

SAINT FRANCIS CHILDREN'S CENTER, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Totals for the Year Ended December 31, 2018)

SAINT FRANCIS CHILDREN'S CENTER, INC.

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Independent Auditor's Report

Board of Directors
Saint Francis Children's Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Saint Francis Children's Center, Inc. which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Saint Francis Children's Center, Inc. as of December 31, 2019, 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.

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Board of Directors
Saint Francis Children's Center, Inc.

Report on Summarized Comparative Information

We have previously audited Saint Francis Children's Center Inc.'s December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenue and expenses - without donor restrictions is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
June 18, 2020

SAINT FRANCIS CHILDREN'S CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(With Summarized Totals for December 31, 2018)

ASSETS		2019	2018
CURRENT ASSETS			
Cash and Cash Equivalents	\$	605,699	\$ 214,105
Grants Receivable		113,690	184,432
Net Pledges Receivable - Current Portion		42,044	82,186
Accounts Receivable		2,960	1,398
Prepaid Expenses		15,854	32,910
Total Current Assets	\$	<u>780,247</u>	<u>\$ 515,031</u>
FIXED ASSETS			
Fixed Assets	\$	6,429,153	\$ 6,327,887
Less: Accumulated Depreciation		(4,476,181)	(4,408,178)
Net Fixed Assets	\$	<u>1,952,972</u>	<u>\$ 1,919,709</u>
OTHER ASSETS			
Investments	\$	8,464,719	\$ 7,234,943
Greater Milwaukee Foundation Beneficial Interest		366,369	333,162
Jewish Community Foundation Beneficial Interest		67,458	61,542
Cash Surrender Value - Annuity		57,916	55,740
Pledges Receivable Long-Term Portion		5,000	---
Total Other Assets	\$	<u>8,961,462</u>	<u>\$ 7,685,387</u>
TOTAL ASSETS	\$	<u>11,694,681</u>	<u>\$ 10,120,127</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$	79,085	\$ 33,903
Accrued Wages		99,135	106,246
Accrued Vacation		62,775	67,198
Prepaid Tuition		253	7
Current Portion of Capital Lease		2,807	2,639
Refundable Advances and Deferred Income		62,194	57,603
Total Current Liabilities	\$	<u>306,249</u>	<u>\$ 267,596</u>
LONG-TERM LIABILITIES			
Capital Lease	\$	9,242	\$ 11,881
Less: Current Portion of Capital Lease		(2,807)	(2,639)
Total Long-Term Liabilities	\$	<u>6,435</u>	<u>\$ 9,242</u>
Total Liabilities	\$	<u>312,684</u>	<u>\$ 276,838</u>
NET ASSETS			
Without Donor Restrictions			
Undesignated	\$	2,400,757	\$ 2,146,347
Board Designated		8,464,719	7,234,943
Total Net Assets Without Donor Restrictions	\$	<u>10,865,476</u>	<u>\$ 9,381,290</u>
With Donor Restrictions			
Greater Milwaukee Foundation Beneficial Interest	\$	366,369	\$ 333,162
Jewish Community Foundation Beneficial Interest		67,458	61,542
Other		82,694	67,295
Total Net Assets With Donor Restrictions	\$	<u>516,521</u>	<u>\$ 461,999</u>
Total Net Assets	\$	<u>11,381,997</u>	<u>\$ 9,843,289</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>11,694,681</u>	<u>\$ 10,120,127</u>

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

SAINT FRANCIS CHILDREN'S CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Totals for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
OPERATING REVENUE				
Private Pay Tuition	\$ 1,342,673	\$ ---	\$ 1,342,673	\$ 1,247,651
Youngstar Childcare	12,457	---	12,457	10,912
Milwaukee County - Department of Human Services	1,174,927	---	1,174,927	1,045,004
Cost Share	15,779	---	15,779	18,070
Contributions	196,037	87,069	283,106	271,065
Donated Goods and Services	1,030	---	1,030	6,403
Special Events Revenue	263,978	---	263,978	250,782
Less: Special Events Expense	(63,205)	---	(63,205)	(63,868)
Rental Income	35,543	---	35,543	35,596
Other Revenue	8,561	---	8,561	8,728
Net Assets Released from Restrictions	82,987	(82,987)	---	---
Total Operating Revenue	<u>\$ 3,070,767</u>	<u>\$ 4,082</u>	<u>\$ 3,074,849</u>	<u>\$ 2,830,343</u>
OPERATING EXPENSES				
Program Services	\$ 2,398,446	\$ ---	\$ 2,398,446	\$ 2,348,755
Management	422,706	---	422,706	423,025
Fundraising	212,839	---	212,839	233,417
Total Operating Expenses	<u>\$ 3,033,991</u>	<u>\$ ---</u>	<u>\$ 3,033,991</u>	<u>\$ 3,005,197</u>
Change in Net Operating Activity	\$ 36,776	\$ 4,082	\$ 40,858	\$ (174,854)
NON-OPERATING ACTIVITY				
Net Gain (Loss) - Beneficial Interest	---	50,440	50,440	(12,254)
Net Gain (Loss) - Investments	1,447,410	---	1,447,410	(400,224)
CHANGE IN NET ASSETS	\$ 1,484,186	\$ 54,522	\$ 1,538,708	\$ (587,332)
Net Assets, Beginning of Year	<u>9,381,290</u>	<u>461,999</u>	<u>9,843,289</u>	<u>10,430,621</u>
NET ASSETS, END OF YEAR	<u>\$ 10,865,476</u>	<u>\$ 516,521</u>	<u>\$ 11,381,997</u>	<u>\$ 9,843,289</u>

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

SAINT FRANCIS CHILDREN'S CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Totals for the Year Ended December 31, 2018)

	Program	Management	Fundraising	2019 Total	2018 Total
EXPENSES					
Salaries and Wages	\$ 1,633,713	\$ 273,537	\$ 142,751	\$ 2,050,001	\$ 2,040,611
Payroll Taxes	140,611	23,543	12,287	176,441	174,600
Retirement	26,357	3,456	1,363	31,176	28,711
Employee Benefits	122,893	16,987	6,398	146,278	165,646
Professional Fees	6,009	72,079	6,096	84,184	78,730
Contract Services	---	---	---	---	4,601
Program Innovation	7	---	---	7	30
Information Technology	4,617	508	10,609	15,734	16,822
Recruiting	3,152	710	140	4,002	2,931
Conferences and Training	7,058	1,647	1,242	9,947	6,064
Travel	18,063	110	1	18,174	17,178
Dues and Subscriptions	18	467	1,530	2,015	1,880
Postage	3,349	2,131	2,073	7,553	7,970
Printing	3,349	447	6,973	10,769	15,688
Supplies	127,095	5,045	2,298	134,438	120,163
Telephone	9,287	620	137	10,044	9,035
Advertising and Marketing	510	65	10,924	11,499	11,114
Licenses and Fees	1,809	1,339	1,520	4,668	787
Utilities	74,916	5,000	1,094	81,010	85,303
Repairs and Maintenance	95,566	5,459	1,194	102,219	93,515
Insurance	30,501	2,036	445	32,982	31,324
Depreciation	82,168	5,484	1,199	88,851	85,285
Interest	---	661	---	661	823
Bad Debts	---	---	2,350	2,350	2,677
In-kind	1,030	---	---	1,030	---
Loss on Disposal	4,064	864	67	4,995	---
Other Expenses	2,304	511	148	2,963	3,709
Subtotal	<u>\$ 2,398,446</u>	<u>\$ 422,706</u>	<u>\$ 212,839</u>	<u>\$ 3,033,991</u>	<u>\$ 3,005,197</u>
Special Event Expenses					
Venue and Food	\$ ---	\$ ---	\$ 36,923	\$ 36,923	\$ 32,898
Printing and Marketing	---	---	10,439	10,439	8,975
Fees and Licenses	---	---	4,177	4,177	5,784
Videography and Audio Visual	---	---	8,300	8,300	13,758
Supplies	---	---	1,699	1,699	978
Travel	---	---	667	667	---
Entertainment	---	---	1,000	1,000	1,475
Subtotal	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 63,205</u>	<u>\$ 63,205</u>	<u>\$ 63,868</u>
TOTAL EXPENSES	<u><u>\$ 2,398,446</u></u>	<u><u>\$ 422,706</u></u>	<u><u>\$ 276,044</u></u>	<u><u>\$ 3,097,196</u></u>	<u><u>\$ 3,069,065</u></u>

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

SAINT FRANCIS CHILDREN'S CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Totals for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,538,708	\$ (587,332)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	88,851	85,285
Net Realized and Unrealized (Gain) Loss on Investments	(1,304,921)	526,212
Net Realized and Unrealized (Gain) Loss on Beneficial Interest	(50,440)	8,762
Loss on Asset Disposition	4,995	---
Donated Stock	---	(4,303)
(Increase) Decrease in Grants Receivable	70,742	(16,868)
(Increase) Decrease in Pledges Receivable	35,142	(46,313)
(Increase) Decrease in Accounts Receivable	(1,562)	2,057
(Increase) Decrease in Prepaid Expenses	17,056	(15,168)
(Increase) Decrease in Cash Surrender Value - Annuity	(2,176)	(2,144)
Increase (Decrease) in Accounts Payable	45,182	(7,854)
Increase (Decrease) in Accrued Wages	(7,111)	31,337
Increase (Decrease) in Accrued Vacation	(4,423)	7,000
Increase (Decrease) in Prepaid Tuition	246	(12,362)
Increase (Decrease) in Refundable Advances and Deferred Income	4,591	4,875
	<u>434,880</u>	<u>(26,816)</u>
Net Cash Provided (Used) by Operating Activities	\$	\$
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	\$ (127,109)	\$ (67,738)
Investment Withdrawals for Operations	215,110	84,600
Purchase of Investments	(1,586,980)	(607,186)
Proceeds from Sale of Investments	1,458,332	494,504
	<u>(40,647)</u>	<u>(95,820)</u>
Net Cash Used by Investing Activities	\$	\$
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease	\$ (2,639)	\$ (2,481)
	<u>(2,639)</u>	<u>(2,481)</u>
Net Cash Used by Financing Activities	\$	\$
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 391,594	\$ (125,117)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>214,105</u>	<u>339,222</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 605,699</u>	<u>\$ 214,105</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	\$ 661	\$ 823

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

SAINT FRANCIS CHILDREN'S CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

SAINT FRANCIS CHILDREN'S CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - Summary of Significant Accounting Policies

Organization

Saint Francis Children's Center, Inc. (the "Organization") promotes community services in the greater Milwaukee area for children with specific learning disabilities, as well as provides services for children with mental and developmental disabilities and exceptional education needs. The Organization provides early education and academic programs for children with special needs from age six weeks through kindergarten and case management services for children with long-term disabilities from age three through age 21.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Accounting Method

The accompanying financial statements of Saint Francis Children's Center, Inc. have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with maturities of three months or less when purchased. The cash equivalents held at investment firms are included in the total of investments.

Grants Receivable

Grants receivable includes amounts owed to the Organization from the government for revenue earned, but not yet paid as of year-end. The Organization considers revenue to be earned when the services are performed or related costs to be reimbursed have been incurred.

Pledges Receivable

Pledges receivable are recorded when the Organization receives an unconditional promise to give or when the condition is met of a conditional promise to give. Pledges expected to be paid in more than one year from the statement of financial position date are discounted for risk and their estimated present value.

Allowance for Doubtful Accounts

Pledges, grants, and accounts receivable are stated net of an allowance for doubtful accounts. The Organization estimates the allowance based on its historical experience including review of past due and aging balances and an assessment of the debtor's ability to pay. The amount of allowance is included in the respective pledges, grants, and accounts receivable notes to the financials when an allowance is applicable.

Prepaid Expenses

Prepaid expenses are future expenses paid in advance and are reported on the statement of financial position as an asset.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The Organization capitalizes assets with an original cost of \$5,000 or greater.

SAINT FRANCIS CHILDREN'S CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - Summary of Significant Accounting Policies (continued)

Contributions and Grant Revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Contributions received with restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increase net assets without donor restrictions. Conditional promises to give are not recognized until they become unconditional. A conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated when the barrier is not overcome. Amounts received for which the donor has limited the use of the asset or designated the gift as support for future periods are considered restricted support and included in net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. When the restriction on a contribution is met in the same reporting period as the contribution is received, the contribution is reported in net assets without donor restrictions.

Net assets restricted for acquisition of building or equipment are reported as net assets with donor restrictions until the specified asset is placed in service when the net assets are released to net assets without donor restrictions.

When a donor requires the investment of a contribution and restricts the use of investment income, the investment income is reported as net assets with donor restrictions until appropriated for the designated time or use when the net assets are released to net assets without donor restrictions.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Accordingly, the value of contributed time that does not meet these requirements has not been determined and is not reflected in the accompanying financial statements.

Government Grants and Contract Revenue

Government grants and contract revenue are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant, contract or other allowable cost manual, are made. Any cash received for revenue not yet earned is considered to be deferred revenue. Revenue earned but not yet paid to the Organization is included in grants receivable. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such review reduces expenditures allowable under these grants or contracts, the Organization records the disallowance at the time the final assessment is made. Management believes that disallowances, if any, would not have a significant effect on the financial statements.

SAINT FRANCIS CHILDREN'S CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - Summary of Significant Accounting Policies (continued)

Functional Expenses

The Organization allocates costs directly to program, management or fundraising whenever possible. Certain expenses are attributable to one or more programs or supporting functions of the Organization. Payroll and related costs are allocated based on the actual or estimated time that employees spend in a particular function or program. The cost of repairs and maintenance, insurance and other facility costs are allocated based on square footage.

Estimates

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

NOTE B - Accounting Changes

The Organization's financial statements have changed to adopt the *Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued accounting updates issued to clarify the standards. The updates are effective for the year ended December 31, 2019. The updates are required and establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the guidance is that an organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be titled.

The Organization's financial statements have changed to adopt the *Accounting Standards Update 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* effective for the year ended December 31, 2019. This update is required. The goal of this update is to help organizations determine reciprocal and nonreciprocal transactions. The guidance clarifies that an exchange transaction is when the resource provider receives equal value in return for what the resource provider pays. When the general public is the recipient of the service or goods, the transaction is not considered a reciprocal transaction, it is considered a contribution. The guidance also clarifies that a conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated whence the barrier is not overcome.

The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under Topic 606 while prior period amounts are not adjusted and continue to be reported in accordance with legacy generally accepted accounting principles.

SAINT FRANCIS CHILDREN'S CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE B - Accounting Changes (continued)

The adoption of this new standard did not result in a material impact to the Organization's financial statements. The largest impact of the adoption of the new standard is the new footnote disclosure regarding private pay tuition revenue and fundraising event revenue provided to the Organization's customers. There was no significant effect on the financial statements related to the adoption of this new standard which would require cumulative effect adjustment to net assets at the date of adoption under the modified retrospective method.

Future Accounting Pronouncements

The Organization will be required to implement *Accounting Standards Update 2016-02, Leases (Topic 842)*. The effective date for ASU 2016-02 is for fiscal years beginning after December 15, 2021. This update requires the recognition of lease assets and lease liabilities on the statement of financial position measured at the present value of lease payments and requires disclosure of key information about the leasing arrangements. It is to be adopted using the modified retrospective approach.

The Organization will be required to implement *Accounting Standards Update 2016-13, Financial Instruments – Credit Losses (Topic 326)*. The effective date for ASU 2016-13 is for fiscal years beginning after December 15, 2023. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including exploring more forward-looking alternatives.

NOTE C - Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

NOTE D - Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Net assets and change in net assets are unchanged due to these reclassifications.

**SAINT FRANCIS CHILDREN'S CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE E - Liquidity

The Organization's financial assets are available for general expenditures, to pay liabilities and to pay future obligations as they come due. The Organization's operations provide liquid funds throughout the year and special events provide liquid funds to support program costs. In addition, the Organization receives approximately \$12,000 from the Greater Milwaukee Foundation annually to support operations and has a board designated endowment of \$8,464,719 from which the board may appropriate funds to meet the operating needs of the Organization.

The Organization's financial assets available for use within one year include:

<u>Description</u>	<u>Amount</u>
Cash and Cash Equivalents	\$605,699
Grants Receivable	113,690
Pledges Receivable - Current Portion	42,044
Accounts Receivable	2,960
Donor Restricted for the Outdoor Classroom	<u>(70,194)</u>
Financial Assets Available for Use	<u>\$694,199</u>

NOTE F - Grants Receivable

Grants receivable consists of the following amounts as of December 31, 2019:

<u>Source</u>	<u>Amount</u>
Milwaukee County -	
Children's Long-Term Support	\$103,106
Targeted Case Management	<u>10,584</u>
Total Grants Receivable	<u>\$113,690</u>

NOTE G - Net Pledges Receivable

The Organization has pledges receivable as follows:

Gross Pledges Receivable	\$50,044
Less: Allowance for Uncollectible Receivables	<u>(3,000)</u>
Net Pledges Receivable	<u>\$47,044</u>

Pledges are expected to be collected in years as follows:

December 31, 2020	\$45,044
December 31, 2021	<u>5,000</u>

Gross Pledges Receivable	<u>\$50,044</u>
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**SAINT FRANCIS CHILDREN'S CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE H - Lease Rights

The Organization has a long-term non-cancelable lease on the real estate on which the classroom building is located. The lease rights were donated to the Organization and expire in the year 2047 and do not require annual lease payments.

NOTE I - Fixed Assets

Fixed assets consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Buildings and Improvements	\$ 5,693,207	\$ 5,608,423
Furniture and Fixtures	256,197	256,197
Equipment	464,989	414,315
Asset in Progress	---	34,191
Leased Assets	<u>14,761</u>	<u>14,761</u>
Total Fixed Assets	\$ 6,429,153	\$ 6,327,887
Less: Accumulated Depreciation	<u>(4,476,181)</u>	<u>(4,408,178)</u>
Net Fixed Assets	<u>\$ 1,952,972</u>	<u>\$ 1,919,709</u>

NOTE J - Capital Lease Obligation

The Organization has a capital lease for two copy machines with a fair market value of \$14,761 at lease inception. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease and, accordingly, the lease is recorded in the Organization's assets and liabilities. The assets are included under fixed assets and are being depreciated over the lease terms and useful life of five years. Accumulated depreciation was \$6,396 as of December 31, 2019, and depreciation expense of \$2,952 is included in the year ended December 31, 2019.

The following is a schedule by years of the future minimum payments required under the lease:

<u>For the Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$2,807	\$493	\$ 3,300
2021	2,986	314	3,300
2022	3,175	125	3,300
2023	<u>274</u>	<u>1</u>	<u>275</u>
Total	<u>\$9,242</u>	<u>\$933</u>	<u>\$10,175</u>

**SAINT FRANCIS CHILDREN'S CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE K - Beneficial Interest

Greater Milwaukee Foundation

The Organization transferred funds to the Greater Milwaukee Foundation (GMF), a community foundation, for investment purposes in a prior year. The funds, including principal, may be used for operations. The GMF makes investment decisions and determines the amount of income to be transmitted annually to the Organization. The size of distributions from the fund is determined in accordance with the GMF's distribution policies in effect from time to time. The value of the fund includes contributions and unappropriated investment income. The fair value of the fund of \$366,369 is included in the financial statements as net assets with donor restrictions at December 31, 2019.

Jewish Community Foundation

The Organization has a fund held at the Jewish Community Foundation (JCF) called the Jeri Marcuvitz Teacher Development Fund. The fund was established to provide educational resources to support teacher development and growth. The original contributions to the fund of \$51,563 are intended to be invested in perpetuity. The value of the fund includes contributions and investment income and is included in net assets with donor restrictions. The fair value of the fund of \$67,458 is included in the financial statements as net assets with donor restrictions at December 31, 2019.

The Gain on Beneficial interest is summarized as follows:

Greater Milwaukee Foundation:	
Investment Gain	\$44,910
Investment Fees	(3,331)
Jewish Community Foundation:	
Investment Gain	<u>8,861</u>
Total Gain on Beneficial Interest	<u>\$50,440</u>

NOTE L - Fair Value Measurements and Investment Composition

The Organization has adopted the Financial Accounting Standards Board guidance on fair value measurements. A three-tier hierarchy is used to maximize the use of observable market data inputs and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using level 3 inputs are based primarily on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2019:

SAINT FRANCIS CHILDREN'S CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE L - Fair Value Measurements and Investment Composition (continued)

<u>Investment Category</u>	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities and Exchange				
Traded Funds	\$6,486,689	\$6,486,689	\$ ---	\$ ---
Fixed Income	1,753,583	1,753,583	---	---
Cash and Equivalents Held				
With Investment Firms	211,544	211,544	---	---
Accrued Income	<u>12,903</u>	<u>12,903</u>	---	---
Total Portfolio Investments	\$8,464,719	\$8,464,719	\$ ---	\$ ---
GMF Beneficial Interest	366,369	---	---	366,369
JCF Beneficial Interest	67,458	---	---	67,458
Cash Surrender Value - Annuity	<u>57,916</u>	---	<u>57,916</u>	---
Total	<u>\$8,956,462</u>	<u>\$8,464,719</u>	<u>\$57,916</u>	<u>\$433,827</u>

Greater Milwaukee Foundation (GMF) investments include the Organization's share of pooled equities securities, fixed income securities, absolute return hedge funds, and long/short equity hedge funds. The funds are held by the Greater Milwaukee Foundation who provides the fair value. Jewish Community Foundation (JCF) investments include fixed income, domestic equities, international equities, real estate, hedge funds, and money market funds. The funds are held by the Jewish Community Foundation who provides the fair value.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	<u>GMF Investments</u>	<u>JCF Investments</u>	<u>Total</u>
Beginning Balance, January 1, 2019	\$333,162	\$61,542	\$394,705
Total gains or losses (realized/unrealized)	44,910	8,861	53,771
Contributions	4,000	375	4,375
Investment fees	(3,331)	---	(3,331)
Distributions	<u>(12,372)</u>	<u>(3,320)</u>	<u>(15,692)</u>
Ending Balance, December 31, 2019	<u>\$366,369</u>	<u>\$67,458</u>	<u>\$433,827</u>

**SAINT FRANCIS CHILDREN'S CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE M - Refundable Advances and Deferred Income

Refundable advances includes tuition deposits of \$59,304 and deferred rental income of \$2,890 as of December 31, 2019.

NOTE N - Net Asset Composition

Board Designated Net Assets

Board designated net assets include investments designated for the future capital needs of the Organization.

Investments	<u>\$8,464,719</u>
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Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2019:

<u>Time</u>	
Greater Milwaukee Foundation Beneficial Interest	\$366,369
Pledges for 2019	<u>10,000</u>
 <u>Purpose</u>	
Outdoor Classroom	70,194
Children's Long Term Support	<u>2,500</u>
 <u>Time and Purpose</u>	
Jewish Community Foundation Beneficial Interest	<u>67,458</u>
 Total	 <u>\$516,521</u>

NOTE O - Donated Goods and Services

The Organization received donated goods and services included in the financial statements as follows:

<u>Special Events</u>	
Food and Beverage	\$ 8,658
Video Production	7,500
Supplies	<u>977</u>
Donated for Special Events	\$17,135
Program and Office Supplies	<u>1,030</u>
 Total	 <u>\$18,165</u>

NOTE P - Advertising Expense

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2019, was \$11,499.

SAINT FRANCIS CHILDREN'S CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE Q - Retirement Plan

The Organization has a defined contribution retirement plan qualified under Section 403(b) of the Internal Revenue Code, which allows employee, employer and matching contributions. An employee is eligible to participate in the plan with one hour of service. Each eligible employee can make elective contributions to the plan. These contributions are immediately vested. The Organization contributed a fixed match equal to 50% of elective deferrals. When determining the matching contributions, only elective deferrals up to 5% of the participant's compensation per payroll are considered. Matching contributions are fully vested when an employee has worked for seven years. Total retirement plan expense under this plan was \$31,176 for the year ended December 31, 2019.

NOTE R - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of December 31, 2019, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year. The Organization is currently not under audit by any federal or state taxing authority.

NOTE S - Subsequent Events

The Organization has evaluated events and transactions occurring after December 31, 2019, through June 18, 2020, the date the financial statements were available to be issued, for possible adjustments to the financial statements or disclosures.

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) a pandemic. The outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and facilities. While the disruption is currently expected to be temporary, there is a considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter could negatively impact its operating results.

COVID-19 has brought with it a considerable uncertainty for the global financial markets. The Organization should be prepared for a significant fluctuations in the fair value of its investments. Although it is not anticipated that the portfolios will be used to fund immediate cash flow needs of the Organization, the portfolio is available in the event of a major disruption in on-going revenue such as fees, grants and fundraising activities.

The Organization received \$453,432 on May 5, 2020 through the Paycheck Protection Program. The Organization may be eligible for full or partial loan forgiveness if the proceeds are spent on eligible expenditures in the loan coverage period and if the Organization meets other loan requirements. The amount of forgiveness cannot be determined at this time.

SAINT FRANCIS CHILDREN'S CENTER, INC.
SCHEDULE OF REVENUE AND EXPENSES - WITHOUT DONOR RESTRICTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Totals for the Year Ended December 31, 2018)

	Program Activities						Management	Fundraising	2019 Total	2018 Total
	Birth to Three Program	Children's Long-Term Support	School	Family Activity Center	Other Therapy Services	Total Programs				
REVENUE										
Private Pay Tuition	\$ ---	\$ ---	\$ 1,342,673	\$ ---	\$ ---	\$ 1,342,673	\$ ---	\$ ---	\$ 1,342,673	\$ 1,247,651
Youngstar Childcare	---	---	12,457	---	---	12,457	---	---	12,457	10,912
Milwaukee County - Department of Human Services	627,635	587,435	---	---	---	1,215,070	---	---	1,215,070	1,045,004
Less: Amount in Excess of Allowable Profit	---	(40,143)	---	---	---	(40,143)	---	---	(40,143)	---
Cost Share	15,779	---	---	---	---	15,779	---	---	15,779	18,070
Contributions	---	2,500	80,400	29,132	---	112,032	---	84,005	196,037	204,555
Donated Services	705	---	705	325	---	1,735	---	---	1,030	6,403
Special Events Revenue	---	---	---	---	---	---	---	263,978	263,978	250,782
Less: Special Events Expense	---	---	---	---	---	---	---	(63,205)	(63,205)	(63,868)
Rental Income	---	---	---	---	35,543	35,543	---	---	35,543	35,596
Other Revenue	26	---	7,170	---	---	7,196	1,048	317	8,561	8,728
Net Assets Released from Restrictions	---	---	---	---	---	---	---	82,987	82,987	16,666
Total Revenue	\$ 644,145	\$ 549,792	\$ 1,443,405	\$ 29,457	\$ 35,543	\$ 2,702,342	\$ 1,048	\$ 368,082	\$ 3,070,767	\$ 2,780,499
EXPENSES										
Salaries and Wages	\$ 420,705	\$ 325,490	\$ 830,501	\$ 42,557	\$ 14,460	\$ 1,633,713	\$ 273,537	\$ 142,751	\$ 2,050,001	\$ 2,040,611
Payroll Taxes	36,209	28,014	71,480	3,663	1,245	140,611	23,543	12,287	176,441	174,600
Retirement	4,893	4,221	16,580	476	187	26,357	3,456	1,363	31,176	28,711
Employee Benefits	22,959	19,803	77,796	2,232	103	122,893	16,987	6,398	146,278	165,646
Professional Fees	3,211	1,238	---	1,560	---	6,009	72,079	6,096	84,184	78,730
Contract Services	---	---	---	---	---	---	---	---	---	4,601
Program Innovation	---	---	---	7	---	7	---	---	7	30
Information Technology	1,049	934	2,238	217	179	4,617	508	10,609	15,734	16,822
Recruiting	473	353	2,148	165	13	3,152	710	140	4,002	2,931
Conferences and Training	84	3,315	3,649	10	---	7,058	1,647	1,242	9,947	6,064
Travel	6,938	10,953	35	129	8	18,063	110	1	18,174	17,178
Dues and Subscriptions	---	---	18	---	---	18	467	1,530	2,015	1,880
Postage	1,602	1,747	---	---	---	3,349	2,131	2,073	7,553	7,970
Printing	687	1,211	1,357	70	24	3,349	447	6,973	10,769	15,688
Supplies	10,280	10,342	96,470	5,786	4,217	127,095	5,045	2,298	134,438	120,163
Telephone	1,198	1,186	4,943	842	1,118	9,287	620	137	10,044	9,035
Advertising and Marketing	---	---	374	136	---	510	65	10,924	11,499	11,114
Licenses and Fees	---	---	1,809	---	---	1,809	1,339	1,520	4,668	787
Utilities	9,665	9,566	39,872	6,795	9,018	74,916	5,000	1,094	81,010	85,303
Repairs and Maintenance	10,553	10,567	57,181	7,419	9,846	95,566	5,459	1,194	102,219	93,515
Insurance	3,935	3,895	16,233	2,767	3,671	30,501	2,036	445	32,982	31,324
Depreciation	10,601	10,492	43,731	7,453	9,891	82,168	5,484	1,199	88,851	85,285
Interest	---	---	---	---	---	---	661	---	661	823
Bad Debts	---	---	---	---	---	---	---	2,350	2,350	2,677
In-kind	---	---	705	325	---	1,030	---	---	1,030	---
Loss on Disposal	596	590	2,459	419	---	4,064	864	67	4,995	---
Other Expenses	666	410	1,153	57	18	2,304	511	148	2,963	3,709
Allocation of Management	90,502	73,593	209,197	14,541	---	387,833	(422,706)	34,873	---	---
Total Expenses	\$ 636,806	\$ 517,920	\$ 1,479,929	\$ 97,626	\$ 53,998	\$ 2,786,279	\$ ---	\$ 247,712	\$ 3,033,991	\$ 3,005,197
CHANGE IN NET ASSETS OPERATING ACTIVITY	\$ 7,339	\$ 31,872	\$ (36,524)	\$ (68,169)	\$ (18,455)	\$ (83,937)	\$ 1,048	\$ 120,370	\$ 36,776	\$ (224,698)