824,548	312,490	1,137,038
Special events	134,838	-	134,838
Change in value of perpetual trusts	-	220,251	220,251
Legacies, bequests and trusts	477,266	-	477,266
United Way of Greater St. Louis	-	515,145	515,145
Net assets released from restriction	<u>1,039,361</u>	<u>(1,039,361)</u>	<u>-</u>
Total public support	<u>2,476,013</u>	<u>8,525</u>	<u>2,484,538</u>
Total revenue and public support	<u>12,247,598</u>	<u>452,396</u>	<u>12,699,994</u>
Functional expenses			
Program services			
Residential treatment	3,233,942	-	3,233,942
Supportive housing	1,421,118	-	1,421,118
Emergency shelter	1,140,497	-	1,140,497
Foster care	1,913,772	-	1,913,772
Older youth services	1,251,809	-	1,251,809
Family support services	1,077,020	-	1,077,020
Psychological services	<u>305,618</u>	<u>-</u>	<u>305,618</u>
Total program services	<u>10,343,776</u>	<u>-</u>	<u>10,343,776</u>
Support services			
Management and general	1,704,238	-	1,704,238
Fundraising	<u>508,860</u>	<u>-</u>	<u>508,860</u>
Total support services	<u>2,213,098</u>	<u>-</u>	<u>2,213,098</u>
Total functional expenses	<u>12,556,874</u>	<u>-</u>	<u>12,556,874</u>
Change in net assets from operations	<u>(309,276)</u>	<u>452,396</u>	<u>143,120</u>
Other income (expenses)			
Gain on sale of building	514,698	-	514,698
In-kind real property	6,190,000	-	6,190,000
Gain on extinguishment of debt	<u>1,547,200</u>	<u>-</u>	<u>1,547,200</u>
Total other income (expenses)	<u>8,251,898</u>	<u>-</u>	<u>8,251,898</u>
Change in net assets	7,942,622	452,396	8,395,018
Net assets, beginning of year	<u>7,022,497</u>	<u>7,280,849</u>	<u>14,303,346</u>
Net assets, end of year	<u>\$ 14,965,119</u>	<u>\$ 7,733,245</u>	<u>\$ 22,698,364</u>

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

Epworth Children & Family Services, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Residential Treatment	Supportive Housing	Emergency Shelter	Foster Care	Older Youth Services	Family Support Services	Psychological Services	Total Program Services	Management and General	Fundraising	Total
Personnel expenses											
Salaries	\$ 1,926,517	\$ 483,636	\$ 546,758	\$ 803,134	\$ 670,365	\$ 441,274	\$ 231,881	\$ 5,103,565	\$ 896,359	\$ 180,754	\$ 6,180,678
Employee benefits and payroll taxes	<u>350,549</u>	<u>102,274</u>	<u>191,687</u>	<u>318,963</u>	<u>196,519</u>	<u>153,247</u>	<u>33,746</u>	<u>1,346,985</u>	<u>235,074</u>	<u>29,650</u>	<u>1,611,709</u>
Total personnel expenses	2,277,066	585,910	738,445	1,122,097	866,884	594,521	265,627	6,450,550	1,131,433	210,404	7,792,387
Professional fees	253,028	53,268	35,011	647,443	30,266	37,278	4,806	1,061,100	266,005	168,517	1,495,622
Supplies	29,024	44,730	8,459	2,546	10,875	5,972	8,045	109,651	32,564	26,317	168,532
Food service	216,273	19,940	32,489	111	7,034	333	25	276,205	9,731	1,964	287,900
Telephone	47,041	18,384	19,800	2,450	21,714	12,157	2,450	123,996	12,230	3,000	139,226
Utilities	51,974	24,543	14,403	21,317	20,745	9,418	10,372	152,772	37,545	1,037	191,354
Printing and postage	-	1	-	-	95	-	-	96	5,553	6,668	12,317
Repairs and maintenance	67,942	70,908	19,376	26,346	25,312	14,137	12,656	236,677	51,409	4,744	292,830
Training, travel, meetings, and memberships	6,872	15,586	2,610	22,417	8,235	3,039	664	59,423	11,165	754	71,342
Automobile expense	10,222	2,686	3,939	537	3,402	2,328	537	23,651	2,505	537	26,693
Client assistance	33,158	679,225	15,141	307,695	349,320	8,094	-	1,392,633	-	-	1,392,633
Insurance	80,536	21,194	31,084	4,239	27,260	18,368	4,239	186,920	19,781	4,239	210,940
Interest	-	56,756	-	-	-	-	-	56,756	-	-	56,756
Bad debt	-	-	-	-	-	-	-	-	230,148	-	230,148
Rent	-	64,800	-	-	-	-	-	64,800	-	-	64,800
Miscellaneous	1,001	317	-	1,028	81	443	82	2,952	34,869	2,500	40,321
Depreciation	<u>198,822</u>	<u>30,751</u>	<u>55,098</u>	<u>81,548</u>	<u>79,357</u>	<u>36,028</u>	<u>39,679</u>	<u>521,283</u>	<u>143,620</u>	<u>3,968</u>	<u>668,871</u>
	<u>\$ 3,272,959</u>	<u>\$ 1,688,999</u>	<u>\$ 975,855</u>	<u>\$ 2,239,774</u>	<u>\$ 1,450,580</u>	<u>\$ 742,116</u>	<u>\$ 349,182</u>	<u>\$ 10,719,465</u>	<u>\$ 1,988,558</u>	<u>\$ 434,649</u>	<u>\$ 13,142,672</u>

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

Epworth Children & Family Services, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Residential Treatment	Supportive Housing	Emergency Shelter	Foster Care	Older Youth Services	Family Support Services	Psychological Services	Total Program Services	Management and General	Fundraising	Total
Personnel expenses											
Salaries	\$ 1,830,412	\$ 528,188	\$ 676,721	\$ 857,987	\$ 671,331	\$ 694,013	\$ 222,805	\$ 5,481,457	\$ 866,080	\$ 357,302	\$ 6,704,839
Employee benefits and payroll taxes	<u>246,846</u>	<u>79,148</u>	<u>143,595</u>	<u>144,766</u>	<u>198,179</u>	<u>191,394</u>	<u>32,921</u>	<u>1,036,849</u>	<u>315,705</u>	<u>40,303</u>	<u>1,392,857</u>
Total personnel expenses	2,077,258	607,336	820,316	1,002,753	869,510	885,407	255,726	6,518,306	1,181,785	397,605	8,097,696
Professional fees	347,037	43,916	75,117	544,084	55,626	59,474	8,783	1,134,037	124,750	46,027	1,304,814
Supplies	22,942	5,273	9,647	2,352	9,520	13,417	5,694	68,845	64,338	32,245	165,428
Food service	137,532	-	94,366	81	4,866	36	-	236,881	4,192	871	241,944
Telephone	51,017	13,399	19,652	2,680	18,145	11,613	2,680	119,186	12,506	3,180	134,872
Utilities	43,184	6,679	11,967	17,712	17,236	7,825	8,618	113,221	31,195	862	145,278
Printing and postage	1,851	479	703	96	607	721	96	4,553	447	14,977	19,977
Repairs and maintenance	81,013	16,333	29,334	31,617	37,032	25,561	15,384	236,274	55,683	1,538	293,495
Training, travel, meetings, and memberships	1,043	12,395	614	15,649	12,267	11,568	124	53,660	8,968	10,228	72,856
Automobile expense	7,641	2,011	2,949	402	2,547	2,547	-	18,097	1,877	-	19,974
Client assistance	33,149	601,191	13,477	246,783	62,807	10,850	-	968,257	-	-	968,257
Insurance	83,346	20,836	30,560	4,167	26,393	18,058	4,167	187,527	19,447	-	206,974
Interest	-	587	-	-	-	-	-	587	-	-	587
Bad debt	122,118	2,485	3,645	497	3,148	2,154	497	134,544	2,319	497	137,360
Rent	-	75,600	-	-	-	-	-	75,600	-	-	75,600
Miscellaneous	-	42	161	83	40	388	31	745	38,974	830	40,549
Depreciation	<u>224,811</u>	<u>12,556</u>	<u>27,989</u>	<u>44,816</u>	<u>132,065</u>	<u>27,401</u>	<u>3,818</u>	<u>473,456</u>	<u>157,757</u>	<u>-</u>	<u>631,213</u>
	<u>\$ 3,233,942</u>	<u>\$ 1,421,118</u>	<u>\$ 1,140,497</u>	<u>\$ 1,913,772</u>	<u>\$ 1,251,809</u>	<u>\$ 1,077,020</u>	<u>\$ 305,618</u>	<u>\$ 10,343,776</u>	<u>\$ 1,704,238</u>	<u>\$ 508,860</u>	<u>\$ 12,556,874</u>

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

Epworth Children & Family Services, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 64,864	\$ 8,395,018
Adjustments to reconcile change in net assets to net cash used in operating activities		
Non-cash property and equipment donation	-	(6,190,000)
Depreciation	668,871	631,213
Gain on disposal of property and equipment	-	(514,698)
Change in allowance for receivables	230,148	112,674
Change in value of beneficial interest in trusts	(295,588)	(220,251)
Net unrealized gains on investments	(430,126)	(562,909)
Net realized gains on investments	(259,777)	(99,759)
Gain on extinguishment of debt	-	(1,547,200)
Changes in operating assets and liabilities		
Accounts receivable	(329,718)	(407,765)
Contributions receivable	12,451	35,683
Grants receivable	(180,173)	118,125
Prepaid and other assets	73,415	(212,630)
Accounts payable	(63,181)	15,774
Accrued expenses	89,652	(129,138)
Other liabilities	(1,226)	(5,144)
Net cash used in operating activities	<u>(420,388)</u>	<u>(581,007)</u>
Cash flows from investing activities		
Purchases of property and equipment	(285,974)	(720,070)
Proceeds from the sale of long-term property	-	774,473
Proceeds from the sales of investments	882,545	106,514
Purchases of investments	(849,445)	(56,426)
Net cash provided by (used in) investing activities	<u>(252,874)</u>	<u>104,491</u>
Cash flows from financing activities		
Proceeds from note payable	-	1,932,200
Payments made on note payable	(64,983)	(375,000)
Net cash provided by (used in) financing activities	<u>(64,983)</u>	<u>1,557,200</u>
Net increase (decrease) in cash and cash equivalents	(738,245)	1,080,684
Cash and cash equivalents, beginning of year	<u>2,047,648</u>	<u>966,964</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,309,403</u></u>	<u><u>\$ 2,047,648</u></u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 56,756	\$ 587
--	-----------	--------

Supplemental schedule of noncash investing and financing activities

Property obtained with loan	\$ -	\$ 2,188,750
-----------------------------	------	--------------

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

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

1. NATURE OF OPERATIONS

Epworth Children & Family Services, Inc. ("Epworth" or "the Organization") is a not-for-profit charitable corporation that provides a wide array of services to children, youth and families in need, strengthening the capacity of each to thrive in society. For more than 150 years, Epworth has provided the community with essential youth development services that have helped thousands of children overcome severe emotional and behavioral challenges. Epworth's innovative, holistic, and comprehensive treatment approach helps youth focus on solutions, build on inherent strengths and communicate more effectively. Youth and families turn to Epworth for foster care, emergency shelter, residential treatment, transitional living services, educational day treatment services, family support services, prevention services and psychological services each year. Epworth's revenue and support are derived primarily from local, state and federal agencies, along with public contributions.

In addition, Epworth is a member of the Children's Permanency Partnership, LLC, a for-profit LLC, which provides foster care case management services to youth in the custody of the State of Missouri.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statements presentation

The following is a description of the two classes of net assets of the Organization:

Net Assets Without Donor Restrictions – Net assets available for use in the general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated funds, from net assets without donor restrictions for specific operating purposes.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that are either temporary or perpetual in nature. Temporary donor-imposed restrictions will be met by events specified by the donor or the passage of time. Perpetual donor-imposed restrictions are indefinite, with the income from the contribution being available for expenditure, as defined by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated purpose for which the resource was restricted has been fulfilled.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly, reflect all significant receivables, payables, and other liabilities. Revenues and expense are recognized in the period which they are earned or incurred.

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid financial instruments, excluding cash held in the investment accounts, with a maturity as of the financial statement date of three months or less to be cash equivalents. The Organization maintains cash balances at various major domestic financial institutions in amounts that at times may exceed federally insured limits. The Organization has not incurred any losses as a result of the excess balances.

Accounts and grants receivable

Accounts and grants receivable are fees for services and grants which are stated at the amount management expects to collect from outstanding balances. Invoices are considered past due once they are outstanding over 30 days. Management provides for probable uncollectible amounts through a charge against earnings and a corresponding increase in a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a reduction in the valuation allowance and the receivable. At December 31, 2021 and 2020, there was an allowance for uncollectible accounts receivable of \$441,419 and \$211,271, respectively.

Investments

Investments are stated at fair value. See Note 8 for a discussion of fair value measurements. Investment income is recognized when earned.

Property and equipment

Property and equipment in excess of \$1,000 is recorded at cost or, if received by gift or bequest, at the market value at the date of donation. If the donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In absence of such stipulations, contributions of property and equipment are reported as support without donor restrictions.

Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets as follows: buildings and improvements, five to thirty years; furniture and equipment, three to fifteen years; automobiles, five years; and computers and software, three to five years. Expenditures for major renewals and improvements, which increase the useful lives of respective assets, are capitalized. Maintenance and repairs are expensed as incurred.

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. For the years ended December 31, 2021 and 2020, management determined that no impairment loss needs to be recognized.

Beneficial interest in trusts

The Organization is a beneficiary of trusts in which the donors have established trusts and/or fund perpetual trusts administered by trustees. The Organization has the irrevocable right to receive the income earned on the trust assets in perpetuity. The fair value of the perpetual trusts held by a third party is measured using the fair value of the Organization's proportionate share of the assets contributed to the trust.

Other liabilities

Other liabilities primarily consist of a medical claims reserve for employee health insurance. As the Organization is self-funded for medical insurance purposes, a medical claims reserve has been established to capture the estimated incurred, but not reported claims liability. This reserve amounted to \$110,010 and \$110,000 for each of the years ended December 31, 2021 and 2020, respectively.

Paycheck Protection Program loan and gain on forgiveness of loan

The Organization applied for and was awarded a loan under the Paycheck Protection Program ("PPP"). The Organization accounted for the Paycheck Protection Program loan using the debt-model under FASB ASC 470. The debt-model required initial recording of the proceeds received as financing activities and the loan as a liability until the Organization was legally released from the obligation to repay the loan. The loan was forgiven and legal release was received, the Organization reduced the liability by the amount forgiven and recognized a gain on extinguishment in the statement of activities.

Revenue recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. The Organization recognizes contributions as revenue when an unconditional promise is made. Promises to give, cash and other assets are considered conditional when a measurable barrier and right of return or release exists. The promises to give become unconditional and are recognized as revenue when the barriers upon which they depend are overcome. When the satisfaction of a barrier is accomplished in the same period that the contribution is made, conditional contributions are recorded as unconditional.

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

All contributions are considered to be available for any use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increase the related net asset class. Support is released from restrictions once timing or donor stipulations have been satisfied.

Grants (government and fee for service grants) are either recorded as contributions or exchange transactions based on criteria contained in the grant award. Grants that qualify as contributions are recorded as invoiced to the funding sources and considered conditional promises to give. Revenue is recognized in the accounting period when the related allowable expenses are incurred or the measurable barrier is overcome. Amounts received in excess of expenses are reflected as refundable advances.

Grant awards that qualify as an exchange transaction reimburse a predetermined amount based on services performed without regard to expenses. Contractual program service fees are billed for services performed in the previous month, in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., weekly or monthly) or upon achievement of contractual milestones. The Organization recognizes revenue for these arrangements over time as services are performed. The transaction price is set by the nongovernmental agency but generally follows governmental pricing structures. There are no significant financing components recognized by the Organization.

Fees for service revenue represents per unit costing with nongovernmental agencies which is recognized when the satisfaction of the contractual performance obligation is met. The performance obligation is met over time as a unit of service is provided to client, as defined by the agency or other funding source. Fees for service received in advance are deferred to the applicable period in which the related services are performed. Fees for service rendered represents the estimated realizable amounts from clients and others for services rendered.

Special event revenue includes ticket sales for events held by the Organization during the year. The ticket sales, sponsorships, and other benefits, included in special event revenue, are partially for an exchange in goods or services and partially a contribution to the Organization. The contribution is recognized in accordance with ASC 958 while the reciprocal piece is recognized over the time of the event.

Donated services and goods

The Organization records donated services and goods in accordance with FASB ASC 958-605, Revenue Recognition. As such, donated services are recognized when the service either creates or enhances a non-financial asset or requires specialized skill that would be purchased if the service was not donated. There were no such services during the years ended December 31, 2021 and 2020.

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated services and goods (continued)

Additionally, the Organization records donated goods as support at their estimated values, if determinable. During the year ended December 31, 2020, the Organization received \$6,190,000 of donated assets. No donated assets were received for the year ended December 31, 2021.

Functional expense allocation

The Organization allocates expenses on a functional basis among various programs and supporting activities. Expenses that can be identified with a specific program and supporting activities are allocated directly according to their natural expenditure classifications.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries, employee benefits and payroll taxes, professional fees, supplies, telephone expense, utilities, repairs and maintenance, training and travel, automobile expense, depreciation and insurance. The allocable expenses are allocated based on time and effort estimates for the various departments based on the number of employees in those departments or the square footage of the space that is maintained by those departments. All other expenses are directly attributable to a function.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Contingencies

The Organization, from time to time, is involved in various legal proceedings and claims in the ordinary course of its business. In the opinion of the Organization's management, the probable resolution of such contingencies will not have a material adverse effect on the financial position or results of operations of the Organization.

Tax status

The Organization constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

In that regard, the Organization has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Organization evaluated all subsequent events through September 21, 2022, the date the financial statements were available to be issued.

Reclassifications

Certain amounts on the 2020 financial statements have been reclassified, where appropriate, to conform to the presentation used in the 2021 financial statements. Total change in net assets is unchanged due to these reclassifications.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,309,403	\$ 2,047,648
Accounts receivable, net	1,155,185	1,055,615
Grants receivable	806,380	626,207
Contributions receivable, net	10,341	22,792
Endowment spending-rate distributions and appropriations (5%)	86,484	76,848
Board-designated investment distributions and appropriations (5%)	147,650	131,186
Estimated distributions from beneficial interests in assets held by others	135,000	90,000
Less cash and receivables with donor restrictions	<u>(818,630)</u>	<u>(689,223)</u>
	<u>\$ 2,831,813</u>	<u>\$ 3,361,073</u>

In addition to the above resources, the Organization also held a \$500,000 line-of-credit that matured on June 30, 2022. The line-of-credit is in the renewal process as of the date the financial statements were available to be issued. See Note 9 for more information on the line-of-credit.

The Organization has an endowment fund in which the investment income is restricted for building maintenance and improvements. The Organization has adopted a 5% spending policy for the endowment based on the prior calendar year's ending investment balance. For the year ended December 31, 2021, the Organization may withdraw up to \$123,800 to assist with building maintenance and improvements.

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The Organization has a board-designated investment fund with an annual spending rate of 5% as described in Note 10. Although the Organization does not intend to exceed the spending policy rate, these amounts could be made available, if necessary.

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consisted of the following:

	<u>2021</u>	<u>2020</u>
Contributions and grants receivable due in less than a year	\$ 730,547	\$ 636,707
Grants receivable due in less than five years	83,333	-
Annuities receivable	<u>2,841</u>	<u>12,292</u>
	<u>\$ 816,721</u>	<u>\$ 648,999</u>

Substantially all short-term unconditional contributions receivable are expected to be collected within one year.

The Organization receives funding from various funders on a unit-based reimbursement basis. The agreements require the fulfillment of certain conditions and performance obligations prior to requesting funding. Failure to fulfill the conditions could result in the return of the funds or release of the funds. In addition, the Organization receives various forms of governmental funding contingent on meeting specific cost and compliance guidelines prior to receiving funding. No amounts have been reflected in these financial statements for the conditional promises to give until conditions are satisfied.

5. PREPAID AND OTHER ASSETS

Prepaid and other assets were, as follows, at December 31:

	<u>2021</u>	<u>2020</u>
Prepaid expenses	\$ 176,845	\$ 144,710
Investment in Children's Permanency Partnership	309,023	253,823
Escrow	<u>-</u>	<u>160,750</u>
	<u>\$ 485,868</u>	<u>\$ 559,283</u>

Escrow funds in the amount of \$- and \$160,750 at December 31, 2021 and 2020, respectively, were funds that were set aside for additional construction obligations in connection with the financing of the new building (Note 9). The Investment in Children's Permanency Partnership represents Epworth's share of the partnership assets for which it is a member and is calculated using the equity method of accounting.

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

5. PREPAID AND OTHER ASSETS (continued)

On April 22, 2005, the Organization became a member of the Children's Permanency Partnership, LLC, which entitles the Organization to a percentage of the overall earnings based on their case load. As of December 31, 2021, the Organization was a 35% member of the for-profit entity. Although ownership in the Limited Liability Corporation reflects a noncontrolling interest, the percentage of ownership can fluctuate and, as a result, the Organization accounts for this investment under the equity method.

Following is a summary of the financial position and results of operations of Children's Permanency Partnership, LLC, as of and for the years ended December 31:

	Unaudited 2021	Unaudited 2020
Total assets	\$ 1,391,556	\$ 1,406,307
Total liabilities	486,443	619,099
Members' equity	905,113	787,208
Revenue	16,179,310	15,609,163
Net income	1,098,919	1,020,953

6. BENEFICIAL INTEREST IN TRUSTS

The Organization is a named beneficiary of irrevocable deferred gifts. These amounts are held by third-party trustees and are included in net assets with donor restrictions by the Organization. At December 31, 2021 and 2020, these assets, including investments and real estate, were valued at \$3,461,462 and \$3,165,874, respectively.

7. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following at December 31:

	2021	2020
Land, buildings and improvements	\$ 18,285,395	\$ 17,912,740
Furniture and equipment	1,176,330	1,163,445
Computers and software	801,142	801,142
Automobiles	236,301	236,301
Construction in progress	-	99,547
	20,499,168	20,213,175
Less: accumulated depreciation	(9,525,165)	(8,856,275)
	<u>\$ 10,974,003</u>	<u>\$ 11,356,900</u>

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

7. PROPERTY AND EQUIPMENT (continued)

In previous years, the Organization leased a major portion of its land at no cost from the Women's Division of the United Methodist Church, a related party. During January 2020, the land and buildings associated with this lease were donated to the Organization, valued at a total of \$6,190,000.

On February 4, 2014, the Organization entered into a Missouri Affordable Housing Credit Program agreement with the Missouri Housing Development Commission. As a part of the agreement, the Organization's building utilized by the Transitional Living Program (TLP) is subject to a 10-year Land Use Restriction Agreement. Under the agreement, Epworth must operate, maintain, and provide affordable housing units. In 2020, the property associated with the restriction was sold and the restriction was transferred to a different building providing shelter services under the Youth Emergency Shelter (YES) Program. As part of this transfer, the Organization entered into a short-term lease with the building's new property manager, with the intent to purchase a replacement property for the TLP program. To replace this property, the Organization purchased property at 7500 Natural Bridge Road and obtained financing for the purchase of property located at 4117 - 4119 Magnolia Avenue in 2020.

8. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES

The Organization follows FASB ASC 820-10, *Fair Value Measurements and Disclosures*. FASB ASC 820-10 establishes a framework for measuring fair value and expands disclosures about fair value measurements.

FASB ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- *Level 1* - Quoted prices in active markets for identical assets or liabilities.
- *Level 2* - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in active markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

8. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

Mutual Funds: Valued at the net assets value (NAV) of shares held at year end.

Beneficial interests in trusts: Measured at fair value on a recurring basis using significant third-party trust valuations and management's estimate of the value of the Organization's share of the investment.

Management determines the fair value measurement valuation policies and procedures, which are subject to Board assessment and approval. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between levels for the years ended December 31, 2021 and 2020.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investments:				
Money market funds	\$ 224,443	\$ -	\$ -	\$ 224,443
Mutual funds- equity	4,521,800	-	-	4,521,800
Mutual funds- fixed income	2,343,073	-	-	2,343,073
Common stock	69,355	-	-	69,355
	<u>7,158,671</u>	<u>-</u>	<u>-</u>	<u>7,158,671</u>
Other assets:				
Beneficial interest in trusts	-	-	3,461,462	3,461,462
	<u>-</u>	<u>-</u>	<u>3,461,462</u>	<u>3,461,462</u>
	<u>\$ 7,158,671</u>	<u>\$ -</u>	<u>\$ 3,461,462</u>	<u>\$ 10,620,133</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investments:				
Money market funds	\$ 142,372	\$ -	\$ -	\$ 142,372
Mutual funds- equity	4,076,876	-	-	4,076,876
Mutual funds- fixed income	2,282,620	-	-	2,282,620
	6,501,868	-	-	6,501,868
Beneficial interest in trusts	-	-	3,165,874	3,165,874
	<u>\$ 6,501,868</u>	<u>\$ -</u>	<u>\$ 3,165,874</u>	<u>\$ 9,667,742</u>

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

8. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 3,165,874	\$ 2,945,623
Increase in fair value	<u>295,588</u>	<u>220,251</u>
Balance, end of year	<u><u>\$ 3,461,462</u></u>	<u><u>\$ 3,165,874</u></u>

9. NOTES PAYABLE AND LINE-OF-CREDIT

Notes payable consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Note payable to St. Louis Bank due in monthly installments of \$11,955, beginning April 16, 2021, including annual interest at 2.79% through December 16, 2025, at which time all outstanding principal and accrued interest is due. Note is collateralized by the land and building at 4117- 4119 Magnolia Avenue.	\$ 2,123,767	\$ 2,188,750
Current portion	<u>(89,080)</u>	<u>(74,983)</u>
	<u><u>\$ 2,034,687</u></u>	<u><u>\$ 2,113,767</u></u>

Future payments of long-term debt are as follows:

<u>Year ending December 31,</u>	
2022	\$ 89,080
2023	91,633
2024	94,119
2025	<u>1,848,935</u>
	<u><u>\$ 2,123,767</u></u>

During 2020, the Organization applied and was awarded a loan in the amount of \$1,557,200 under the Paycheck Protection Program "PPP". As of December 31, 2020, the Organization was released from \$1,547,200 of the requirements to pay back the loan and has recorded the forgiveness as a gain on extinguishment of debt on the statement of activities.

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

9. NOTES PAYABLE AND LINE-OF-CREDIT (continued)

During the year ended December 31, 2021 and 2020, the Organization renewed its \$500,000 line-of-credit agreement with U.S. Bank, which matured on June 30, 2021. The interest rate on the line was 2.375% and 2.4375% as of December 31, 2021 and 2020, respectively. The balance is collateralized by property and receivables. As of December 31, 2021 and 2020, there was no balance outstanding on the line-of-credit. The line-of-credit was in the renewal process at the date these financial statements were available for issuance.

10. BOARD DESIGNATED NET ASSETS

The Organization holds an investment account that is restricted for long-term growth by the Board of Directors. Board restricted net assets at December 31, 2021 and 2020, were \$2,952,990 and \$2,623,719, respectively. The investments are governed by a 5% annual spending rate policy. With Board approval, the Organization may exceed the annual spending rate.

11. NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets are restricted for the following purposes as of December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Endowment earnings for operating expenses	\$ 963,046	\$ 770,325
Endowment earnings for capital improvements	591,027	456,216
Older youth service projects	114,385	151,082
Other	<u>64,532</u>	<u>22,996</u>
	<u>1,732,990</u>	<u>1,400,619</u>
Subject to the passage of time:		
United Way support	528,452	515,145
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>111,261</u>	<u>-</u>
	<u>639,713</u>	<u>515,145</u>
Endowments: Subject to endowment spending policy and appropriation:		
Gambril funds	250,000	250,000
Adams funds	102,288	102,288
Hart funds	232,611	232,611
Odom funds	1,620,565	1,620,565
Other	<u>446,143</u>	<u>446,143</u>
	<u>2,651,607</u>	<u>2,651,607</u>
Beneficial interest in trusts, at fair value	<u>3,461,462</u>	<u>3,165,874</u>
	<u><u>\$ 8,485,772</u></u>	<u><u>\$ 7,733,245</u></u>

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

11. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Expiration of time restrictions	\$ 449,703	\$ 663,951
Satisfaction of program restrictions	418,085	268,896
Distribution from donor-restricted endowment	<u>117,060</u>	<u>106,514</u>
	<u>\$ 984,848</u>	<u>\$ 1,039,361</u>

12. ENDOWMENT FUNDS

The Organization's endowment consists of several individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's endowment consists only of donor-designated funds; there were no board designated endowment funds during 2021 or 2020. The named endowment funds are for general operating purposes except for the Odom funds, the earnings of which are restricted for building maintenance and improvements.

The beneficial interest in a perpetual trusts, which totals \$3,461,462 and \$3,165,874 for 2021 and 2020, respectively, are not legally subject to UPMIFA because the Board does not have the ability to control the investments and the spending policy of these trusts.

Interpretation of relevant law

The Organization's Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

12. ENDOWMENT FUNDS (continued)

Interpretation of relevant law (continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the Organization diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Funds with deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies as of December 31, 2021 and 2020.

Spending policy

The Board of Directors adopted a spending rate of 5% per year based on the market value at the end of the previous calendar year for the endowment funds to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. All earnings of the endowment funds not withdrawn shall be reinvested.

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

12. ENDOWMENT FUNDS (continued)

Endowment composition

Endowment net asset composition by type of fund as of December 31, 2021 is as follows:

Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 6,113,069
Accumulated investment earnings	<u>1,554,073</u>
	<u>\$ 7,667,142</u>

Endowment net asset composition by type of fund as of December 31, 2020 is as follows:

Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 5,817,481
Accumulated investment earnings	<u>1,226,541</u>
	<u>\$ 7,044,022</u>

Changes in endowment net assets for the fiscal year ended December 31, 2021 is as follows:

	<u>With Donor Restrictions</u>
Balance, December 31, 2020	<u>\$ 7,044,022</u>
Investment return	
Investment income, net	<u>444,592</u>
Total investment return	444,592
Change in value of perpetual trusts	295,588
Amounts released for expenditure	<u>(117,060)</u>
	<u>623,120</u>
Balance, December 31, 2021	<u>\$ 7,667,142</u>

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

12. ENDOWMENT FUNDS (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2020 is as follows:

	<u>With Donor Restrictions</u>
Balance, December 31, 2019	\$ 6,486,414
Investment return	
Investment income, net	<u>443,871</u>
Total investment return	443,871
Change in value of perpetual trusts	220,251
Amounts released from expenditure	<u>(106,514)</u>
	<u>557,608</u>
Balance, December 31, 2020	<u><u>\$ 7,044,022</u></u>

13. RECOGNITION OF EXCHANGE REVENUE

Exchange revenue consists of fee for service revenue under contractual grants, fee for service revenue provided to individual clients, and special event ticket revenue. See Note 2 for policies on recognition of these types of revenue.

Amounts invoiced and collected in excess of revenues recognized are contract liabilities, which are presented as deferred revenues in the statements of financial position. As of December 31, 2021 and 2020, there are no amounts invoiced and collected in excess of revenue that would be considered deferred revenue.

Amounts invoiced and uncollected at year end are considered receivables. As of December 31, 2021 and 2020, \$377,655 and \$171,544, respectively, were receivable for reciprocal transactions.

Epworth Children & Family Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

13. RECOGNITION OF EXCHANGE REVENUE (continued)

Disaggregation of revenue

The following table presents revenue disaggregated by revenue source and pattern of revenue recognition:

	<u>2021</u>	<u>2020</u>
Over Time		
Special event ticket sales	\$ 42,300	\$ -
Fee for service - exchange	1,122,467	1,291,776
Non-governmental fee for service grants	<u>2,659,471</u>	<u>2,529,750</u>
	<u><u>\$ 3,824,238</u></u>	<u><u>\$ 3,821,526</u></u>

Details related to special events revenues are as follows:

	<u>2021</u>	<u>2020</u>
Special events ticket sales and sponsorship benefits	\$ 42,300	\$ -
Special events contributions	<u>298,380</u>	<u>134,838</u>
	<u><u>\$ 340,680</u></u>	<u><u>\$ 134,838</u></u>

14. CONCENTRATIONS

For the years ended December 31, 2021 and 2020, approximately 45% of the Organization's revenue and public support is provided by three sources and 10% of the Organization's revenue and public support is provided by two sources, respectively.

15. DEFINED CONTRIBUTION PLAN

The Organization's 401(k) Plan allows full and part time employees to defer a portion of their wages and receive a discretionary match on those deferrals not to exceed federal limits. Employees are eligible to enroll upon completion of their first year of service (12 months) and 1,000 work hours following their date of hire. If an employee does not meet the eligibility requirements in the first 12 months after hire, s/he can meet these requirements if 1,000 hours are worked in the following calendar year. Enrollment entry dates are January 1 or July 1 of the plan year.

The plan is a 2-year vesting plan. Epworth matches a maximum of 50% of the first 3% contributed by the employee. The Organization made matching contributions of \$32,373 and \$26,215 for the years ended December 31, 2021, respectively. The Organization did not make a discretionary contribution to the 401(k) plan during 2021 or 2020.