



**CHILDHAVEN**

JUNE 30, 2021 AND 2020  
FINANCIAL STATEMENTS

## Independent Auditors' Report

Board of Directors  
Childhaven  
Seattle, Washington

### **Opinion**

We have audited the accompanying financial statements of Childhaven (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Childhaven as of June 30, 2021 and 2020, 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 audits 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 Childhaven and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Childhaven'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

Board of Directors  
Childhaven  
Seattle, Washington

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 Childhaven'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 Childhaven'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.

*Baker Tilly US, LLP*

Seattle, Washington  
July 26, 2023

# CHILDHAVEN

## STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2021	2020
<b>ASSETS</b>		
Current assets:		
Cash	\$ 5,398,046	\$ 3,690,954
Investments	5,846,513	5,203,731
Service fees receivable, net	642,446	1,279,954
Pledges receivable, net	668,000	791,686
Other receivables	18,033	65,361
Prepaid expenses and other assets	318,244	504,562
Total current assets	12,891,282	11,536,248
Long-term investments	3,246,023	2,832,381
Beneficial interest in perpetual trust	765,174	607,609
Contributions receivable - charitable lead trust	4,531	7,505
Noncurrent pledges receivable	133,611	573,133
Property and equipment, net	10,853,138	11,242,421
	<b>\$ 27,893,759</b>	<b>\$ 26,799,297</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and other liabilities	\$ 312,542	\$ 327,179
Accrued wages and benefits	643,873	599,465
Current portion, PPP loans	1,505,758	430,217
Current portion, note payable	327,471	14,880
Total current liabilities	2,789,644	1,371,741
Deferred compensation plan	51,399	40,599
Deferred rent	105,488	118,538
Paycheck Protection Program (PPP) loans		1,075,541
Note payable, net of current portion		329,192
Defined benefit pension obligation	2,327,877	3,379,563
Total liabilities	5,274,408	6,315,174
Net assets:		
Without donor restrictions	16,020,511	13,931,745
With donor restrictions	6,598,840	6,552,378
Total net assets	22,619,351	20,484,123
Total liabilities and net assets	<b>\$ 27,893,759</b>	<b>\$ 26,799,297</b>

*See notes to financial statements.*

# CHILDHAVEN

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Revenue and support:			
Service fees from governmental and healthcare agencies	\$ 7,545,283		\$ 7,545,283
Contributions, net	3,212,852	\$ 550,669	3,763,521
Special events, net of expenses of \$90,255	494,876		494,876
Government and other grants	250,079		250,079
Investment income, net	537,600	517,103	1,054,703
Other income	179,535	159,400	338,935
Net assets released from restrictions	1,180,710	(1,180,710)	
Total operating revenue and support	13,400,935	46,462	13,447,397
Expenses:			
Program services	8,514,357		8,514,357
Management and general	1,966,986		1,966,986
Fundraising	1,097,413		1,097,413
Total operating expenses	11,578,756		11,578,756
Change in net assets from operating activities	1,822,179	46,462	1,868,641
Non-operating activities:			
Change in pension obligation	266,587		266,587
Total non-operating activities	266,587		266,587
Total change in net assets	<b>2,088,766</b>	<b>46,462</b>	<b>2,135,228</b>
Net assets, beginning of year	13,931,745	6,552,378	20,484,123
Net assets, end of year	<b>\$ 16,020,511</b>	<b>\$ 6,598,840</b>	<b>\$ 22,619,351</b>

*See notes to financial statements.*

# CHILDHAVEN

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Revenue and support:			
Service fees from governmental and healthcare agencies	\$ 6,155,397		\$ 6,155,397
Contributions, net	3,688,161	\$ 1,579,394	5,267,555
Special events, net of expenses of \$220,619	645,891		645,891
Government grants	60,533		60,533
Investment income, net	146,893	165,343	312,236
Other income, net	69,584	136,926	206,510
Net assets released from restrictions	585,165	(585,165)	
Total operating revenue and support	11,351,624	1,296,498	12,648,122
Expenses:			
Program services	9,019,120		9,019,120
Management and general	1,737,172		1,737,172
Fundraising	1,126,556		1,126,556
Total operating expenses	11,882,848		11,882,848
Change in net assets from operating activities	(531,224)	1,296,498	765,274
Non-operating activities:			
Inherent contribution received	2,147,214		2,147,214
Change in pension obligation	(867,689)		(867,689)
Total non-operating activities	1,279,525		1,279,525
Total change in net assets	<b>748,301</b>	<b>1,296,498</b>	<b>2,044,799</b>
Net assets, beginning of year	13,183,444	5,255,880	18,439,324
Net assets, end of year	<b>\$ 13,931,745</b>	<b>\$ 6,552,378</b>	<b>\$ 20,484,123</b>

*See notes to financial statements.*

# CHILDHAVEN

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program services	Management and general	Fundraising	Total
Salaries	\$ 5,088,027	\$ 828,167	\$ 720,256	\$ 6,636,450
Benefits	695,709	58,321	61,615	815,645
Payroll taxes	570,285	124,421	84,736	779,442
Pension, life premiums	154,953	39,251	19,494	213,698
Temporary workers	3,870	78,664		82,534
Total salaries and related expenses	6,512,844	1,128,824	886,101	8,527,769
Bad debt expense		157,585		157,585
Cost of book sales	25,094			25,094
Computing	318,966	21,624	24,628	365,218
Fundraising			38,042	38,042
Insurance	579	179,256		179,835
Interest		17,416		17,416
Occupancy	428,305	5,409	5,619	439,333
Other	176,135	86,796	80,643	343,574
Postage and printing	19,934	1,832	5,284	27,050
Professional fees	194,070	294,175	875	489,120
Recruitment	60	10,599		10,659
Supplies	188,544	7,974	15,064	211,582
Telephone	111,207	4,596	3,552	119,355
Training	67,746	1,591	1,486	70,823
Transportation	19,685	3,335	43	23,063
Total expenses before depreciation	8,063,169	1,921,012	1,061,337	11,045,518
Depreciation	451,188	45,974	36,076	533,238
	<b><u>\$ 8,514,357</u></b>	<b><u>\$ 1,966,986</u></b>	<b><u>\$ 1,097,413</u></b>	<b><u>\$ 11,578,756</u></b>

*See notes to financial statements.*

# CHILDHAVEN

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program services	Management and general	Fundraising	Total
Salaries	\$ 5,547,902	\$ 638,323	\$ 684,809	\$ 6,871,034
Benefits	719,781	113,634	170,432	1,003,847
Payroll taxes	429,630	110,751	53,435	593,816
Pension, life premiums	206,015	30,231	23,377	259,623
Temporary workers	50,776	166,586		217,362
<b>Total salaries and related expenses</b>	<b>6,954,104</b>	<b>1,059,525</b>	<b>932,053</b>	<b>8,945,682</b>
Computing	214,263	12,608	14,302	241,173
Fundraising			44,412	44,412
Insurance	3,447	160,818		164,265
Occupancy	474,214	2,221	2,751	479,186
Other	117,227	53,108	13,147	183,482
Postage and printing	10,532	4,582	24,216	39,330
Professional fees	273,960	367,957	61,122	703,039
Recruitment	1,238	30,473		31,711
Supplies	250,381	4,912	4,437	259,730
Telephone	78,098	2,955	2,430	83,483
Training	33,718	2,923	1,348	37,989
Transportation	271,299	3,596	442	275,337
<b>Total expenses before depreciation</b>	<b>8,682,481</b>	<b>1,705,678</b>	<b>1,100,660</b>	<b>11,488,819</b>
Depreciation	336,639	31,494	25,896	394,029
	<b><u>\$ 9,019,120</u></b>	<b><u>\$ 1,737,172</u></b>	<b><u>\$ 1,126,556</u></b>	<b><u>\$ 11,882,848</u></b>

*See notes to financial statements.*



# CHILDHAVEN

## STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,135,228	\$ 2,044,799
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	533,238	394,029
Inherent contributions received		(2,147,214)
Gains on investments, net	(1,066,744)	(320,989)
Contributions restricted to endowments	(220,850)	(100,018)
Contributed stock	(270,989)	(233,362)
Gain on disposition of property and equipment		(79,595)
Change in value of charitable lead trust	2,974	3,532
Change in value of beneficial interest in perpetual trust	(157,565)	1,495
Net changes in operating accounts:		
Receivables	684,836	(80,925)
Prepaid expenses and other assets	186,318	296,004
Pledges receivable	558,208	(1,031,708)
Accounts payable	(14,637)	23,729
Accrued wages and benefits	55,208	45,244
Deferred rent	(13,050)	(1,087)
Defined benefit pension obligation	(1,051,686)	812,104
Net cash provided by (used in) operating activities	1,360,489	(373,962)
Cash flows from investing activities:		
Cash received from merger		822,791
Purchase of investments	(3,399,280)	(3,093)
Proceeds from sales of investments	3,685,589	1,468,162
Proceeds from sales of property and equipment	5,508	184,000
Purchase of property and equipment	(149,463)	(73,076)
Net cash provided by investing activities	142,354	2,398,784
Cash flows from financing activities:		
Collection of pledges and contributions restricted to endowment, net of discount	220,850	100,018
Payments on notes payable	(16,601)	(1,205)
Proceeds from Paycheck Protection Plan loan		1,271,700
Net cash provided by financing activities	204,249	1,370,513
Net change in cash	1,707,092	3,395,335
Cash at beginning of year	3,690,954	295,619
Cash at end of year	\$ 5,398,046	\$ 3,690,954
Noncash investing and financing activities, stock contributed for pledge payments	\$ 5,000	\$ 28,990

*See notes to financial statements.*

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 1. Organization:

Childhaven is a nonprofit agency that is dedicated to a vision where all children, all families, and all communities are safe, healthy and flourishing.

Childhaven's healing centered framework embeds relational health, trauma-informed care, racial equity and social justice in all places in which children and families live, learn, and play including their homes, early learning centers, pediatric and family health settings, community centers, and schools. The spectrum of our programs includes creative expression, child and family counseling, community-based programs, early learning, therapeutic capacity building, developmental therapies, and wraparound intensive services.

### 2. Summary of significant accounting policies:

#### Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### Net assets:

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

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations. Childhaven has two categories: undesignated and board designated. Undesignated consists of assets, liabilities, revenues, and expenses available for current programs and administration. Board designated consists of net assets set aside by the Board of Directors (the Board) for specific purposes.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations, and grantors. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 2. Summary of significant accounting policies (continued):

#### Net assets (continued):

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. When a restriction expires or the stipulated purpose has been fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

#### Revenue recognition:

Service fees are recognized as revenue as performance obligations are satisfied, which is typically as the services are rendered. Childhaven recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. 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.

When a donor makes a contribution to support the acquisition of long-lived assets (e.g., building improvements, furniture, fixtures, and equipment) or a perpetual endowment these contributions are reported as net assets, with donor restrictions. When the previously specified long-lived asset(s) are acquired, Childhaven documents the expiration of the donor-imposed restriction(s) as a reclassification included in the net assets released from restrictions.

All contributions are available for unrestricted use unless specifically restricted by the donor. Amounts that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions. If a restriction is fulfilled in the same reporting period in which the contribution is received, the contribution is reported as unrestricted.

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 2. Summary of significant accounting policies (continued):

#### Revenue recognition (continued):

Unconditional promises to give are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a discount rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as revenue and support until such time as the conditions are substantially met.

#### Cash:

Financial instruments which potentially subject Childhaven to concentrations of credit risk consist of short- and long-term investments and receivables. Childhaven invests a portion of its excess cash and its endowment funds in debt instruments and securities with financial institutions. In order to address safety and liquidity considerations, Childhaven has established guidelines relative to diversification and maturities. At times, balances may be in excess of the applicable insurance limits.

#### Service fees and pledges receivables:

Receivables are stated at the amount management expects to collect. Management provides for uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on their assessment of the current status of individual accounts. Receivables are considered delinquent if payments are not received in accordance with the contractual terms. Specific accounts are written off against the allowance after management has used all reasonable means to collect. The allowance for uncollectible accounts was \$174,291 and \$73,744 at June 30, 2021 and 2020, respectively.

Long-term pledges are recognized at fair value (at the time of the donation) and are measured at the present value of estimated cash flows. In arriving at fair value, the promises to give are discounted using an estimated market rate which includes a present value discount rate and an estimated rate for an allowance for doubtful accounts. Amortization of the discount is included in contributions in the statements of activities.

Substantially all service fees revenue and the service fees receivable are from the state of Washington.

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 2. Summary of significant accounting policies (continued):

#### Investments:

Investments are stated at fair value with gains and losses included in the statements of activities. Securities donated to Childhaven are recorded at fair value at date of gift. Net investment income is reported on the statement of activities and consists of interest, dividends, realized, and unrealized gains or losses on investments, less investment management fees.

#### Fair value measurements:

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that Childhaven can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as: quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are unobservable for the asset or liability.

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 2. Summary of significant accounting policies (continued):

#### Fair value measurements (continued):

The following is a description of the valuation methodologies used for assets measured at fair value:

*U.S Equities* – Valued at quoted market prices in active markets, which represent the net asset value of shares held by Childhaven at year-end (Level 1).

*Exchange Traded Funds (ETFs)* – Valued at the closing price reported in the active market in which the security is traded (Level 1).

*Corporate debt securities and U.S government obligations* – Valued using executed transactions, market price quotations (where observable), at the money volatility and/or volatility skew obtained from independent external parties such as vendors and brokers adjusted for any basis difference between cash and derivative instruments (Level 2).

There have been no changes in the valuation techniques used during the years ended June 30, 2021 and 2020.

Childhaven's assets are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain assets, it is reasonably possible that changes in the values of the assets will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

#### Property and equipment:

Property and equipment is stated at cost, except for donated items which are stated at their estimated fair value at the date of the gift. Property and equipment costing more than \$1,500 is capitalized and depreciated using the straight-line method over the estimated useful lives of 5 to 50 years. Repairs and maintenance are charged to expense as incurred.

#### Income taxes:

Childhaven is a nonprofit corporation as defined in Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code.

Childhaven evaluates its uncertain tax positions and a loss contingency is recognized when it is more likely than not that a liability has been incurred and the amount can be reasonably estimated.

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 2. Summary of significant accounting policies (continued):

#### Use of estimates in preparation of financial statements:

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 amounts reported in the financial statements and related disclosures. Actual results could differ from those estimates.

#### Deferred rent:

Deferred rent represents amounts paid for ahead of time by the lessee. The Company amortizes the rent amounts on a straight-line basis over the remaining life of the lease.

#### Functional expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The most common method of allocation is based on number of staff by functional type. Salaries, benefits, payroll taxes, pension and life premiums, and temporary workers are allocated on the basis of the percentage of their job function pertaining to each functional type, as determined by management.

#### Reclassifications:

Certain balances from prior period have been reclassified to conform to current period presentation with no impact to change in net assets.

#### Subsequent events:

In July 2022, Childhaven completed a sale of their Broadway campus for \$23,000,000. Restrictions preventing the sale of the property were released prior to completion of the sale (see Note 9).

In April 2022, the Board approved a plan to terminate the defined benefit plan sponsored by Childhaven. Final termination is not expected to occur until the end of 2023.

Childhaven has evaluated subsequent events through July 26, 2023, the date which the financial statements were available to be issued.

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 3. Liquidity and availability:

Childhaven monitors the availability of resources 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, Childhaven considers all expenditures related to its ongoing program activities and the conduct of services undertaken to support those activities to be general expenditures.

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 5,398,046	\$ 3,690,954
Investments	5,846,513	5,203,731
Long-term investments	3,246,023	2,832,381
Beneficial interest in perpetual trust	765,174	607,609
Receivables, net	<u>1,328,479</u>	<u>2,137,001</u>
 Total financial assets	 16,584,235	 14,471,676
 Board designated funds	 (2,960,756)	 (2,652,057)
Donor restricted endowment funds	<u>(6,598,840)</u>	<u>(6,552,378)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><b>\$ 7,024,639</b></u>	 <u><b>\$ 5,267,241</b></u>

Childhaven's board designated funds have been set aside by Childhaven's governing body and are available to meet the shortfalls of Childhaven's operating budget as needed.

In addition to financial assets available to meet general expenditures over the next 12-months, Childhaven operates with a balanced budget and anticipates having sufficient funding to cover general expenditures.



# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Pledges receivable:

Pledges receivable were as follows:

	June 30,	
	2021	2020
In less than one year	\$ 668,000	\$ 791,686
In one to five years	150,000	601,544
	818,000	1,393,230
Less:		
Unamortized discount (2% discount factor)	(16,389)	(28,411)
Pledges receivable, net	801,611	1,364,819
Current portion	(668,000)	(791,686)
Noncurrent portion	<b>\$ 133,611</b>	<b>\$ 573,133</b>

Two donors had outstanding pledges totaling approximately \$700,000 at June 30, 2021. One donor had an outstanding pledge totaling approximately \$1,000,000 at June 30, 2020.

5. Investments:

	Year ended June 30,	
	2021	2020
Cash equivalents	\$ 1,381,149	\$ 1,877,370
U.S. equities	2,664,978	1,847,175
International ETFs	802,768	570,642
Corporate debt securities	4,020,891	3,402,053
U.S. government obligations	222,750	338,872
	9,092,536	8,036,112
Total investments	9,092,536	8,036,112
Current investments	(5,846,513)	(5,203,731)
Long-term investments	<b>\$ 3,246,023</b>	<b>\$ 2,832,381</b>

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 5. Investments (continued):

Investment income consists of the following:

	Year ended June 30,	
	2021	2020
Interest and dividends	\$ 144,187	\$ 189,824
Net realized and unrealized gains	<u>910,516</u>	<u>122,412</u>
	<u><b>\$ 1,054,703</b></u>	<u><b>\$ 312,236</b></u>

### 6. Contributions receivable – charitable lead trust:

Childhaven is a beneficiary of a charitable lead trust. The donor contributed \$500,000 and specified that 5% of the fair value at the end of each calendar year be distributed to the beneficiaries for a period of 20 years (with final payment in 2022). Childhaven receives 20% of the amount distributed. The contribution receivable is recorded at the estimated present value of the future cash flows discounted at 8%. The fair value of the assets in the trust was \$489,351 and \$420,856 at June 30, 2021 and 2020, respectively. Childhaven received \$4,771 and \$4,505 from the trust during 2021 and 2020, respectively.

Future payments are expected to be received as follows:

In less than one year	\$ 4,209
In one to five years	<u>4,209</u>
	8,418
Less unamortized discount	<u>(3,887)</u>
Contributions receivable - charitable lead trust	<u><b>\$ 4,531</b></u>

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

7. Beneficial interest in perpetual trust:

In the 1950's, Childhaven received a gift that the donor specified be invested in perpetuity with income to be used to support Childhaven programs. The assets are held by a third party trustee. Net realized and unrealized gains and losses related to the beneficial interest are reported as changes in net assets with donor restrictions. For years ended June 30, 2021 and 2020, Childhaven received \$21,100 of investment income from the trust.

8. In-kind contributions:

Volunteers provide Childhaven with certain services which do not create or enhance non-financial assets or require specialized skills. Services of these volunteers, which management considers important to the operations of Childhaven, are not recognized as revenue in the accompanying financial statements. Unrecognized contributions of services provided by volunteers, at estimated fair value, totaled approximately \$5,200 and \$73,244 during 2021 and 2020, respectively.

9. Property and equipment:

Donor restrictions prohibit Childhaven from selling, transferring, mortgaging or encumbering the Broadway facility and require that the facility be used for the same purpose in perpetuity unless the donor gives prior written consent, which consent is not to be unreasonably refused. The restrictions also require certain portions of the facility to be named after the grantor in perpetuity. The net book value of the facility was \$7,578,075 at June 30, 2021.

	June 30,	
	2021	2020
Buildings and improvements	\$ 18,413,626	\$ 18,341,976
Equipment	1,940,049	1,904,830
Vans	203,454	203,463
	20,557,129	20,450,269
Less accumulated depreciation	(11,001,743)	(10,468,506)
Land	1,214,433	1,214,433
Construction-in-progress	83,319	46,225
	<b>\$ 10,853,138</b>	<b>\$ 11,242,421</b>

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 9. Property and equipment (continued):

Childhaven received the consent of donors to release restrictions in connection with the plan to sell the Broadway facility. As noted in Note 2, Childhaven sold the building subsequent to year end for \$23,000,000. Childhaven recognized a gain on sale of approximately \$14,000,000.

### 10. Defined benefit pension plan:

The Employee Benefits Plan of Childhaven (the Plan) provides for benefits to be paid to eligible employees at retirement based primarily upon years of service with Childhaven and compensation rates only through December 31, 2010. Participants' service and compensation after December 31, 2010, do not affect the pension obligation and no new participants are allowed into the Plan.

Childhaven made employer contributions of \$707,083 and \$66,618 during 2021 and 2020, respectively. Benefits and expenses paid by the Plan were approximately \$688,000 and \$505,000 for 2021 and 2020, respectively.

#### Obligations and funded status:

Net periodic pension costs include the following components:

	Year ended June 30,	
	2021	2020
Interest cost	\$ 169,398	\$ 205,772
Expected return on Plan assets	(183,926)	(202,782)
Amortization of loss	324,328	270,646
Net periodic pension costs included in employee benefits	<u>\$ 309,800</u>	<u>\$ 273,636</u>

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined benefit pension plan (continued):

Obligations and funded status (continued):

The following sets forth the funded status of the Plan and the amounts shown in the accompanying statements of financial position:

	June 30,	
	2021	2020
Projected benefit obligation	\$ (5,835,207)	\$ (6,483,842)
Fair value of assets	3,507,330	3,104,279
Unfunded pension obligation	<b>\$ (2,327,877)</b>	<b>\$ (3,379,563)</b>

Amounts not yet recognized as components of net periodic benefit cost in the statement of activities for the years ended June 30, 2021 and 2020, consist of net unrecognized actuarial loss of \$2,504,634 and \$3,155,037, respectively.

The accumulated benefit obligation was \$5,835,207 and \$6,479,842 at June 30, 2021 and 2020, respectively.

Assumptions:

	2021	2020
Weighted-average assumptions used to determine benefit obligations at June 30:		
Discount rate	2.76%	2.63%
Weighted-average assumptions used to determine net periodic pension cost for years ended June 30:		
Discount rate	2.63%	3.46%
Expected return on plan assets	6.00%	6.00%

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 10. Defined benefit pension plan (continued):

#### Plan assets:

Plan assets reported at fair value at June 30 by category consist of:

	2021		2020	
Cash equivalents	\$ 650,329	18.54%	\$ 234,237	7.55%
Government bonds	127,494	3.64%	132,167	4.26%
Corporate bonds	1,610,881	45.93%	1,667,267	53.71%
Common stock	563,342	16.06%	587,692	18.93%
Unit investment trusts	538,737	15.36%	464,133	14.95%
Other	16,547	0.47%	18,783	0.60%
	<b>\$ 3,507,330</b>	<b>100%</b>	<b>\$ 3,104,279</b>	<b>100%</b>

The investment objectives of the Plan are to preserve, protect, and grow the assets to meet the obligations of the Plan. Additional requirements include maintaining sufficient liquidity and prudently controlling all costs and expenses associated with the Plan.

The Plan's assets are managed as a balanced portfolio comprised of two major components: an equity portion and a fixed income portion. The expected role of equity investments is to maximize the long-term real growth of the Plan assets, while the role of fixed income investments will be to provide for more stable periodic returns, and protect against a prolonged decline in the market value of the Plan's equity investments. The strategic asset allocation limits are imposed to reflect the risk tolerance of the Finance Committee as determined by the current and anticipated financial strength of Childhaven and the current funding status of the Plan.

Diversification across and within asset classes is the primary means by which it is expected to avoid undue risk of large losses over long time periods. To protect the Plan against unfavorable outcomes, reasonable precautions are taken to avoid excessive investment concentrations.

#### Cash flows:

Childhaven expects to contribute approximately \$250,000 to the Plan during the 2022 fiscal year. No Plan assets are expected to be returned to Childhaven during 2022.

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 10. Defined benefit pension plan (continued):

Cash flows (continued):

The following benefit payments are expected to be paid:

<u>Year ending June 30,</u>	
2022	\$ 74,565
2023	111,338
2024	167,137
2025	165,039
2026	169,226
2027 through 2031	1,069,661

The Board approved a Plan to terminate the defined benefit plan in April 2022. The final termination is expected to take place in 2023.

### 11. Defined contribution pension plans:

Employees of Childhaven may participate in an Internal Revenue Code section 403(b) retirement savings plan, established January 1, 1978. Childhaven contributes a percentage of the employee's salary based on years of service. Contributions made for the years ended June 30, 2021 and 2020, were approximately \$190,500 and \$215,000, respectively.

Childhaven has a 457(b) deferred compensation plan for the benefit of an existing executive employee. The plan allows the employee to defer up to 6% of compensation into the plan for the purchase of an annuity contract of which Childhaven is the beneficiary.

### 12. Fair value measurements:

Fair value for the split interest agreements are measured using the fair value of the assets held in the trusts as reported by the trustees as of June 30, 2021 and 2020. Childhaven considers the measurement of its beneficial interest in the perpetual trust to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the fair values of the trust's assets reported by the trustees, Childhaven will never receive those assets or have the ability to direct the trustees to redeem them. Pension plan assets are stated at fair value as reported by the actuary based on the underlying investments as of June 30, 2021 and 2020.

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 12. Fair value measurements (continued):

The fair value of assets, by level, as of June 30, 2021 is as follows:

	Level 1	Level 2	Level 3	Total
Investments	\$ 5,071,645	\$ 4,020,891		\$ 9,092,536
Pension plan assets	1,896,449	1,610,881		3,507,330
Contribution receivable - charitable lead trust		4,531		4,531
Beneficial interest in perpetual trust			\$ 765,174	765,174
	<b>\$ 6,968,094</b>	<b>\$ 5,636,303</b>	<b>\$ 765,174</b>	<b>\$ 13,369,571</b>

The fair value of assets, by level, as of June 30, 2020 is as follows:

	Level 1	Level 2	Level 3	Total
Investments	\$ 4,634,059	\$ 3,402,053		\$ 8,036,112
Pension plan assets	1,437,012	1,667,267		3,104,279
Contribution receivable - charitable lead trust		7,505		7,505
Beneficial interest in perpetual trust			\$ 607,609	607,609
	<b>\$ 6,071,071</b>	<b>\$ 5,076,825</b>	<b>\$ 607,609</b>	<b>\$ 11,755,505</b>

The following is a summary of changes in the fair value of the Level 3 investments for the year ended June 30, 2021:

	Beneficial interest in perpetual trust
Beginning of year	\$ 607,609
Interest and dividends	21,100
Distributions	(21,100)
Change in fair value of split interest agreement	157,565
End of year	<b>\$ 765,174</b>



# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 13. Note payable:

Childhaven has a note payable with a bank representing a mortgage on a property. The note had a maturity date of May 1, 2022, and an interest rate of 5.175% as of June 30, 2021. The outstanding balance and all accrued interest on the note payable was paid in full and the loan was closed on April 29, 2022.

### 14. Paycheck Protection Program loans:

In April 2020, Childhaven received a loan of \$1,271,700 through the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP). In September 2021, Childhaven received full forgiveness of the original loan principal and accrued interest. No accrued interest was recognized as of June 30, 2021 and 2020.

Upon completing the merger with RAYS, Childhaven assumed the PPP loan outstanding between RAYS and the SBA. The loan had a balance of \$234,058 as of June 30, 2020. In August 2021, Childhaven received full forgiveness of the original loan principal and accrued interest. No accrued interest was recognized as of June 30, 2021 and 2020.

### 15. Net assets without donor restrictions:

Net assets without donor restrictions are available for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 13,059,755	\$ 11,279,688
Designated by the board for building maintenance	<u>2,960,756</u>	<u>2,652,057</u>
Total net assets without donor restrictions	<u><b>\$ 16,020,511</b></u>	<u><b>\$ 13,931,745</b></u>

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

16. Net assets with donor restrictions:

	June 30,	
	2021	2020
Subject to expenditure for specified purpose:		
Maintenance and repair of		
Broadway facility	\$ 958,236	\$ 858,331
Lovsted Scholarship	496,797	400,861
Branding		10,991
Building Improvements	50,520	65,000
Helping Hands Fund	126,295	112,362
Music Therapy Program	20,000	40,000
Team Turtle Scholarship	77,100	68,731
Community Health Navigation	179,884	250,000
Books & Equipment for Children	5,661	5,661
Family Center	27,705	90,946
	1,942,198	1,902,883
Subject to passage of time:		
Annual Fund multi-year pledges	754,531	1,280,000
Unappropriated endowment income	272,778	56,966
Charitable lead trust - Note 6	4,531	7,505
	1,031,840	1,344,471
Not subject to spending policy or appropriation:		
Second Century Campaign	2,859,590	2,697,415
Beneficial interest in perpetual trust - Note 7	765,212	607,609
	3,624,802	3,305,024
 Total net assets with donor restrictions	 <b>\$ 6,598,840</b>	 <b>\$ 6,552,378</b>

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 17. Endowments:

#### Interpretation of relevant law:

The Board has interpreted the Washington State 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, Childhaven classifies as endowment assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

All investment earnings and appreciation not required to be retained in endowment net assets, as described above, will be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Childhaven in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Childhaven considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

#### Return objectives and risk parameters:

Childhaven has adopted investment and spending policies for endowment assets, approved by the Board, that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long term. Childhaven's spending and investment policies work together to achieve this objective.

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 17. Endowments (continued):

#### Strategies employed for achieving objectives:

The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to be consistent with benchmarked results for similar charitable organizations, net of investment fees. Actual returns in any given year may vary. To satisfy its long-term rate-of-return objectives, Childhaven relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Childhaven targets a diversified asset allocation that consists of equity securities, fixed-income securities, and short-term (cash) investments in accordance with asset allocation guidelines to achieve its long-term objectives within prudent risk parameters.

#### Spending policy and how the investment objectives relate to spending policy:

The spending policy calculates the amount of money annually distributed from Childhaven's various endowment funds for use to support Childhaven's programs. Disbursements from the funds are at the appropriate spending rate for endowments, in general as established by the Board. The current spending policy is to distribute 5% of the value of funds, annually. This is consistent with Childhaven's objective to maintain the historical dollar value of endowment assets.

#### Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires Childhaven to retain as a fund of perpetual duration. There were no deficiencies at June 30, 2021 and June 30, 2020.

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

17. Endowments (continued):

Changes in endowment net assets consist of the following:

	Year ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 2,652,057	\$ 4,802,277	\$ 7,454,334
Contributions		220,850	220,850
Investment gain	308,699	674,706	983,405
Amounts appropriated for expenditure		(131,187)	(131,187)
Endowment net assets, end of year	<b><u>\$ 2,960,756</u></b>	<b><u>\$ 5,566,646</u></b>	<b><u>\$ 8,527,402</u></b>
	Year ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 2,570,570	\$ 4,665,235	\$ 7,235,805
Contributions		100,018	100,018
Investment gain	81,487	163,847	245,334
Amounts appropriated for expenditure		(126,823)	(126,823)
Endowment net assets, end of year	<b><u>\$ 2,652,057</u></b>	<b><u>\$ 4,802,277</u></b>	<b><u>\$ 7,454,334</u></b>

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

17. Endowments (continued):

Endowment net assets consist of the following:

	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted funds		\$ 4,608,410	\$ 4,608,410
Board designated - maintenance reserve	\$ 2,295,276	958,236	3,253,512
Board designated - endowment funds	665,480		665,480
	<b>\$ 2,960,756</b>	<b>\$ 5,566,646</b>	<b>\$ 8,527,402</b>
	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted funds		\$ 3,943,946	\$ 3,943,946
Board designated - maintenance reserve	\$ 2,055,962	858,331	2,914,293
Board designated - endowment funds	596,095		596,095
	<b>\$ 2,652,057</b>	<b>\$ 4,802,277</b>	<b>\$ 7,454,334</b>

Because the Helping Hands Fund, Lovsted Scholarship and Team Turtle Scholarship endowment documents allow management to expend the corpus of the funds should the need for which the funds were established no longer exist, the funds are classified as with restriction.

Donor restricted contributions received as part of a capital campaign to construct and maintain the Broadway facility were set aside by the Board as part of a board designated endowment for the facility's maintenance and repair.

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 18. Business combinations:

On June 1, 2020, Childhaven completed a merger with two other not-for-profit organizations, Art with Heart (AWH) and Renton Area Youth and Family Services (RAYS). Pursuant to the terms of a merger agreement dated May 28, 2020 with an effective date of June 1, 2020, Childhaven acquired all of the assets and operations of AWH and RAYS, and assumed all outstanding liabilities. The merger provides the organization an opportunity to expand its services and take advantage of existing resources in place for both AWH and RAYS as of the merger date. No cash consideration was paid by Childhaven as part of the merger.

The following summarizes the fair values of assets acquired and liabilities assumed as of the merger date:

Cash	\$	822,791
Receivables		179,123
Inventory		14,641
Prepaid expenses		11,861
Property & equipment, net		1,922,762
Accounts payable		(44,963)
Accrued liabilities		(60,042)
Deferred rent		(119,625)
PPP Loan		(234,058)
Mortgage		<u>(345,277)</u>
Total net assets acquired	\$	<u><b>2,147,214</b></u>

Childhaven has recognized the net amount of assets acquired and liabilities assumed of \$2,147,214 as an inherent contribution received within non-operating activities on the statement of activities for the year ended June 30, 2020.

# CHILDHAVEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### 19. Future minimum rental income:

Childhaven leases office space to a third-party under a noncancellable lease. The lease term continues through January 31, 2029 and provides an option to renew for five years. Monthly rent under the lease is \$1,088. As part of the terms of the agreement, the lessee completed improvements to the leased building totaling \$151,787 that are considered the property of the owner. The lease allows for the cost of these improvements to be amortized over the life of the lease and offset monthly against rent due. The monthly offset is \$1,087, resulting in no rental payments being made on a net basis for the initial term of the lease. The unamortized portion of the completed improvements is considered deferred rental income and is included in deferred rent.