



**EPWORTH CHILDREN &  
FAMILY SERVICES, INC.**

Financial Statements with  
Independent Auditor's Report

**December 31, 2020**

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## Independent Auditor's Report

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Epworth Children & Family Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Organization'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 Organization's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

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, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

In March 2020, the World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern.” As discussed in Note P to the financial statements, given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

*Brown Smith Wallace, LLP*

Saint Louis, Missouri  
April 29, 2021

# EPWORTH CHILDREN & FAMILY SERVICES, INC.

## Statements of Financial Position

December 31, 2020 and 2019

(See Independent Auditor's Report)

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,047,648	\$ 966,964
Investments, at fair value	6,501,868	5,889,288
Accounts receivable, less allowance for doubtful accounts of \$211,271 and \$98,597, respectively	1,055,615	760,524
Contributions receivable, less allowance for doubtful accounts of \$0 and \$0, respectively	22,792	58,475
Grants receivable	626,207	744,332
Prepays and other assets	559,283	346,653
Property and equipment, net	11,356,900	3,149,068
Beneficial interest in trusts, at fair value	3,165,874	2,945,623
<b>TOTAL ASSETS</b>	<u>\$ 25,336,187</u>	<u>\$ 14,860,927</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Notes payable	\$ 2,198,750	\$ -
Accounts payable	98,931	83,157
Accrued expenses	214,312	343,450
Other liabilities	125,830	130,974
<b>Total Liabilities</b>	<u>2,637,823</u>	<u>557,581</u>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	3,183,250	1,524,933
Board designated	2,623,719	2,348,496
Investment in property and equipment	9,158,150	3,149,068
<b>Total Without Donor Restrictions</b>	<u>14,965,119</u>	<u>7,022,497</u>
With donor restrictions	<u>7,733,245</u>	<u>7,280,849</u>
<b>Total Net Assets</b>	<u>22,698,364</u>	<u>14,303,346</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 25,336,187</u>	<u>\$ 14,860,927</u>

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

# EPWORTH CHILDREN & FAMILY SERVICES, INC.

## Statement of Activities

For Year Ended December 31, 2020

(See Independent Auditor's Report)

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND PUBLIC SUPPORT</b>			
<b>Revenue:</b>			
Fees for service	\$ 7,567,246	\$ -	\$ 7,567,246
Federal and state grants	1,451,401	-	1,451,401
Investment income, net of fees \$32,824	633,742	443,871	1,077,613
Other income	119,196	-	119,196
<b>Total revenue</b>	<b>9,771,585</b>	<b>443,871</b>	<b>10,215,456</b>
<b>Public support:</b>			
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
<b>Total public support</b>	<b>1,436,652</b>	<b>1,047,886</b>	<b>2,484,538</b>
<b>Net assets released from restrictions</b>	<b>1,039,361</b>	<b>(1,039,361)</b>	<b>-</b>
<b>TOTAL REVENUE AND PUBLIC SUPPORT</b>	<b>12,247,598</b>	<b>452,396</b>	<b>12,699,994</b>
<b>EXPENSES</b>			
<b>Program services:</b>			
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	305,618	-	305,618
<b>Total program services</b>	<b>10,343,776</b>	<b>-</b>	<b>10,343,776</b>
<b>Supporting services:</b>			
Management and general	1,704,238	-	1,704,238
Fundraising	508,860	-	508,860
<b>Total supporting services</b>	<b>2,213,098</b>	<b>-</b>	<b>2,213,098</b>
<b>TOTAL EXPENSES</b>	<b>12,556,874</b>	<b>-</b>	<b>12,556,874</b>
<b>Change in net assets before other income (expenses)</b>	<b>(309,276)</b>	<b>452,396</b>	<b>143,120</b>
<b>OTHER INCOME (EXPENSES)</b>			
Gain on sale of building	514,698	-	514,698
In-kind real property	6,190,000	-	6,190,000
Gain on extinguishment of debt	1,547,200	-	1,547,200
<b>Change in net assets</b>	<b>7,942,622</b>	<b>452,396</b>	<b>8,395,018</b>
<b>Net assets, beginning of year</b>	<b>7,022,497</b>	<b>7,280,849</b>	<b>14,303,346</b>
<b>Net assets, end of year</b>	<b>\$ 14,965,119</b>	<b>\$ 7,733,245</b>	<b>\$ 22,698,364</b>

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

# EPWORTH CHILDREN & FAMILY SERVICES, INC.

## Statement of Activities

For Year Ended December 31, 2019

(See Independent Auditor's Report)

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND PUBLIC SUPPORT</b>			
<b>Revenue:</b>			
Fees for service	\$ 7,503,934	\$ -	\$ 7,503,934
Federal and state grants	1,193,200	-	1,193,200
Investment income, net of fees \$31,697	436,106	586,660	1,022,766
Other income	133,137	-	133,137
<b>Total revenue</b>	<b>9,266,377</b>	<b>586,660</b>	<b>9,853,037</b>
<b>Public support:</b>			
Contributions	632,135	274,382	906,517
Special events	416,304	-	416,304
Change in value of perpetual trusts	-	319,343	319,343
Legacies, bequests and trusts	217,773	-	217,773
In-kind rent	64,625	-	64,625
United Way of Greater St. Louis	-	643,931	643,931
<b>Total public support</b>	<b>1,330,837</b>	<b>1,237,656</b>	<b>2,568,493</b>
<b>Net assets released from restrictions</b>	<b>1,192,019</b>	<b>(1,192,019)</b>	<b>-</b>
<b>TOTAL REVENUE AND PUBLIC SUPPORT</b>	<b>11,789,233</b>	<b>632,297</b>	<b>12,421,530</b>
<b>EXPENSES</b>			
<b>Program services:</b>			
Residential treatment	2,676,641	-	2,676,641
Supportive housing	1,605,542	-	1,605,542
Emergency shelter	975,417	-	975,417
Foster care	2,116,712	-	2,116,712
Older youth services	1,339,544	-	1,339,544
Family support services	1,056,848	-	1,056,848
Progressive youth connection	150,953	-	150,953
Psychological services	426,204	-	426,204
<b>Total program services</b>	<b>10,347,861</b>	<b>-</b>	<b>10,347,861</b>
<b>Supporting services:</b>			
Management and general	1,532,353	-	1,532,353
Fundraising	740,973	-	740,973
<b>Total supporting services</b>	<b>2,273,326</b>	<b>-</b>	<b>2,273,326</b>
<b>TOTAL EXPENSES</b>	<b>12,621,187</b>	<b>-</b>	<b>12,621,187</b>
<b>Change in net assets before other income (expenses)</b>	<b>(831,954)</b>	<b>632,297</b>	<b>(199,657)</b>
<b>OTHER INCOME (EXPENSES)</b>			
Gain on sale of building	466,029	-	466,029
<b>Change in net assets</b>	<b>(365,925)</b>	<b>632,297</b>	<b>266,372</b>
<b>Net assets, beginning of year</b>	<b>7,388,422</b>	<b>6,648,552</b>	<b>14,036,974</b>
<b>Net assets, end of year</b>	<b>\$ 7,022,497</b>	<b>\$ 7,280,849</b>	<b>\$ 14,303,346</b>

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

**EPWORTH CHILDREN & FAMILY SERVICES, INC.**

**Statement of Functional Expenses**

For Year Ended December 31, 2020

(See Independent Auditor's Report)

	Program Services						Supporting Services				
	Residential Treatment	Supportive Housing	Emergency Shelter	Foster Care	Youth Services	Family Support Services	Psychological Services	Management and General	Fundraising	Total	Total Expenses
Salaries	\$ 1,830,412	\$ 528,188	\$ 676,721	\$ 857,987	\$ 671,331	\$ 694,013	\$ 222,805	\$ 866,080	\$ 357,302	\$ 1,223,382	\$ 6,704,839
Employee benefits and payroll taxes	246,846	79,148	143,595	144,766	198,179	191,394	32,921	315,705	40,303	356,008	1,392,857
Total salaries and related expenses	2,077,258	607,336	820,316	1,002,753	869,510	885,407	255,726	1,181,785	397,605	1,579,390	8,097,696
Professional fees	347,037	43,916	75,117	544,084	55,626	59,474	8,783	124,750	46,027	170,777	1,304,814
Supplies	22,942	5,273	9,647	2,352	9,520	13,417	5,694	64,338	32,245	96,583	165,428
Food service	137,532	-	94,366	81	4,866	36	-	4,192	871	5,063	241,944
Telephone	51,017	13,399	19,652	2,680	18,145	11,613	2,680	12,506	3,180	15,686	134,872
Utilities	43,184	6,679	11,967	17,712	17,236	7,825	8,618	31,195	862	32,057	145,278
Printing and postage	1,851	479	703	96	607	721	96	447	14,977	15,424	19,977
Repairs and maintenance	81,013	16,333	29,334	31,617	37,032	25,561	15,384	55,683	1,538	57,221	293,495
Training, travel, meetings and memberships	1,043	12,395	614	15,649	12,267	11,568	124	8,968	10,228	19,196	72,856
Automobile expense	7,641	2,011	2,949	402	2,547	2,547	-	1,877	-	1,877	19,974
Client assistance	33,149	601,191	13,477	246,783	62,807	10,850	-	-	-	-	968,257
Insurance	83,346	20,836	30,560	4,167	26,393	18,058	4,167	19,447	-	19,447	206,974
Interest	-	587	-	-	-	-	-	-	-	-	587
Bad debt	122,118	2,485	3,645	497	3,148	2,154	497	2,319	497	2,816	137,360
Rent	-	75,600	-	-	-	-	-	-	-	-	75,600
Miscellaneous	-	42	161	83	40	388	31	38,974	830	39,804	40,549
Total expenses before depreciation	3,009,131	1,408,562	1,112,508	1,868,956	1,119,744	1,049,619	301,800	1,546,481	508,860	2,055,341	11,925,661
Depreciation	224,811	12,556	27,989	44,816	132,065	27,401	3,818	157,757	-	157,757	631,213
Total expenses	\$ 3,233,942	\$ 1,421,118	\$ 1,140,497	\$ 1,913,772	\$ 1,251,809	\$ 1,077,020	\$ 305,618	\$ 1,704,238	\$ 508,860	\$ 2,213,098	\$ 12,556,874

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

**EPWORTH CHILDREN & FAMILY SERVICES, INC**

**Statement of Functional Expenses**

For Year Ended December 31, 2019  
(See Independent Auditor's Report)

	Program Services										Supporting Services		
	Residential Treatment	Supportive Housing	Emergency Shelter	Foster Care	Older Youth Services	Family Support Services	Progressive Youth Connection	Psychological Services	Management and General	Fundraising	Total	Total Expenses	
Salaries	\$1,485,979	\$ 586,622	\$ 610,102	\$ 811,548	\$ 624,729	\$ 688,278	\$ 33,216	\$ 284,769	\$ 1,087,550	\$ 437,943	\$ 1,525,493	\$ 6,650,736	
Employee benefits and payroll taxes	238,810	72,653	157,469	326,376	196,074	144,346	6,658	50,199	153,946	44,641	198,587	1,391,172	
Total salaries and related expenses	1,724,789	659,275	767,571	1,137,924	820,803	832,624	39,874	334,968	1,241,496	482,584	1,724,080	8,041,908	
Professional fees	270,082	64,587	25,825	463,548	68,866	63,695	34,433	21,521	12,912	194,310	207,222	1,219,779	
Supplies	14,526	10,945	7,513	7,658	11,411	31,049	3,502	13,034	20,296	19,939	40,235	139,873	
Food service	146,588	-	84,386	106	-	209	-	-	1,566	711	2,277	233,566	
Telephone	35,517	21,110	8,754	15,408	23,561	12,906	11,206	7,453	6,453	3,551	10,004	145,919	
Utilities	54,444	17,111	12,444	14,000	18,666	6,222	6,222	7,778	15,555	3,111	18,666	155,553	
Printing and postage	2,484	1,280	512	939	2,110	768	683	427	256	19,701	19,957	29,160	
Repairs and maintenance	66,416	20,874	15,181	17,078	22,771	9,525	7,590	9,488	18,976	3,795	22,771	191,694	
Training, travel, meetings and memberships	2,018	30,391	5,710	45,792	17,039	33,601	1,278	1,501	69,792	1,688	71,480	208,810	
Automobile expense	7,914	4,748	1,899	3,482	5,065	2,849	2,532	1,583	950	633	1,583	31,655	
Client assistance	38,255	681,597	9,681	347,143	157,275	6,241	-	-	-	-	-	1,240,192	
Insurance	46,229	27,737	11,095	20,341	29,586	16,642	14,793	9,246	5,547	3,698	9,245	184,914	
Interest	-	-	-	-	-	-	-	-	-	-	-	-	
Bad debt	45,117	27,070	10,828	19,851	28,875	16,242	14,437	9,023	5,414	3,609	9,023	180,466	
Rent	60,074	12,779	5,112	14,542	13,631	12,838	11,986	4,260	10,957	3,643	14,600	149,822	
Miscellaneous	-	-	-	-	-	-	-	-	33,340	-	33,340	33,340	
Total expenses before depreciation	2,514,453	1,579,504	966,511	2,107,812	1,219,659	1,045,411	148,536	420,282	1,443,510	740,973	2,184,483	12,186,651	
Depreciation	162,188	26,038	8,906	8,900	119,885	11,437	2,417	5,922	88,843	-	88,843	434,536	
Total expenses	\$2,676,641	\$1,605,542	\$ 975,417	\$2,116,712	\$1,339,544	\$1,056,848	\$ 150,953	\$ 426,204	\$ 1,532,353	\$ 740,973	\$2,273,326	\$12,621,187	

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

# EPWORTH CHILDREN & FAMILY SERVICES, INC.

## Statements of Cash Flows

For Years Ended December 31, 2020 and 2019

(See Independent Auditor's Report)

	2020	2019
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 8,395,018	\$ 266,372
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash property and equipment donation	(6,190,000)	-
Depreciation	631,213	434,536
Gain on disposal of property and equipment	(514,698)	(466,029)
Change in allowance for receivables	112,674	(107,270)
Change in value of beneficial interest in trusts	(220,251)	(319,343)
Net unrealized gains on investments	(562,909)	(610,270)
Net realized gains on investments	(99,759)	(294,309)
Gain on extinguishment of debt	(1,547,200)	-
(Increase) decrease in assets and liabilities:		
Accounts receivable	(407,765)	519,286
Grants and contributions receivable	153,808	143,416
Prepays and other assets	(212,630)	(181,322)
Accounts payable	15,774	(21,621)
Accrued expenses and other liabilities	(134,282)	(97,800)
<b>Net cash used in operating activities</b>	<b>(581,007)</b>	<b>(734,354)</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(720,070)	(89,242)
Proceeds from sale of long-term property	774,473	581,155
Proceeds from sales of investments	106,514	719,545
Purchases of investments	(56,426)	(490,716)
<b>Net cash provided by investing activities</b>	<b>104,491</b>	<b>720,742</b>
<b>Cash flows from financing activities</b>		
Proceeds from note payable	1,932,200	-
Payments on note payable	(375,000)	-
<b>Net cash provided by financing activities</b>	<b>1,557,200</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,080,684</b>	<b>(13,612)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>966,964</b>	<b>980,576</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,047,648</b>	<b>\$ 966,964</b>
<b>Supplemental disclosure:</b>		
Property obtained with loan	\$ 2,188,750	\$ -
Cash paid during the year for interest	\$ 587	\$ -

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

# EPWORTH CHILDREN & FAMILY SERVICES, INC.

## Notes to Financial Statements

December 31, 2020

(See Independent Auditor's Report)

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### Note A - Operations and Summary of Significant Accounting Policies

#### *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.

#### *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. Donor-restricted contributions received and satisfied in the same year are reported as increases in contributions without donor restrictions.

# EPWORTH CHILDREN & FAMILY SERVICES, INC.

## Notes to Financial Statements - Continued

December 31, 2020

(See Independent Auditor's Report)

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### Note A - Operations and Summary of Significant Accounting Policies (Continued)

#### ***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.

#### ***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.

#### ***Investments***

Investments are stated at fair value. 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. In 2020 or 2019, the Organization did not receive contributions of property and equipment considered restricted support.

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 - Continued**

December 31, 2020

(See Independent Auditor's Report)

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#### **Note A - Operations and 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, 2020 and 2019, management determined that no impairment loss needs to be recognized.

##### ***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 \$110,000 for each of the years ended December 31, 2020 and 2019.

##### ***Contributions***

The Organization recognizes contributions as revenue when an unconditional promise is made. All contributions are considered to be available for unrestricted 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.

In addition to receiving cash contributions, the Organization receives in-kind contributions such as property, rental space and other items from donors. It is the Organization's policy to record the estimated fair value of certain in-kind donations as an expense in its financial statements and similarly increase in contribution revenue by a like amount. The Organization records those donations if their value is readily ascertainable and if the services performed require expertise.

Conditional promises to give, cash and other asset are recognized and recorded as revenue as the conditions are met.

##### ***Revenue Recognition***

Fees for professional services and special events ticket sales are recognized when the satisfaction of the contractual performance obligation is met. The performance obligation is met upon completion of the service or at the time of the event. Fees for professional services received in advance are deferred to the applicable period in which the related services are performed. Fees for professional services rendered represents the estimated realizable amounts from clients and others for services rendered.

## **EPWORTH CHILDREN & FAMILY SERVICES, INC.**

### **Notes to Financial Statements - Continued**

December 31, 2020

(See Independent Auditor's Report)

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#### **Note A - Operations and Summary of Significant Accounting Policies (Continued)**

##### ***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 and benefits, professional fees, supplies, food service expense, telephone expense, utilities, printing and postage, repairs and maintenance, training and travel, automobile expense, insurance, interest, bad debt, and rent. The allocable expenses are allocated based on time and effort estimates for the various departments. Depreciation expense is allocated based on the location at which the asset is utilized.

##### ***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, 2020 and 2019.

Additionally, the Organization records donated goods as support at their estimated values, if determinable. For the years ended December 31, 2020 and 2019, the Organization received donated rent valued at \$ - and \$70,500, respectively. During the years ended December 31, 2020 and 2019, the Organization received \$6,190,000 and \$0 of donated assets, respectively.

##### ***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.

## EPWORTH CHILDREN & FAMILY SERVICES, INC.

### Notes to Financial Statements - Continued

December 31, 2020

(See Independent Auditor's Report)

#### Note A - Operations and Summary of Significant Accounting Policies (Continued)

##### *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.

##### *Subsequent Events*

The Organization evaluated all subsequent events through April 29, 2021, the date the financial statements were available to be issued.

#### Note B - 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,047,648	\$ 966,964
Accounts receivable	1,055,615	760,524
Grants receivable	626,207	744,332
Contributions receivable	22,792	58,475
Less non-current annuities	(12,292)	(35,475)
Endowment spending-rate distributions and appropriations (5%)	76,848	68,463
Board-designated investment distributions and appropriations (5%)	131,186	117,425
Estimated distributions from beneficial interests in assets held by others	90,000	100,000
Less cash and receivables with donor restrictions	<u>(1,400,599)</u>	<u>(1,019,668)</u>
	<u>\$ 2,637,405</u>	<u>\$ 1,761,040</u>

In addition to the above resources, the Organization also holds a \$500,000 line-of-credit with a maturity date of June 30, 2021. See Note I for more information on the line-of-credit.

# EPWORTH CHILDREN & FAMILY SERVICES, INC.

## Notes to Financial Statements - Continued

December 31, 2020

(See Independent Auditor's Report)

### Note B - Liquidity and Availability of Resources (Continued)

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 ending December 31, 2020, the Organization may withdraw up to \$117,060 to assist with building maintenance and improvements.

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

### Note C - Contributions Receivable

At December 31, 2020 and 2019, contributions receivable was as follows:

	<u>2020</u>	<u>2019</u>
Short-term contributions receivable	\$ 10,500	\$ 23,000
Annuities receivable	12,292	35,475
Allowance for uncollectible accounts	-	-
	<u>\$ 22,792</u>	<u>\$ 58,475</u>

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

### Note D - Conditional Contributions Receivable

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.

## EPWORTH CHILDREN & FAMILY SERVICES, INC.

### Notes to Financial Statements - Continued

December 31, 2020

(See Independent Auditor's Report)

#### Note E - Prepaid and Other Assets

At December 31, 2020 and 2019, prepaid and other assets were as follows:

	<u>2020</u>	<u>2019</u>
Prepaid expenses	\$ 144,710	\$ 123,767
Prepaid payroll costs	-	176,642
Investment in Children's Permanency Partnership	253,823	46,244
Escrow	<u>160,750</u>	<u>-</u>
	<u>\$ 559,283</u>	<u>\$ 346,653</u>

Escrow funds in the amount of \$160,750 at December 31, 2020 are funds that have been set aside for additional construction obligations in connection with the financing of the new building (Note I). 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.

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, 2020 and 2019, 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, 2020 and 2019 :

	<u>Unaudited 2020</u>	<u>Unaudited 2019</u>
Total assets	<u>\$ 1,406,307</u>	<u>\$ 869,919</u>
Total liabilities	<u>\$ 619,099</u>	<u>\$ 615,050</u>
Members' equity	<u>\$ 787,208</u>	<u>\$ 254,869</u>
Revenue	<u>\$ 15,609,163</u>	<u>\$ 15,422,589</u>
Net income	<u>\$ 1,020,953</u>	<u>\$ 82,852</u>

## EPWORTH CHILDREN & FAMILY SERVICES, INC.

### Notes to Financial Statements - Continued

December 31, 2020

(See Independent Auditor's Report)

#### Note F - 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, 2020 and 2019, these assets, including investments and real estate, were valued at \$3,165,874 and \$2,945,623, respectively.

#### Note G - Property and Equipment

Property and equipment at December 31, 2020 and 2019, are comprised of the following:

	<u>2020</u>	<u>2019</u>
Land, buildings and improvements	\$ 17,912,740	\$ 9,729,197
Furniture and equipment	1,163,445	1,133,483
Computers and software	801,142	801,142
Automobiles	236,301	233,026
Construction in progress	99,547	5,000
	<u>20,213,175</u>	<u>11,901,848</u>
Less: accumulated depreciation	<u>(8,856,275)</u>	<u>(8,752,780)</u>
	<u>\$ 11,356,900</u>	<u>\$ 3,149,068</u>

During the year ended December 31, 2019, 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, and recorded \$64,625 as both in-kind contribution income and rent expense. 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. During 2020, 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.

During 2020, the Organization purchased property at 7500 Natural Bridge Road and obtained financing for the purchase of property located at 4117 - 4119 Magnolia Avenue.

## EPWORTH CHILDREN & FAMILY SERVICES, INC.

### Notes to Financial Statements - Continued

December 31, 2020

(See Independent Auditor's Report)

#### Note H - 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 \$26,215 and \$30,396 for the years ending December 31, 2020 and 2019, respectively. The Organization did not make a discretionary contribution to the 401(k) plan during 2020 or 2019.

#### Note I - Notes Payable and Line-of-Credit

Notes payable at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</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.	<u>\$ 2,188,750</u>	<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.

Long-term debt consists of the following at December 31, 2020:

TLP Building Loan	<u>\$ 2,188,750</u>
PPP Loan	<u>10,000</u>
	<u>2,198,750</u>
Less current maturities	<u>74,983</u>
Total long-term debt, less current maturities	<u>\$ 2,123,767</u>

## EPWORTH CHILDREN & FAMILY SERVICES, INC.

### Notes to Financial Statements - Continued

December 31, 2020

(See Independent Auditor's Report)

#### Note I - Notes Payable and Line-of-Credit (Continued)

Future payments of long-term debt are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2021	\$ 74,983
2022	89,080
2023	91,633
2024	94,119
2025	<u>1,848,935</u>
Total long-term debt	<u>\$ 2,198,750</u>

During the year ended December 31, 2020, the Organization renewed its \$500,000 line-of-credit agreement with U.S. Bank, which matures on June 30, 2021. The interest rate on the line was 2.4375% and 3.875% as of December 31, 2020 and 2019, respectively. The balance is collateralized by property and receivables. As of December 31, 2020 and 2019, there was no balance outstanding on the line-of-credit.

#### Note J - 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.

## EPWORTH CHILDREN & FAMILY SERVICES, INC.

### Notes to Financial Statements - Continued

December 31, 2020

(See Independent Auditor's Report)

#### Note J - Fair Value Measurements of Assets and Liabilities (Continued)

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.

*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 ending December 31, 2020 and 2019.

The following table present the fair value measurements of investments recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the FASB ASC 820-10 fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance 12/31/2020</u>
<b>Investments:</b>				
<b>Money market funds</b>	\$ 142,372	\$ -	\$ -	\$ 142,372
<b>Domestic exchange funds</b>	196,344	-	-	196,344
<b>Domestic mutual funds</b>	2,818,280	-	-	2,818,280
<b>International mutual funds</b>	1,062,253	-	-	1,062,253
<b>Credit funds</b>	219,094	-	-	219,094
<b>Diversified taxable mutual funds</b>	2,022,091	-	-	2,022,091
<b>Taxable high yield funds</b>	41,434	-	-	41,434
<b>Domestic preferred stock</b>	-	-	-	-
<b>Emerging markets</b>	-	-	-	-
<b>Total - Investments</b>	<b>\$ 6,501,868</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,501,868</b>
<b>Beneficial interest in trusts</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,165,874</b>	<b>\$ 3,165,874</b>

## EPWORTH CHILDREN & FAMILY SERVICES, INC.

### Notes to Financial Statements - Continued

December 31, 2020

(See Independent Auditor's Report)

#### Note J - Fair Value Measurements of Assets and Liabilities (Continued)

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance 12/31/2019</u>
Investments:				
Money market funds	\$ 95,803	\$ -	\$ -	\$ 95,803
Domestic exchange funds	191,909	-	-	191,909
Domestic mutual funds	2,303,117	-	-	2,303,117
International mutual funds	1,048,018	-	-	1,048,018
Credit funds	206,213	-	-	206,213
Diversified taxable mutual funds	1,879,593	-	-	1,879,593
Taxable high yield funds	76,234	-	-	76,234
Domestic preferred stock	67,021	-	-	67,021
Emerging markets	21,380	-	-	21,380
Total - Investments	<u>\$ 5,889,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,889,288</u>
Beneficial interest in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,945,623</u>	<u>\$ 2,945,623</u>

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 2,945,623	\$ 2,626,280
Increase in fair value	<u>220,251</u>	<u>319,343</u>
Ending balance	<u>\$ 3,165,874</u>	<u>\$ 2,945,623</u>

#### Note K - Endowment Funds

The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization's endowment consists only of donor-designated funds; there were no board designated endowment funds during 2020 or 2019. 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.

**EPWORTH CHILDREN & FAMILY SERVICES, INC.**

**Notes to Financial Statements - Continued**

December 31, 2020  
 (See Independent Auditor’s Report)

**Note K - Endowment Funds (Continued)**

The Board of Directors has interpreted state law as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the endowment) and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

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.

Endowment asset composition as of December 31, 2020 and 2019:

<b><u>2020</u></b>	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 5,817,481	\$ 5,817,481
Accumulated investment earnings	-	1,226,541	1,226,541
	<u>\$ -</u>	<u>\$ 7,044,022</u>	<u>\$ 7,044,022</u>

## EPWORTH CHILDREN & FAMILY SERVICES, INC.

### Notes to Financial Statements - Continued

December 31, 2020

(See Independent Auditor's Report)

#### Note K - Endowment Funds (Continued)

<u>2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 5,597,230	\$ 5,597,230
Accumulated investment earnings	-	889,184	889,184
	<u>\$ -</u>	<u>\$ 6,486,414</u>	<u>\$ 6,486,414</u>

Changes in endowment assets for the years ended December 31, 2020 and 2019:

<u>2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, January 1, 2019	\$ -	\$ 5,789,749	\$ 5,789,749
Investment return	-	586,660	586,660
Change in value of perpetual trusts	-	319,343	319,343
Amounts released for expenditure	-	(209,338)	(209,338)
Endowment Net Assets, December 31, 2019	\$ -	\$ 6,486,414	\$ 6,486,414
Investment return	-	443,871	443,871
Change in value of perpetual trusts	-	220,251	220,251
Amounts released for expenditure	-	(106,514)	(106,514)
Endowment Net Assets, December 31, 2020	<u>\$ -</u>	<u>\$ 7,044,022</u>	<u>\$ 7,044,022</u>

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.

The beneficial interest in a perpetual trusts, which totals \$3,165,874 and \$2,945,623 for 2020 and 2019, 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.

## EPWORTH CHILDREN & FAMILY SERVICES, INC.

### Notes to Financial Statements - Continued

December 31, 2020

(See Independent Auditor's Report)

#### Note L - Net Assets Board Designated

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, 2020 and 2019, were \$2,623,719 and \$2,348,496, respectively. The investments are governed by a 5% annual spending rate policy. With Board approval, the Organization may exceed the annual spending rate.

#### Note M - Net Assets With Donor Restrictions

The Organization's net assets as of December 31, 2020 and 2019, are restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose:		
Endowment earnings for operating expenses	\$ 770,325	\$ 602,622
Endowment earnings for capital improvements	456,216	286,562
Older youth services projects	151,082	130,234
Other	22,996	270
	<u>1,400,619</u>	<u>1,019,688</u>
Subject to the passage of time:		
United Way support	515,145	643,931
Promises to give that are not restricted by donors, but which are unavailable for expenditures until due	-	20,000
	<u>515,145</u>	<u>663,931</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
Gambrell 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	446,143	446,143
Total Endowments	<u>2,651,607</u>	<u>2,651,607</u>
Not subject to spending policy or appropriation:		
Beneficial interest in trusts	3,165,874	2,945,623
	<u>\$ 7,733,245</u>	<u>\$ 7,280,849</u>

## EPWORTH CHILDREN & FAMILY SERVICES, INC.

### Notes to Financial Statements - Continued

December 31, 2020

(See Independent Auditor's Report)

#### Note M - 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, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Net assets released:		
Expiration of time restrictions	\$ 663,951	\$ 708,287
Satisfaction of program restrictions	<u>375,410</u>	<u>483,732</u>
	<u>\$ 1,039,361</u>	<u>\$ 1,192,019</u>

#### Note N - Revenue

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. There are no significant financing components recognized by the Organization. Service revenue represents per unit costing with nongovernmental agencies which is recognized over time as services are provided to clients. Performance obligations are met when a unit of service is provided, as defined by the agency or other funding source. The transaction price is set by the nongovernmental agency but generally follows governmental pricing structures. Special event income represents the reciprocal transaction between donors and Epworth for special event ticket sales, tables, and other benefits. The income is recognized over time as events are held.

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, 2020 and 2019, 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, 2020 and 2019, \$171,544 and \$247,273, respectively, were receivable for reciprocal transactions.

## EPWORTH CHILDREN & FAMILY SERVICES, INC.

### Notes to Financial Statements - Continued

December 31, 2020

(See Independent Auditor's Report)

#### Note N - Revenue (Continued)

##### Disaggregation of Revenue

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

	Years Ended	
	December 31, 2020	December 31, 2019
	<b>Over Time</b>	
Special event ticket and other revenue	\$ -	\$ 75,817
Non-government fee for service revenue	<b>3,821,526</b>	3,905,115
	<b><u>\$ 3,821,526</u></b>	<b><u>\$ 3,980,932</u></b>

Details related to special events revenues and expenses are as follows:

	Years Ended	
	December 31, 2020	December 31, 2019
Special events ticket and other revenue	\$ -	\$ 75,817
Special events contributions	<b>134,838</b>	340,487
Special events revenue	<b><u>\$ 134,838</u></b>	<b><u>\$ 416,304</u></b>

#### Note O - Concentrations

For the years ended December 31, 2020 and 2019, approximately 10% and 19%, respectively, of the Organization's revenue and public support is provided by two organizations.

#### Note P - Risk and Uncertainties

The Organization's financial performance, estimates, reserves, contracts, and operations in the next 12 months may be affected by the ongoing outbreak of the coronavirus disease ("COVID19"), which was declared a pandemic by the World Health Organization. The full extent and duration of the impact of COVID-19 on the Organization's operations and financial performance is currently unknown and depends on uncertain and unpredictable developments.