

PARROTT CREEK CHILD AND
FAMILY SERVICES, INC.

Audited Financial Statements

For the Year Ended June 30, 2022



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Parrott Creek Child and Family Services, Inc.

Opinion

We have audited the accompanying financial statements of Parrott Creek Child and Family Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Parrott Creek Child and Family Services, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Parrott Creek Child and Family Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Parrott Creek Child and Family Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Parrott Creek Child and Family Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Parrott Creek Child and Family Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Parrott Creek Child and Family Services, Inc. 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
December 1, 2022

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2022
(With comparative totals for 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 2,024,655	\$ 996,509
Accounts and grants receivable	726,361	277,269
Contributions receivable	437,500	-
Prepaid expenses	20,730	20,424
Unemployment deposit	61,646	58,864
Cash restricted for long-term purposes	129,754	500,000
Property and equipment, net	1,415,741	1,315,317
 TOTAL ASSETS	 \$ 4,816,387	 \$ 3,168,383
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 113,484	\$ 45,592
Accrued personnel expenses	189,937	168,640
Deferred revenue	937,523	-
Deferred rent liability	31,582	26,360
Total liabilities	1,272,526	240,592
Net assets:		
Without donor restrictions:		
Undesignated	1,175,775	642,646
Net property and equipment	585,741	485,317
Total without donor restrictions	1,761,516	1,127,963
With donor restrictions	1,782,345	1,799,828
Total net assets	3,543,861	2,927,791
 TOTAL LIABILITIES AND NET ASSETS	 \$ 4,816,387	 \$ 3,168,383

See notes to financial statements.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2022
(With comparative totals for 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating revenue and support:				
Contributions	\$ 256,722	\$ 436,341	\$ 693,063	\$ 544,393
Grants and contracts	2,276,015	-	2,276,015	2,565,410
Donated assets, materials, and services	195,600	-	195,600	237,571
Management services	170,806	-	170,806	84,975
Other income	22,123	-	22,123	2,703
Net assets released from restrictions:				
Satisfaction of purpose restrictions	980,324	(980,324)	-	-
Total operating revenue and support	3,901,590	(543,983)	3,357,607	3,435,052
Expenses:				
Program services	2,569,417	-	2,569,417	2,122,956
Management and general	222,496	-	222,496	240,724
Fundraising	147,698	-	147,698	119,832
Total expenses	2,939,611	-	2,939,611	2,483,512
Income from operating activities	961,979	(543,983)	417,996	951,540
Non-operating activities:				
Donated property	-	-	-	830,000
Capital campaign contributions and pledges	-	526,500	526,500	-
Capital campaign expenses	(328,426)	-	(328,426)	(93,903)
Loss on disposal of property	-	-	-	(30,125)
Change in net assets	633,553	(17,483)	616,070	1,657,512
Net assets:				
Beginning of year	1,127,963	1,799,828	2,927,791	1,270,279
End of year	\$ 1,761,516	\$ 1,782,345	\$ 3,543,861	\$ 2,927,791

See notes to financial statements.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022
(With comparative totals for 2021)

	Program Services			Management and General	Fund- raising	2022 Total	2021 Total
	Residential Programs	Community Programs	Total Program Services				
Salaries and related expenses	\$ 1,377,465	\$ 488,643	\$ 1,866,108	\$ 96,046	\$ 112,164	\$ 2,074,318	\$ 1,690,981
Professional fees	250,768	17,370	268,138	69,283	259,928	597,349	370,978
Direct client assistance	135,068	16,103	151,171	6,091	4,423	161,685	122,994
Rent	16,156	41,756	57,912	7,880	131	65,923	50,907
Building maintenance and utilities	22,588	58,379	80,967	11,018	184	92,169	75,391
Depreciation	48,985	2,996	51,981	-	583	52,564	46,614
Telephone	4,366	11,283	15,649	2,129	35	17,813	14,775
Office expense	15,965	1,700	17,665	13,228	4,886	35,779	36,869
Travel and transportation	8,618	3,524	12,142	405	1,567	14,114	12,373
Insurance	4,490	897	5,387	4,369	16,354	26,110	38,019
Equipment and maintenance	1,643	2,475	4,118	1,162	2,713	7,993	12,426
Miscellaneous	15,229	2,168	17,397	10,132	71,665	99,194	41,611
Conferences, dues, and training	11,199	1,357	12,556	455	388	13,399	30,321
Supplies	7,337	889	8,226	298	1,103	9,627	33,156
Total expenses	<u>1,919,877</u>	<u>649,540</u>	<u>2,569,417</u>	<u>222,496</u>	<u>476,124</u>	<u>3,268,037</u>	<u>2,577,415</u>
Less capital campaign expenses reported as non-operating	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(328,426)</u>	<u>(328,426)</u>	<u>(93,903)</u>
Total expenses-operations	<u>\$ 1,919,877</u>	<u>\$ 649,540</u>	<u>\$ 2,569,417</u>	<u>\$ 222,496</u>	<u>\$ 147,698</u>	<u>\$ 2,939,611</u>	<u>\$ 2,483,512</u>

See notes to financial statements.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2022
(With comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from contributors	\$ 693,063	\$ 516,393
Cash received from grants and contracts	2,764,446	2,178,368
Cash received from refundable advance and other receipts	192,929	87,678
Cash paid for personnel expenses	(2,053,021)	(1,685,260)
Cash paid for operating expenses	<u>(891,583)</u>	<u>(590,536)</u>
Net cash flows from operating activities	<u>705,834</u>	<u>506,643</u>
 Cash flows from investing activities:		
Purchase of property and equipment	<u>(136,934)</u>	<u>(25,082)</u>
Net cash flows from in investing activities	<u>(136,934)</u>	<u>(25,082)</u>
 Cash flows from financing activities:		
Capital campaign contributions	<u>89,000</u>	<u>-</u>
Net cash flows from financing activities	<u>89,000</u>	<u>-</u>
 Net change in cash and cash equivalents	657,900	481,561
 Cash and cash equivalents - beginning of year	<u>1,496,509</u>	<u>1,014,948</u>
 Cash and cash equivalents - end of year	<u>\$ 2,154,409</u>	<u>\$ 1,496,509</u>
 Reconciliation to statement of financial position		
Cash and cash equivalents	\$ 2,024,655	\$ 996,509
Cash restricted for long-term purposes	<u>129,754</u>	<u>500,000</u>
	<u>\$ 2,154,409</u>	<u>\$ 1,496,509</u>
 Noncash operating and investing activity		
Property donation	<u>\$ -</u>	<u>\$ 830,000</u>

See notes to financial statements.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. THE ORGANIZATION

Parrott Creek Child and Family Services, Inc. (Parrott Creek or the Organization) is an Oregon nonprofit corporation providing social services to children and families who face barriers to success due to trauma, poverty, substance misuse, systemic racism, lack of social and job skills and involvement with the juvenile court system and/or the child welfare system. Funding for services is provided primarily through contracts with the State of Oregon and Clackamas County.

The following is the Organization's mission statement:

“In partnership with others, Parrott Creek helps families and youth identify strengths and develop skills that build stronger families and a safer community.”

History and Organizational Background

Parrott Creek's service history is a 53 year story of local vision and true community commitment. We were founded in 1968 through a citizen-approved bond levy that purchased a farm house and 80 acres of soul-reviving woodland. We launched Parrott Creek Ranch to help kids get away from negative influences and avoid incarceration. Since then we have grown into a robust organization providing a diverse array of culturally responsive, community-based services - from early interventions and community programs through to and including outpatient treatment, Traditional Health Worker support and residential treatment.

Grounded in a child-centered ethos of love and unconditional positive regard, every year we serve approximately 800 of the most vulnerable and at-risk children and families in communities local to us. We ensure that our programs are accessible, trauma-informed and feel safe for Black, Indigenous and Communities of Color to engage with and benefit from.

We are grounded in our communities have operated locally ever since.

In 1995 the Organization was renamed Parrott Creek Child and Family Services. The programs of the Organization include:

Residential Programs:

The Ranch is a long-term residential treatment program that helps boys involved in the juvenile justice system understand the impacts of their behaviors, learn personal regulation and develop the life skills needed to succeed in school, at home, and in society. Residential stays typically last seven to nine months.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

1. THE ORGANIZATION, Continued

New Era House, launched November 2019 in partnership with Oregon Department of Human Services, provides residential treatment for foster youth in the Child Welfare system. The program helps alleviate the need for Oregon to place youth out of state and to better nurture and care for them close to home. This program works with highly traumatized youth and those with high Adverse Childhood Experience scores who are very difficult to place in biological or foster families.

Located on the same residential campus, both programs provide youth with full day treatment through group, individual and family counseling as well as being enrolled in an alternative, on-site high school operated by the Clackamas Education Service District.

Enrichment activities including sport, art projects, vocational training and community outings enhance treatment and provide a richer experience for youth.

Community Based Adolescent Programs:

LifeGuards is a treatment program for youth ages of 13 and 18 who have sexually harming behaviors and who present low-to-medium risk in relationship to future community safety. Youth are involved in individual and group therapeutic counseling, family supports and developing a safety plan for themselves.

Community Based Family Programs:

Steps to Active Recovery (STAR) provides guidance and support for parents involved with the Child Welfare system because of substance misuse, connecting them to services that encourage safe and stable parenting.

Children & Mothers Program was launched during the COVID-19 pandemic to better serve young women whose substance misuse impacts their ability to safely parent their children and exposes them to higher risk of contracting the coronavirus. We engage parents in treatment services, help them access preventative healthcare, enter stable housing and reunify with their children/families. Services are provided by peer-mentors/Traditional Health Workers.

In partnership with True Housing, this program provides 25 clean-and-sober housing units, case management and behavioral health support for women and children in SE Portland/North Clackamas area.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

1. THE ORGANIZATION, Continued

Other Community Programs:

Cultural Environmental Education & Trauma Healing Project is a unique and ground-breaking project in collaboration with Friends of Tryon Creek (FOTC) and Native American partners. The project will combine environmental education that honors the culture of native land stewardship with the healing power of the natural world through indigenous practices.

Parrott Creek recognizes that their 80 acres of forest, wetland and creek are ancestral lands of the Clackamas people and they are honoring this legacy through a place-based approach that applies their ancient knowledge and traditions to the healing work we, and our other community partners, do with highly traumatized children and families, and with Black, Indigenous, and People of Color (BIPOC) communities in particular.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service. Other donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Receivables

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Discounting to present value is ignored if the result is not material to the financial statements.

Self-Funded Unemployment Insurance

The Organization is self-insured for unemployment and makes periodic payments to a trust company in an amount equal to estimated future claims. Deposits to the trust are recorded as prepaid expenses and are reduced by claims outstanding at year-end. The unemployment liability consists of claims processed but not yet paid as well as an amount for estimated claims incurred but not yet reported.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. See Note 5.

Deferred Rent Liability

Leases with rent holidays and escalating lease obligations are expensed on a straight-line basis over the lease term. The difference between the lease obligation and the straight-line amount is reflected as a deferred rent liability. The deferred rent liability is approximately \$31,600 and \$26,400 at June 30, 2022 and 2021, respectively.

Revenue Recognition

Revenues from various sources are recognized as follows:

Contributions: Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

Government Grants and Contracts: Government grants and contracts are conditioned upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Organization has been awarded contracts of approximately \$5,430,000 for the period through June 2026 that have not been recognized at June 30, 2022 because qualifying expenditures or performance requirements have not yet been incurred.

Refundable Advance: The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. The Organization received a PPP loan of \$309,200 during 2020 and satisfied the conditions during 2021 and the advance was recognized as government grant revenue.

Donated Assets, Materials, and Services: Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Management Services: Management services are earned on a flat fee monthly basis for administrative and programmatic support services provided to another nonprofit organization.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related expenses, rent, and office expenses which are allocated according to estimates of time, effort and use.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Change in Accounting Principles and Standards

The Organization has implemented FASB ASU 2020-007, *Presentation and Disclosures by Non-Profit Entities for Contributed Nonfinancial Assets* for the year ended June 30, 2022. As a result, nonfinancial assets are disaggregated and presented separately in the statement of activities. In addition, enhanced disclosures include the valuation techniques, functional classification, and any restrictions associated with these types of contributions. The amendments do not change the recognition and measurement requirements. There was no impact on the Organization's financial position and change in net assets upon adoption.

Income Tax Status

Parrott Creek Child and Family Services, Inc. is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and comparable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740 Accounting for Uncertainty in Income Taxes. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Summarized Financial Information for 2021

The financial information as of June 30, 2021 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through December 1, 2022, the date the financial statements were available to be issued.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Standard

Effective for financial statements for the year ending June 30, 2023, the Organization expects to adopt a new accounting standard issued by the Financial Accounting Standards Board (FASB) that will require significant changes in accounting for operating leases under which the Organization is lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes may require certain retrospective adjustments. The qualitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets available for general expenditure consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,154,409	\$ 1,496,509
Accounts and grants receivable	726,361	277,269
Contributions receivable	<u>437,500</u>	<u>-</u>
Total financial assets	3,318,270	1,773,778
Amounts unavailable for general expenditure:		
Net assets with donor restrictions	<u>(952,345)</u>	<u>(969,828)</u>
Financial assets available for general expenditure	<u>\$ 2,365,925</u>	<u>\$ 803,950</u>

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

4. **ACCOUNTS, GRANTS, AND CONTRIBUTIONS RECEIVABLE**

Accounts and grants receivable consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 9,773	\$ 7,490
Grants receivable	<u>716,588</u>	<u>269,779</u>
Total accounts and grants receivable	<u>\$ 726,361</u>	<u>\$ 277,269</u>

Grants receivable are expected to be collected within one year.

Contributions receivable represent capital campaign pledges expected to be collected as follows at June 30, 2022:

	<u>2022</u>
Within one year	\$ 224,000
Within two- five years	<u>213,500</u>
Total contributions receivable	<u>\$ 437,500</u>

5. **PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 473,000	\$ 473,000
Buildings	357,000	357,000
Leasehold improvements	514,437	514,437
Furniture and equipment	59,498	59,498
Vehicles	41,237	33,900
Work in process	<u>170,733</u>	<u>25,082</u>
	1,615,905	1,462,917
Accumulated depreciation	<u>(200,164)</u>	<u>(147,600)</u>
Property and equipment, net	<u>\$ 1,415,741</u>	<u>\$ 1,315,317</u>

Land and buildings were donated by Clackamas County in 2021 and are perpetually restricted for continued use of the existing programs. See Note 6.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

5. PROPERTY AND EQUIPMENT, Continued

The Organization has begun a capital campaign for redevelopment of the ranch campus. Estimated costs to complete the project are \$18 million.

As management begins to look at redevelopment of the ranch campus, the remaining useful life of the property and leasehold improvements will be adjusted once a definitive timeline is determined. At that time, the remaining basis will be depreciated on an accelerated basis prospectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Program restrictions:		
Capital campaign-property redevelopment	\$ 526,500	\$ -
Campaign activities	129,754	500,000
Employee retention	-	339,042
Children and Mothers	101,296	-
Mental health	55,233	-
Environmental enhance	6,826	23,720
Lifeguards	63,947	-
Ranch programs	24,747	-
Workplace development	27,500	91,500
Other programs	<u>16,542</u>	<u>15,566</u>
	952,345	969,828
Perpetual restriction:		
Ranch property	<u>830,000</u>	<u>830,000</u>
Total net assets with donor restrictions	<u>\$ 1,782,345</u>	<u>\$ 1,799,828</u>

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

7. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets consisted of the following for the years ended June 30, 2022 and 2021:

	2022	2021
Property	\$ -	\$ 830,000
Teachers' services (program professional fees)	183,330	219,996
Other materials (program)	12,270	5,075
Other professional services (management professional fees)	-	12,500
Total donated assets, materials, and services	\$ 195,600	\$ 1,067,571

The Organization received the property for its Ranch program in 2021 valued at appraised real estate value.

Donated teacher services are provided under an agreement with the Clackamas Educational School District estimated fair value using current market rates from comparable professionals.

The Organization received contributed professional services for management services recorded at their estimated fair value using current market rates from similar vendors and comparable professionals.

The Organization received supplies that are restricted for use within designated programs. Donated supplies are recorded at fair value and are used to support programs and operations. Fair value is based on the current cost to acquire the supplies and the sales price of comparable supplies.

8. REVENUE FROM CONTRACT WITH CUSTOMER

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable (contract asset) and customer advances and deposits and deferred revenue (contract liabilities) on the statement of financial position.

The Organization's only revenue stream under this arrangement is a management fee earned on a monthly basis as services are provided.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

8. REVENUE FROM CONTRACT WITH CUSTOMER, Continued

Revenues under this contract are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Management fee revenue (over time)	\$ 170,806	\$ 84,975	\$ 7,200

The beginning and ending contract balances are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 97,733	\$ 7,490	\$ 5,000

There are no contract liabilities as of June 30, 2022, 2021, or 2019.

9. RETIREMENT PLAN

The Organization has a tax sheltered retirement plan, as defined under Internal Revenue Code Section 403(b), for all employees who elect to participate. The Organization makes discretionary contributions to participating employees based on years of service, and participants may make contributions through a salary reduction agreement. Contributions to the plan approximated \$28,400 and \$25,000 for the years ended June 30, 2022 and 2021, respectively.

10. LEASE COMMITMENTS

The Organization entered into a lease for office space located in Oregon City under an operating lease agreement that expired in April 2019 and renewed through July 2030. Monthly rent is \$5,339 with scheduled increases. For part of 2021, the office space sustained water damage and rent was abated for the period of vacancy. Total annual facility lease expense under this agreement approximated \$67,600 and \$51,000 for the years ended June 30, 2022 and 2021, respectively.

The Organization leases office equipment under non-cancelable operating leases expiring at various times from April 2021 through September 2022, and month-to-month thereafter. Monthly payments range from \$125 to \$576. Lease expense under equipment leases approximated \$8,400 and \$8,800 for the years ended June 30, 2022 and 2021, respectively.

Total rent expense for the years ended June 30, 2022 and 2021 totaled approximately \$76,000 and \$59,800 respectively.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

10. LEASE COMMITMENTS, Continued

Approximate total future minimum lease payments are as follows:

Year ending June 30, 2023	\$ 70,800
2024	69,100
2025	67,600
2026	67,600
2027	67,600
Thereafter	<u>208,400</u>
Total	<u>\$ 551,100</u>

11. CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

12. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in two financial institutions. The balances at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits are approximately \$1,081,000 and \$499,700 at June 30, 2022 and June 30, 2021, respectively.

The Organization's revenues are concentrated with 66% of total revenues coming from contracts with State of Oregon and Clackamas County agencies for the year ended June 30, 2022 (41% for the year ended June 30, 2021). The property donation from Clackamas County accounts for 20% of revenues in 2021. All receivables are unsecured with 55% of the balances due from two funders at June 30, 2022 (one government, one private) and 69% due from one funder at June 30, 2021 (government).

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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13. RELATED PARTY TRANSACTIONS

The Organization received maintenance services from a board member's family member for approximately \$8,900 during the year ended June 30, 2022. The Organization received donated legal services valued at approximately \$12,500 for the year ended June 30, 2021 from a firm where a board member is employed. See Note 7.