

**FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON**

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

# FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

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## Independent Auditors' Report

Board of Directors  
Florence Crittenton Services of Greater Washington  
Silver Spring, Maryland

We have audited the accompanying financial statements of Florence Crittenton Services of Greater Washington (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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.

### **Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

Independent Auditors' Report (continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florence Crittenton Services of Greater Washington as of June 30, 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.

**Prior Period Financial Statements**

The financial statements of Florence Crittenton Services of Greater Washington as June 30, 2018, were audited by other auditors whose report dated April 18, 2019, expressed an unmodified opinion on those statements.

*Weylich, Cronin & Serra, LLC*

Hunt Valley, MD  
February 18, 2020

**Florence Crittenton Services of Greater Washington**

Statements of Financial Position

June 30, 2019 and 2018

ASSETS

|                                     | 2019         | 2018         |
|-------------------------------------|--------------|--------------|
| <b>CURRENT ASSETS:</b>              |              |              |
| Cash and cash equivalents           | \$ 254,682   | \$ 261,120   |
| Investments                         | 1,031,133    | 935,904      |
| Accounts receivable                 | 388,478      | 191,159      |
| Contributions and grants receivable | 195,000      | 65,000       |
| Prepaid expenses                    | 11,048       | 15,362       |
| Total Current Assets                | 1,880,341    | 1,468,545    |
| <br><b>PROPERTY AND EQUIPMENT:</b>  |              |              |
| Land                                | 90,000       | 90,000       |
| Building                            | 158,385      | 158,385      |
| Equipment                           | 61,244       | 61,244       |
| Building improvements               | 23,394       | 23,394       |
| Automobile                          | - 0 -        | 24,793       |
|                                     | 333,023      | 357,816      |
| Less: accumulated depreciation      | 231,572      | 251,133      |
| Total Property and Equipment        | 101,451      | 106,683      |
| <br><b>NONCURRENT ASSETS:</b>       |              |              |
| Investments held for endowment      | 42,087       | 42,087       |
| Contributions and grants receivable | 150,000      | - 0 -        |
| Total Noncurrent Assets             | 192,087      | 42,087       |
| TOTAL ASSETS                        | \$ 2,173,879 | \$ 1,617,315 |

LIABILITIES AND NET ASSETS

|                                       |              |              |
|---------------------------------------|--------------|--------------|
| <b>CURRENT LIABILITIES:</b>           |              |              |
| Accounts payable and accrued expenses | \$ 84,193    | \$ 17,264    |
| Compensated absences                  | 25,998       | 22,593       |
| Total Current Liabilities             | 110,191      | 39,857       |
| <br><b>NET ASSETS:</b>                |              |              |
| Without donor restrictions            | 1,600,601    | 1,513,336    |
| With donor restrictions               | 463,087      | 64,122       |
| Total Net Assets                      | 2,063,688    | 1,577,458    |
| TOTAL LIABILITIES AND NET ASSETS      | \$ 2,173,879 | \$ 1,617,315 |

See accompanying notes to financial statements

**Florence Crittenton Services of Greater Washington**

Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2019 and 2018

|   | 2019                          |                            |                     | 2018                          |                            |                     |
|---|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
|   | Without<br>Donor Restrictions | With<br>Donor Restrictions | Total               | Without<br>Donor Restrictions | With<br>Donor Restrictions | Total               |
| <b>SUPPORT AND REVENUE</b>  |                               |                            |                     |                               |                            |                     |
| Contract income   | \$ 1,093,006                  | \$ - 0 -                   | \$ 1,093,006        | \$ 763,711                    | \$ - 0 -                   | \$ 763,711          |
| Contributions and grants  | 300,544                       | 421,000                    | 721,544             | 362,959                       | - 0 -                      | 362,959             |
| Special event, net of direct costs<br>(2019 \$34,976 and 2018 \$30,266) | 285,487                       | - 0 -                      | 285,487             | 200,682                       | - 0 -                      | 200,682             |
| Investment income, net  | 95,742                        | - 0 -                      | 95,742              | 72,588                        | - 0 -                      | 72,588              |
| Bequests  | 49,303                        | - 0 -                      | 49,303              | 49,630                        | - 0 -                      | 49,630              |
| In-kind contributions   | - 0 -                         | - 0 -                      | - 0 -               | 1,204                         | - 0 -                      | 1,204               |
| Gain on sale of asset   | 13,200                        | - 0 -                      | 13,200              | - 0 -                         | - 0 -                      | - 0 -               |
| Released from restrictions  | 22,035                        | (22,035)                   | - 0 -               | 39,250                        | (39,250)                   | - 0 -               |
| <b>TOTAL SUPPORT AND REVENUE</b>  | <b>1,859,317</b>              | <b>398,965</b>             | <b>2,258,282</b>    | <b>1,490,024</b>              | <b>(39,250)</b>            | <b>1,450,774</b>    |
| <b>EXPENSES</b>   |                               |                            |                     |                               |                            |                     |
| Program services  | 1,341,679                     | - 0 -                      | 1,341,679           | 993,793                       | - 0 -                      | 993,793             |
| Management and general  | 85,272                        | - 0 -                      | 85,272              | 75,285                        | - 0 -                      | 75,285              |
| Fundraising   | 345,101                       | - 0 -                      | 345,101             | 291,019                       | - 0 -                      | 291,019             |
| <b>TOTAL EXPENSES</b>   | <b>1,772,052</b>              | <b>- 0 -</b>               | <b>1,772,052</b>    | <b>1,360,097</b>              | <b>- 0 -</b>               | <b>1,360,097</b>    |
| <b>CHANGE IN NET ASSETS</b>   | <b>87,265</b>                 | <b>398,965</b>             | <b>486,230</b>      | <b>129,927</b>                | <b>(39,250)</b>            | <b>90,677</b>       |
| <b>NET ASSETS AT BEGINNING OF YEAR</b>                                  | <b>1,513,336</b>              | <b>64,122</b>              | <b>1,577,458</b>    | <b>1,383,409</b>              | <b>103,372</b>             | <b>1,486,781</b>    |
| <b>NET ASSETS AT END OF YEAR</b>  | <b>\$ 1,600,601</b>           | <b>\$ 463,087</b>          | <b>\$ 2,063,688</b> | <b>\$ 1,513,336</b>           | <b>\$ 64,122</b>           | <b>\$ 1,577,458</b> |

See accompanying notes to financial statements

**Florence Crittenton Services of Greater Washington**

Statements of Functional Expenses  
For the Years Ended June 30, 2019 and 2018

|   | 2019                |                        |                   |                     | 2018              |                        |                   |                     |
|---|---------------------|------------------------|-------------------|---------------------|-------------------|------------------------|-------------------|---------------------|
|   | Program Services    | Management and General | Fundraising       | Total               | Program Services  | Management and General | Fundraising       | Total               |
| Salaries                                | \$ 555,177          | \$ 26,286              | \$ 182,635        | \$ 764,098          | \$ 405,181        | \$ 35,902              | \$ 143,988        | \$ 585,071          |
| Employee benefits and taxes             | 92,963              | 5,743                  | 29,718            | 128,424             | 73,479            | 6,505                  | 26,630            | 106,614             |
|   | <u>648,140</u>      | <u>32,029</u>          | <u>212,353</u>    | <u>892,522</u>      | <u>478,660</u>    | <u>42,407</u>          | <u>170,618</u>    | <u>691,685</u>      |
| Automobile and van                      | 7,732               | 399                    | 1,958             | 10,089              | 3,904             | 119                    | 483               | 4,506               |
| Communications                          | 31,155              | 1,335                  | 8,315             | 40,805              | 21,299            | 1,737                  | 7,461             | 30,497              |
| Conferences                             | 3,296               | 60                     | 3,647             | 7,003               | 1,076             | 163                    | 29,917            | 31,156              |
| Consultants                             | 411,650             | 4,790                  | 86,190            | 502,630             | 254,107           | 2,394                  | 43,328            | 299,829             |
| Depreciation expense                    | 5,232               | - 0 -                  | - 0 -             | 5,232               | 3,237             | 317                    | 1,246             | 4,800               |
| In-kind support                         | - 0 -               | - 0 -                  | - 0 -             | - 0 -               | 1,204             | - 0 -                  | - 0 -             | 1,204               |
| Insurance                               | 5,826               | 1,323                  | 1,823             | 8,972               | 6,168             | 3,353                  | 1,633             | 11,154              |
| Interest                                | - 0 -               | - 0 -                  | - 0 -             | - 0 -               | 8,733             | 857                    | 3,723             | 13,313              |
| Meals and travel                        | 8,132               | 1,416                  | 5,024             | 14,572              | 3,817             | 2,114                  | 2,909             | 8,840               |
| Occupancy, utility, and building repair | 19,220              | 3,108                  | 6,068             | 28,396              | 13,152            | 1,093                  | 4,963             | 19,208              |
| Office expenses                         | 17,055              | 2,443                  | 6,321             | 25,819              | 12,711            | 3,943                  | 4,491             | 21,145              |
| Other expenses                          | 1,906               | 432                    | 2,009             | 4,347               | 1,571             | 67                     | 183               | 1,821               |
| Printing and promotion                  | 1,631               | 22                     | 3,188             | 4,841               | 3,641             | 303                    | 1,453             | 5,397               |
| Professional fees                       | 31,532              | 37,116                 | 6,386             | 75,034              | 59,690            | 15,878                 | 18,462            | 94,030              |
| Student activities                      | 148,938             | 424                    | 1,402             | 150,764             | 120,612           | 34                     | 64                | 120,710             |
| Licenses, and permits                   | 234                 | 375                    | 417               | 1,026               | 211               | 506                    | 85                | 802                 |
|   | <u>\$ 1,341,679</u> | <u>\$ 85,272</u>       | <u>\$ 345,101</u> | <u>\$ 1,772,052</u> | <u>\$ 993,793</u> | <u>\$ 75,285</u>       | <u>\$ 291,019</u> | <u>\$ 1,360,097</u> |

See accompanying notes to the financial statements

**Florence Crittenton Services of Greater Washington**

Statements of Cash Flows  
For the Years Ended June 30, 2019 and 2018

|   | 2019       | 2018       |
|---|------------|------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES:</b>   |            |            |
| Change in net assets  | \$ 486,230 | \$ 90,677  |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |            |            |
| Depreciation expense  | 5,232      | 4,800      |
| Gain on asset disposition   | (13,200)   | - 0 -      |
| Net realized and unrealized gain on investments   | (70,427)   | (38,759)   |
| Increase (decrease) in accounts receivable  | (197,319)  | (25,874)   |
| Increase (decrease) in contributions and grants receivable                                  | (280,000)  | 23,531     |
| Decrease in prepaid expenses  | 4,314      | 4,004      |
| Decrease in investment receivable   | - 0 -      | 1,748      |
| Increase in accounts payable and accrued expenses   | 66,929     | 4,927      |
| Increase in compensated absences  | 3,405      | 4,827      |
|   | 5,164      | 69,881     |
| <b>CASH FLOW FROM INVESTING ACTIVITIES:</b>   |            |            |
| Proceeds from sale of investments   | 84,914     | 859,980    |
| Purchase of investments   | (109,716)  | (649,686)  |
| Purchase of property and equipment  | - 0 -      | (4,980)    |
| Proceeds from disposition of asset  | 13,200     | - 0 -      |
|   | (11,602)   | 205,314    |
| <b>CASH FLOW FROM FINANCING ACTIVITIES:</b>   |            |            |
| Payments on line of credit  | - 0 -      | (494,531)  |
|   | - 0 -      | (494,531)  |
| <b>NET DECREASE IN CASH</b>   | (6,438)    | (219,336)  |
| <b>CASH AT BEGINNING OF YEAR</b>  | 261,120    | 480,456    |
| <b>CASH AT END OF YEAR</b>  | \$ 254,682 | \$ 261,120 |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                                    |            |            |
| Interest paid   | \$ - 0 -   | \$ 13,313  |

See accompanying notes to financial statements



# Florence Crittenton Services of Greater Washington

Notes to Financial Statements  
June 30, 2019 and 2018

## 1. Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities - Florence Crittenton Services of Greater Washington (the Organization) is a nonprofit organization incorporated in 1895. The Organization provides educational services to groups of teen girls and young women to build self-efficacy skills through its SNEAKERS program, and provides parenting and prenatal education to young mothers through its PEARLS program. The Organization funds its program and supporting services primarily through contracts from non-federal governments, and contributions and grants from individuals, foundations, and corporations.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect receivables, payables, and other assets and liabilities. As such, revenue is recognized when earned and expenditures when incurred.

Financial Statement Presentation - The Organization is required to report 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.

Net assets without donor restrictions represent the portion of net assets that is not subject to donor-imposed restrictions. Such net assets are available for use at the discretion of management and/or the Board of Directors for general operating purposes. The Board of Directors may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net assets with donor restrictions represent the portion of net assets that is subject to donor-imposed restrictions. Such restrictions may specify a purpose for which, or time in which, resources can be used. Some net assets with donor restrictions include stipulations that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy.

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 certain reported amounts of assets, liabilities and disclosure at the date of the financial statements and certain reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all money market accounts to be cash equivalents. The Organization excludes cash restricted for permanent endowments from cash and cash equivalents.

# Florence Crittenton Services of Greater Washington

## Notes to Financial Statements June 30, 2019 and 2018

### 1. Summary of Significant Accounting Policies (continued)

Investments – Investments are measured at fair value and are composed of marketable equity securities, municipal bonds, money market funds, corporate bonds, mutual funds and U.S. government and agency bonds. Fair value is 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. Unrealized gains or losses on investments are determined by the change in fair value at the beginning and the end of the reporting period. Money market funds held in investment portfolios are included in investments in the accompanying statements of financial position. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Accounts Receivable - Accounts receivable are uncollateralized obligations, stated at the invoice amount, that do not accrue interest. Accounts receivable primarily represent amounts due from government agencies. All receivables are expected to be received within one year. The Organization provides an allowance for doubtful accounts based on an estimate of probable uncollectible accounts. As of June 30, 2019 and 2018, all accounts receivables were deemed fully collectible by management and, as such, no allowance has been deemed necessary.

Contributions and Grants Receivable – Contributions and grants receivable represent amounts due from foundations and other organizations. Grants made to the Organization are recorded as a receivable and as revenue as of the date the grants are awarded, if the awards are unconditional or if the conditions for recognition have been met. Long-term contributions and grants represent amounts due in more than one year and are recorded at the present value of such future payments. Management believes all receivables are fully collectible based on historical experience; and therefore, no allowance is provided for the years ended June 30, 2019 and 2018.

Property and Equipment - Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Expenditures for maintenance and repairs are charged against operations as expended. Renewals and betterments that materially extend the life of the assets are capitalized. The Organization's policy is to capitalize all property expenditures and renewals and betterments greater than \$500 with a useful life of a year or more. The cost or fair value of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expense.

# Florence Crittenton Services of Greater Washington

## Notes to Financial Statements June 30, 2019 and 2018

### 1. Summary of Significant Accounting Policies (continued)

| <u>Category</u>       | <u>Years</u> |
|-----------------------|--------------|
| Building              | 20           |
| Building Improvements | 7 - 15       |
| Equipment             | 5 - 7        |
| Automobile            | 5            |

Revenue and Support - Contributions and grants received are recorded as revenue with or without donor restrictions depending on the existence and nature of any such restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions and support that are restricted by donors are recorded as revenue without donor restrictions if the restriction is satisfied in the same year as the contribution is received. Revenue under grants and contributions are recognized when unconditional promises to give are made by donors or when conditions are substantially met.

Revenue under cost reimbursable contracts or grants are recognized based upon direct costs incurred plus allowable indirect costs. Contracts from fixed fee contracts with government agencies is recognized over the contract period. When grants or other fees are exchange transactions, wherein the Organization has to perform services in order to earn the income, revenue is recognized when the services are performed. Accordingly, deferred revenue is recorded on these types of grants when funds are received but revenue has not been earned.

Contributed Services - Contributed professional services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization received \$ -0- and \$1,204 of donated catering services during the years ended June 30, 2019 and 2018, respectively.

Functional Allocation of Expenses – Expenses are presented by both function and natural classification in the statement of functional expenses. Expenses that are directly identifiable with a particular function are charged to the program or supporting service benefited. Other expenses may benefit more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and benefits which are allocated on the basis of estimated time and effort along with other expenses which are allocated based on management’s estimate of time spent on each function when the costs were incurred.

Income Taxes – The Organization has been classified as a not for profit organization, other than a private foundation, and has been recognized by the Internal Revenue Service as exempt from federal and state income taxes pursuant to Internal Revenue Code 501(c)(3). The Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for fiscal years before 2016.

## Florence Crittenton Services of Greater Washington

### Notes to Financial Statements June 30, 2019 and 2018

#### 1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement – In August 2016, The Financial Accounting Standard Board (FASB) issued Accounting Standards Update 2016-14 (ASU 2016-14), *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization’s financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 6).

The changes have had the following effect on net assets at June 30, 2018:

|                                       | As Originally<br>Presented | After Adoption of<br>ASU 2016-14 |
|---------------------------------------|----------------------------|----------------------------------|
| Unrestricted net assets               | \$ 1,513,336               | \$ - 0 -                         |
| Temporarily restricted net assets     | 22,035                     | - 0 -                            |
| Permanently restricted net assets     | 42,087                     | - 0 -                            |
| Net assets without donor restrictions | - 0 -                      | 1,513,336                        |
| Net assets with donor restrictions    | - 0 -                      | 64,122                           |
|                                       | \$ 1,577,458               | \$ 1,577,458                     |

In addition, certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform to the current period presentation.

**Florence Crittenton Services of Greater Washington**

Notes to Financial Statements  
June 30, 2019 and 2018

2. Investments

Investments consisted of the following for the years ended June 30:

|                                     | 2019             | 2018           |
|-------------------------------------|------------------|----------------|
| Marketable equity securities        | \$ 447,267       | \$ 467,068     |
| Municipal bonds                     | 528,447          | 442,461        |
| Money market funds                  | 50,129           | 21,685         |
| Corporate bonds                     | 21,001           | 19,531         |
| Mutual Funds                        | 18,420           | 19,011         |
| U.S government agency bonds         | 1,755            | 2,034          |
| <br>Total investments at fair value | <br>1,067,019    | <br>971,790    |
| Accrued interest receivable         | 6,201            | 6,201          |
| <br>Total funds held for investment | <br>\$ 1,073,220 | <br>\$ 977,991 |

Included in the total investments is the investments held for endowment in the amount of \$42,087 at both June 30, 2019 and 2018.

The following schedule summarizes the investment return in the statements of activities as of June 30:

|                             | 2019      | 2018      |
|-----------------------------|-----------|-----------|
| Interest and dividends      | \$ 30,764 | \$ 40,373 |
| Net realized gains          | 40,207    | 72,440    |
| Net unrealized gains (loss) | 30,220    | (33,681)  |
| Investment management fees  | (5,449)   | (6,544)   |
|                             | \$ 95,742 | \$ 72,588 |

# Florence Crittenton Services of Greater Washington

## Notes to Financial Statements June 30, 2019 and 2018

### 3. Fair Value Measurements

The fair value measurement accounting literature establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1); Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available. There are no assets requiring the use of Level 3 inputs for the periods presented.

Following is a description of the valuation methodologies used for assets measured at fair value.

#### *Level 1 Fair Value Measurements*

Money market funds, stocks, and mutual funds are valued at the closing price reported on the active market on which the individual securities are traded.

#### *Level 2 Fair Value Measurements*

Investments that trade in markets that are not considered to be active, but are valued based on dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These investments include certain municipal securities, corporate securities, and asset backed securities. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or transferability, which are generally based on available market information.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## Florence Crittenton Services of Greater Washington

### Notes to Financial Statements June 30, 2019 and 2018

#### 3. Fair Value Measurements (continued)

Fair values consisted of the following at June 30:

|                              | 2019              |   |  |                           |
|------------------------------|-------------------|---|--|---------------------------|
|                              | Cost              | Quoted Prices<br>in Active Markets<br>for Identical Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Unrealized<br>Gain (Loss) |
| Marketable equity securities | \$ 222,394        | \$ 447,267  | \$ - 0 -   | \$ 224,873                |
| Municipal bonds              | 498,232           | - 0 -   | 528,447  | 30,215                    |
| Money Market Funds           | 50,129            | 50,129  | - 0 -  | - 0 -                     |
| Corporate bonds              | 19,520            | - 0 -   | 21,001   | 1,481                     |
| Mutual Funds                 | 20,102            | 18,420  | - 0 -  | (1,682)                   |
| U.S government agency bonds  | 657               | - 0 -   | 1,755  | 1,098                     |
| <b>Total</b>                 | <b>\$ 811,034</b> | <b>\$ 515,816</b>   | <b>\$ 551,203</b>                                      | <b>\$ 255,985</b>         |

  

|                              | 2018              |   |  |                           |
|------------------------------|-------------------|---|--|---------------------------|
|                              | Cost              | Quoted Prices<br>in Active Markets<br>for Identical Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Unrealized<br>Gain (Loss) |
| Marketable equity securities | \$ 249,506        | \$ 467,068  | \$ - 0 -   | \$ 217,562                |
| Municipal bonds              | 434,536           | - 0 -   | 442,461  | 7,925                     |
| Money Market Funds           | 21,685            | 21,685  | - 0 -  | - 0 -                     |
| Corporate bonds              | 19,487            | - 0 -   | 19,531   | 44                        |
| Mutual Funds                 | 20,102            | 19,011  | - 0 -  | (1,091)                   |
| U.S government agency bonds  | 709               | - 0 -   | 2,034  | 1,325                     |
| <b>Total</b>                 | <b>\$ 746,025</b> | <b>\$ 507,764</b>   | <b>\$ 464,026</b>                                      | <b>\$ 225,765</b>         |

The Organization's policy is to recognize transfers between levels in the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. For the years ended June 30, 2019 and 2018, there were no transfers into or out of Level 2 or 3.

#### 4. Contributions Receivable

Unconditional promises to give are recorded as receivables and revenue when the promise is received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions receivable are expected to be realized in the following periods:

|                                 | 2019              | 2018             |
|---------------------------------|-------------------|------------------|
| Receivables to be collect in:   |                   |                  |
| Less than one year              | \$ 195,000        | \$ 65,000        |
| 1-5 years                       | 150,000           | - 0 -            |
| <b>Contributions receivable</b> | <b>\$ 345,000</b> | <b>\$ 65,000</b> |

Management has not provided a discount to net present value for receivables greater than one year, as it is immaterial to the financial statements.

**Florence Crittenton Services of Greater Washington**

Notes to Financial Statements  
June 30, 2019 and 2018

5. Restrictions on Net Assets

Net assets with donor restrictions as of June 30, 2019 and 2018 represent the following:

|   | <u>2019</u>              | <u>2018</u>             |
|---|--------------------------|-------------------------|
| Purpose restrictions, available for spending:                                     |                          |                         |
| MD SNEAKERS   | \$ - 0 -                 | \$ 17,000               |
| Scholarships  | - 0 -                    | 5,035                   |
| PEARLS  | 2,000                    | - 0 -                   |
|   | <u>2,000</u>             | <u>22,035</u>           |
| <br>Time restrictions for future years  | <br><u>419,000</u>       | <br><u>- 0 -</u>        |
| <br>Endowment subject to the Organization's<br>spending policy and appropriation: |                          |                         |
| General Endowment   | <u>42,087</u>            | <u>42,087</u>           |
|   | <u><u>\$ 463,087</u></u> | <u><u>\$ 64,122</u></u> |

Net assets with donor restrictions were released during the years ended June 30, 2019 and 2018 as follows:

|                     | <u>2019</u>             | <u>2018</u>             |
|---------------------|-------------------------|-------------------------|
| Purpose Restricted: |                         |                         |
| MD SNEAKERS         | \$ 17,000               | \$ - 0 -                |
| Scholarships        | 5,035                   | - 0 -                   |
| Time Restricted     | <u>- 0 -</u>            | <u>39,250</u>           |
|                     | <u><u>\$ 22,035</u></u> | <u><u>\$ 39,250</u></u> |



## Florence Crittenton Services of Greater Washington

### Notes to Financial Statements June 30, 2019 and 2018

#### 6. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| Financial assets at year end   | \$ 1,869,293        | \$ 1,453,183        |
| Less those unavailable for general expenditures within one year, due to:               |                     |                     |
| Restricted by donors with purpose or time restrictions                                 | <u>(271,000)</u>    | <u>(22,035)</u>     |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,598,293</u> | <u>\$ 1,431,148</u> |

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically money market funds.

#### 7. Endowments – Donor Designated

The Organization's endowment consists of a gift which is to be maintained in perpetuity. Investment income including investment appreciation or depreciation has been allocated to net assets without donor restrictions in accordance with ASC Topic 958, due to the absence of donor explicit stipulation to the contrary.

##### *Interpretation of Relevant Law*

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate accumulated donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the application of investments, (6) other resources of the Organization, and (7) the investment policies of the organization.

## Florence Crittenton Services of Greater Washington

Notes to Financial Statements  
June 30, 2019 and 2018

### 7. Endowments – Donor Designated (continued)

#### *Investment Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets.

#### *Strategies Employed for Achieving Objectives*

The Organization utilizes a total return strategy in which investment returns are achieved through a combination of capital appreciation and current income through dividends and interest. The Organization targets a diversified asset allocation between equities and bonds creating an optimal risk-reward balance.

#### *Spending Policy*

The Organization's board of directors approves endowment spending as part of its annual budget review. As part of the budget process, the Organization considers the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to keep the principal intact. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term. The amounts appropriated for distribution as of June 30, 2019 and 2018 was \$3,755 and \$3,124.

#### *Endowment Fund Deficiencies*

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. There were no such deficiencies as of June 30, 2019 or 2018.

Change in Endowment net assets with donor restrictions for the years ended June 30:

|   | 2019             | 2018             |
|---|------------------|------------------|
| Endowment net assets at beginning of year | \$ 42,087        | \$ 42,087        |
| Investment return                         | 3,755            | 3,124            |
| Amounts appropriated for expenditure      | (3,755)          | (3,124)          |
| Endowment net assets at end of year       | <u>\$ 42,087</u> | <u>\$ 42,087</u> |

### 8. Distributions from Trusts

The Organization is a beneficiary of two separate trusts. A trust created in 1925 under the will of George Peebles Lumsden allows for periodic distributions to several beneficiaries for the duration of the trust. Distributions to the Organization for the years ended June 30, 2019 and 2018 were \$3,747 and \$4,074, respectively.

## Florence Crittenton Services of Greater Washington

### Notes to Financial Statements June 30, 2019 and 2018

#### 8. Distributions from Trusts (continued)

A trust created in 1976 under the will of William R. Winslow, includes the Organization as one of five beneficiaries receiving distributions. Distributions to the Organization for the years ended June 30, 2019 and 2018 was \$45,556. Distributions from these trusts are included in bequests in the accompanying statements of activities.

The value of these bequests is not determinable, and accordingly, no assets were recognized for them by the Organization.

#### 9. Lease Commitments

The Organization entered into a non-cancelable operating lease agreement for office equipment and maintenance that commenced in February 2018 and expires February 2023. The terms of the operating lease require monthly payments of \$834, plus additional fees for usage over the contracted amount. Expenses related to the lease and reported as occupancy, utility, and building in the statements of functional expenses were \$11,537 and \$5,156 for the years ended June 30, 2019 and 2018, respectively. At June 30, 2019, the minimum future lease payments under the lease are as follows for the years ending June 30:

|                                     |    |               |
|-------------------------------------|----|---------------|
| 2020                                | \$ | 10,008        |
| 2021                                |    | 10,008        |
| 2022                                |    | 10,008        |
| 2023                                |    | <u>6,672</u>  |
| Total future minimum lease payments | \$ | <u>36,696</u> |

#### 10. Concentrations of Credit Risk and Uncertainties

In the ordinary course of business, the Organization's cash and investment balances may exceed the FDIC and SIPC insurance limits. The Organization and its investment manager continually review credit concentrations as part of its asset and liability management.

The Organization may invest in various types of marketable debt and equity securities. Marketable securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain marketable securities, it is possible that changes in the values of these securities may occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

The Organization received 48% and 53% of its revenue from a District of Columbia government agency during the years ended June 30, 2019 and 2018, respectively. In addition, the amount due from this agency consisted of 51% and 74% of receivables at June 30, 2019 and 2018.

## **Florence Crittenton Services of Greater Washington**

### Notes to Financial Statements June 30, 2019 and 2018

#### 11. Line of Credit

The Organization had a \$250,000 line of credit. The line was secured by substantially all of the Organization's assets. Interest rate was computed at the prime rate plus 1.25%. The line of credit balance was paid in full during the year ended June 30, 2018, at which time the line of credit was closed.

#### 12. Subsequent Events

In preparing their financial statement, the Organization has evaluated subsequent events through February 18, 2020, the date which the financial statements were available to be issued.