TREEHOUSE

Financial Statements and
Independent Auditor's Report

For the Six Months Ended September 30, 2020
and the Year Ended March 31, 2020

TreeHouse, Inc.

Contents

For the Six-Months Ended September 30, 2020 and the Year Ended March 31, 2020

Independent Auditor's Report

To the Board of Directors of TreeHouse, Inc.
St. Louis Park, Minnesota

We have audited the accompanying financial statements of TreeHouse, Inc., which comprise the statement of financial position as of September 30, 2020, and the related statements of activities and changes in net assets, cash flows and functional expenses for the six-month period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TreeHouse, Inc. as of September 30, 2020, and the results of its operations and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of TreeHouse, Inc. as of March 31, 2020, were audited by Wilkerson, Guthmann & Johnson, Ltd. who merged with Boyum & Barenscheer PLLP as of January 1, 2021, and whose report dated November 16, 2020, expressed an unmodified opinion on those statements.

Boyum & Barenscheer PLLP

Saint Paul, Minnesota
March 17, 2021

Statements of Financial Position

As of September 30, 2020 and March 31, 2020	**September 30, 2020**	**March 31, 2020**
ASSETS		
Current		
Cash	$ 23,826	$ 105,642
Cash—Restricted Purpose	191,285	255,082
Current Portion of Contributions Receivable	334,426	721,226
Prepaid Expenses and Other	149,648	205,568
Total Current Assets	699,185	1,287,518
Land, Buildings and Equipment		
Land, Buildings and Equipment, Net	1,288,881	1,323,696
Other		
Contributions Receivable, Net of Current Portion	200,000	400,000
Assets Held for Endowment	758,303	735,343
Security Deposits	50,100	50,000
Total Other Assets	1,008,403	1,185,343
Total Assets	**$ 2,996,469**	**$ 3,796,557**
LIABILITIES AND NET ASSETS		
Current		
Accounts Payable	$ 61,062	$ 185,531
Accrued Expenses	384,604	338,374
Security Deposit Liability	31,200	46,200
Deferred Event Revenue	102,855	76,200
Note Payable (PPP)	783,290	-
Total Current Liabilities	1,363,011	646,305
Long-Term		
Deferred Rent	170,975	148,745
Lease Incentive	170,000	180,000
Note Payable—Related Party	750,000	750,000
Total Long-Term Liabilities	1,090,975	1,078,745
Total Liabilities	2,453,986	1,725,050
Net Assets		
Net Assets (Deficit) Without Donor Restiction	(864,375)	232,497
Net Assets With Donor Restiction:		
Net Assets With Donor Restiction—Purpose/Location Restricted	773,141	1,205,293
Net Assets With Donor Restiction—Perpetual in Nature	633,717	633,717
Total Net Assets With Donor Restriction	1,406,858	1,839,010
Total Net Assets	542,483	2,071,507
Total Liabilities and Net Assets	**$ 2,996,469**	**$ 3,796,557**

The accompanying notes are an intregal part of the financial statements.

Six-Months Ended September 30, 2020 and Year Ended March 31, 2020

	September 30, 2020			March 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue and Support						
Contributions	$ 741,049	$ 234,334	$ 975,383	$ 3,149,045	$ 2,688,742	$ 5,837,787
Event In-Kind Contributions	-	-	-	65,836	-	65,836
Total Contributions	741,049	234,334	975,383	3,214,881	2,688,742	5,903,623
Fundraising Events, Including Event Contributions	361,418	293,323	654,741	1,103,985	459,370	1,563,355
Activity Fees	-	-	-	54,806	-	54,806
TreeHouse Partner Network Fees	99,052	-	99,052	96,903	-	96,903
Investment Income, Net	3,414	-	3,414	2,440	-	2,440
(Loss) on Sale of Property	-	-	-	(22,466)	-	(22,466)
Other Income	15,834	-	15,834	14,710	-	14,710
Increase (Decrease) in Beneficial Interest in NCF Charitable Fund	-	22,960	22,960	-	(6,243)	(6,243)
Released from Restriction	982,769	(982,769)	-	2,351,297	(2,351,297)	-
Total Other Revenues	1,462,487	(666,486)	796,001	3,601,675	(1,898,170)	1,703,505
Total Revenue and Support	2,203,536	(432,152)	1,771,384	6,816,556	790,572	7,607,128
Expenses						
Program Services	2,452,983	-	2,452,983	5,599,488	-	5,599,488
Supporting Services:						
Management and General	500,826	-	500,826	1,196,845	-	1,196,845
Fundraising	346,599	-	346,599	991,522	-	991,522
Total Supporting Services	847,425	-	847,425	2,188,367	-	2,188,367
Total Expenses	3,300,408	-	3,300,408	7,787,855	-	7,787,855
Change in Net Assets	(1,096,872)	(432,152)	(1,529,024)	(971,299)	790,572	(180,727)
Net Assets, Beginning of Year	232,497	1,839,010	2,071,507	1,203,796	1,048,438	2,252,234
Net Assets (Deficit), End of Year	**$ (864,375)**	**$ 1,406,858**	**$ 542,483**	**$ 232,497**	**$ 1,839,010**	**$ 2,071,507**

The accompanying notes are an intregal part of the financial statements.

Statements of Cash Flows

Six-Months Ended September 30, 2020 and Year Ended March 31, 2020	**September 30, 2020**	**March 31, 2020**
Cash Flows from Operating Activities		
Change in Net Assets	$ (1,529,024)	$ (180,727)
Adjustments to Reconcile Change in Net Assets to Net Change in Cash and Restricted Cash from Operating Activities:		
Depreciation	117,958	192,207
(Gain) Loss on Investments, Net	(22,960)	6,243
Loss on Sale of Property	-	22,466
Bad Debt Expense	-	34,691
Changes in Operating Assets and Liabilities:		
Contributions Receivable	586,800	(701,955)
Prepaid Expenses and Other	55,920	(78,498)
Security Deposits	(100)	5,140
Accounts Payable	(124,469)	42,867
Accrued Expenses and Security Deposit Liability	31,230	73,033
Deferred Event Revenue	26,655	(58,595)
Deferred Rent	22,230	148,745
Lease Incentive	(10,000)	180,000
Total Adjustments	683,264	(133,656)
Cash and Restricted Cash (Used In) Operating Activities	(845,760)	(314,383)
Cash Flows from Investing Activities		
Proceeds from Sale of Land, Buildings and Equipment	-	6,490
Purchase of Land, Buildings and Equipment	(83,143)	(733,193)
Cash and Restricted Cash (Used In) Investing Activities	(83,143)	(726,703)
Cash Flows from Financing Activities		
Proceeds from Note Payable—PPP	783,290	-
Proceeds from Note Payable—Related Party	-	750,000
Cash and Restricted Cash Provided By Financing Activities	783,290	750,000
Net Change in Cash and Restricted Cash	(145,613)	(291,086)
Cash and Restricted Cash, Beginning of Year	837,362	1,128,448
Cash and Restricted Cash, End of Year	**$ 691,749**	**$ 837,362**

The accompanying notes are an intregal part of the financial statements.

TreeHouse, Inc.

Statements of Functional Expenses

For the Six-Months Ended September 30, 2020 (with comparative totals for Year Ended March 31, 2020)

	September 30, 2020					March 31, 2020
		Supporting Services				
	Program	Management and General	Fundraising	Total Supporting Services	Totals	Totals
Salaries	$ 1,600,176	$ 263,320	$ 162,043	$ 425,363	$ 2,025,539	$ 4,082,690
Payroll Taxes	71,421	11,753	7,232	18,985	90,406	195,017
Employee Benefits	168,629	27,749	17,076	44,825	213,454	339,961
Total Personnel Costs	1,840,226	302,822	186,351	489,173	2,329,399	4,617,668
Facility Rent	281,588	40,418	26,945	67,363	348,951	829,910
Depreciation	90,884	19,266	7,808	27,074	117,958	192,207
Costs of Fundraising Events	-	-	106,875	106,875	106,875	430,739
Consulting Fees	63,011	26,051	8,892	34,943	97,954	282,945
Marketing	36,067	54,100	-	54,100	90,167	377,191
Professional Services	10,542	42,169	-	42,169	52,711	81,029
Vehicle Expenses	34,402	-	-	-	34,402	159,460
Special Activities/Outreach	28,205	-	-	-	28,205	312,998
Telephone and Utilities	19,587	2,444	1,818	4,262	23,849	66,781
Insurance	18,139	2,015	-	2,015	20,154	37,748
Other Expenses	12,066	2,581	279	2,860	14,926	53,471
Supplies, Postage and Printing	6,700	2,233	2,233	4,466	11,166	107,584
Bank Fees	4,875	-	4,875	4,875	9,750	22,344
Repairs and Maintenance	994	5,516	133	5,649	6,643	34,508
Interest Expense	2,963	488	300	788	3,751	2,952
Seminars and Education	1,768	442	-	442	2,210	41,663
Staff Appreciation	510	84	52	136	646	34,270
Travel and Promotional	397	182	38	220	617	41,930
Board Expenses	59	15	-	15	74	25,766
Bad Debt Expense	-	-	-	-	-	34,691
Total Expenses	**$ 2,452,983**	**$ 500,826**	**$ 346,599**	**$ 847,425**	**$ 3,300,408**	**$ 7,787,855**
Percentages	74%	15%	11%	26%	100%	100%

The accompanying notes are an intregal part of the financial statements.

TreeHouse, Inc.

Statement of Functional Expenses

For the Year Ended March 31, 2020

	Program	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Totals
Salaries	$ 3,225,325	$ 530,750	$ 326,615	$ 857,365	$ 4,082,690
Payroll Taxes	154,063	25,352	15,602	40,954	195,017
Employee Benefits	268,569	44,195	27,197	71,392	339,961
Total Personnel Costs	3,647,957	600,297	369,414	969,711	4,617,668
Facility Rent	658,493	102,850	68,567	171,417	829,910
Depreciation	148,351	31,062	12,794	43,856	192,207
Costs of Fundraising Events	-		430,739	430,739	430,739
Consulting Fees	180,793	76,302	25,850	102,152	282,945
Marketing	150,876	226,315	-	226,315	377,191
Professional Services	16,206	64,823	-	64,823	81,029
Vehicle Expenses	153,708	2,876	2,876	5,752	159,460
Special Activities/Outreach	312,998	-	-	-	312,998
Telephone and Utilities	53,831	7,565	5,385	12,950	66,781
Insurance	33,973	3,775	-	3,775	37,748
Other Expenses	42,749	9,103	1,619	10,722	53,471
Supplies, Postage and Printing	64,550	21,517	21,517	43,034	107,584
Bank Fees	11,172	-	11,172	11,172	22,344
Repairs and Maintenance	13,193	19,556	1,759	21,315	34,508
Interest Expense	2,332	384	236	620	2,952
Seminars and Education	33,330	8,333	-	8,333	41,663
Staff Appreciation	27,074	4,454	2,742	7,196	34,270
Travel and Promotional	27,289	12,480	2,161	14,641	41,930
Board Expenses	20,613	5,153	-	5,153	25,766
Bad Debt Expense	-	-	34,691	34,691	34,691
Total Expenses	**$ 5,599,488**	**$ 1,196,845**	**$ 991,522**	**$ 2,188,367**	**$ 7,787,855**
Percentages	72%	15%	13%	28%	100%

The accompanying notes are an intregal part of the financial statements.

1. Description

TreeHouse, Inc. (the "Organization") is a faith-based, not-for-profit organization incorporated on February 2, 1984, under the laws of the State of Minnesota. The purpose of the Organization is to end hopelessness among teens. We love teens and believe that they are a vital part of our communities. But hopelessness is becoming a defining story for this generation breaking down both teens and communities. Through grace-based programs and environments, teens learn to know a loving God, build resiliency, develop healthy relationships, and plan for the future.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Organization's financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, and gains and losses are classified based on the existence and nature of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions—This class of net assets includes those resources over which the Board of Directors has discretionary control.

Net Assets With Donor Restrictions—This class of net assets is subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature; those restrictions will be met by the passage of time or by actions of the Organization specified by the donor. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated that resources be maintained in perpetuity.

Cash—Restricted Purpose

Cash for restricted purpose is cash that the Organization has set aside to satisfy certain donor-imposed restrictions.

2. Summary of Significant Accounting Policies (Continued)

Contributions and Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenue without donor restrictions or with donor restrictions, based on the existence and nature of any donor restrictions. Conditional promises to give are recorded as revenue upon the occurrence of the specified event which satisfies the conditional nature of the promise.

Donor-restricted contributions are reported in net assets with donor restrictions. When a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected beyond one year are recorded at the present value of estimated future cash flows, when the discounts are significant. Discounts are determined using approximate interest rates applicable to long-term government securities as of September 30 of the fiscal year in which the promises are received. Amortization of the discounts is recorded as contribution revenue.

The Organization uses the allowance method to estimate uncollectible promises to give. This estimate is based on management's evaluation of individual outstanding commitments. Balances still outstanding after management has used reasonable collection efforts are written off. Management has determined that no allowance was necessary for the six-months ended September 30, 2020 and year ended March 31, 2020.

Land, Buildings and Equipment

Land, buildings, and equipment are recorded at cost or at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 31.5 years. The cost of maintenance and repairs is charged to expense as incurred; purchases of equipment or expenditures that significantly increase the useful lives of equipment of $2,000 or more are capitalized.

2. Summary of Significant Accounting Policies (Continued)

Beneficial Interest in NCF Charitable Fund

The Organization established a charitable fund with the National Christian Foundation, Inc. (NCF) under the terms of a separate fund agreement. The fund was established by the transfer of endowment funds. The fund agreement indicates NCF has the power to modify the beneficiary, the purpose, and the timing of the distributions if the distributions become unnecessary, the Organization becomes incapable of fulfilling the purpose of the distributions, or the distributions become inconsistent with NCF charitable needs or the community served by NCF. However, the fund was established in a reciprocal arrangement in which the Board and Management expect the Organization to continue to be the beneficiary of the fund in the future. Accordingly, the estimated fair values of the funds have been recognized by the Organization as Beneficial Interest in NCF Charitable Fund, included with Assets Held for Endowment in the Statements of Financial Position. The amount of principal originally contributed to the fund is classified as net assets with donor restrictions.

Under terms of the agreement which established the fund, NCF holds, administers, and invests the assets which have been transferred to it. Distributions are to be requested by the Organization and approved by the board of directors of NCF. Annual adjustments to the fair values of the amounts reported as beneficial interests are recognized as increases (decreases) in beneficial interests and are reflected in net assets with donor restrictions in the Statements of Activities and Changes in Net Assets. Annual distributions from these funds are reported as decreases in beneficial interests in assets held by others.

Fair Value Measurements

Certain financial instruments are required to be measured annually at fair value. Accounting standards provide for a three-tier fair value hierarchy which is prioritized by the inputs used in measuring fair value:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets
- Level 2: Observable inputs such as quoted prices in active markets for similar assets or other significant observable inputs
- Level 3: Significant unobservable inputs

The Organization's disclosures for assets held for endowment (Note 7) include references to the above inputs.

2. Summary of Significant Accounting Policies (Continued)

Fund Raising Events

Revenue from sponsorships and ticket sales related to a fund raising event is recognized when the event takes place. Receipts of sponsorships and proceeds from ticket sales in advance of the related event are reported as Deferred Event Revenue on the Statements of Financial Position. Certain community events are fund raising events specifically for the TreeHouse location in that community, and accordingly, the proceeds are classified as donor restricted.

Contributed Securities

Donated securities are recorded at fair value at the date of contribution. Realized and unrealized gains and losses are reflected in Investment Income, Net on the Statements of Activities and Changes in Net Assets.

Contributed Services, Materials and Equipment, and Facilities Use

The value of contributed services is recognized in the financial statements if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not contributed. The Organization receives donated services from a large number of volunteers assisting in management and program services. However, no amounts have been recognized in the accompanying Statements of Activities and Changes in Net Assets for these services because they do not meet the stated criteria for recognition.

Contributions of materials and equipment are recorded as support at their estimated fair values. Assets contributed with explicit restrictions regarding their use are reported as restricted support; those without restriction are reported as unrestricted support.

Facilities use of churches and schools are treated as contributions in-kind.

Allocation of Functional Expenses

Costs of providing programs and supporting service activities have been presented in the Statements of Functional Expenses. Salaries and related costs are allocated among the program and supporting service categories based upon the estimated time expended by the employees in those categories. Other costs are allocated according to management’s estimates or on a direct basis.

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is a publicly-supported organization and contributions to it qualify as a charitable tax deduction for the contributors as permitted by law.

The Organization's Return of Organization Exempt from Income Tax has not been recently audited; and accordingly, the information tax returns for the past three years are open to examination. Management has evaluated its tax positions and has concluded that they do not result in anything that would require either recording or disclosure in the financial statements based on the criteria set forth in ASC 740.

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements

Revenue Recognition—In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets. An entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services and was effective for the Organization's year ended March 31, 2020. The Organization adopted the new revenue recognition standard using a modified retrospective adoption. There were no adjustments due to the adoption of this standard.

Restricted Cash—In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230) —Restricted Cash. The update addresses the classification and presentation of changes in restricted cash on the Statement of Cash Flows and requires that amounts generally described as restricted cash be included with cash when reconciling the beginning and ending cash amounts on the Statements of Cash Flows. The Organization has adjusted the basis of presentation of these financial statements to conform to the new standards for the year ended March 31, 2020 on a retrospective basis.

2. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards

Leases—In February 2016, the FASB issued ASU 2016-02, Leases, which amends the existing accounting standards for lease accounting, including changes to accounting for leases for Lessors. The new lease standard will be effective for the Organization's year ending September 30, 2023.

The new lease standard requires a modified retrospective adoption. The Organization is evaluating the impact, but does not believe its adoption will have a significant impact on the reporting of the operations of its organization.

Reclassifications

Certain reclassifications have been made to the March 31, 2020 presentation to provide comparability to the September 30, 2020 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

Management has assessed the effects of subsequent events through March 17, 2021, the date the financial statements were available to be released (Note 17).

3. Cash and Restricted Cash Reconciliation

The following table provides a reconciliation of cash and restricted cash reported on the Statements of Financial Position that sum to the total of the same such amounts in the Statements of Cash Flows:

	September 30, 2020	March 31, 2020
Cash	$ 23,826	$ 105,642
Cash—Restricted Purpose	191,285	255,082
Cash included in Assets Held for Endowment	476,638	476,638
Total	$ 691,749	$ 837,362

4. Liquidity and Availability of Funds

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date comprise the following at:

	September 30, 2020	March 31, 2020
Cash	$ 23,826	$ 105,642
Contributions and Other Receivables	77,156	273,391
Total	$ 100,982	$ 379,033

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

5. Contributions Receivable

Contributions and other receivables consisted of the following at:

	September 30, 2020	March 31, 2020
Unconditional Promises to Give, Net:		
General Operating	$ 77,156	$ 273,391
Purpose Restricted:		
Individual TreeHouse Operations	57,020	47,820
Comprehensive Campaign	400,000	799,765
Other	250	250
Contributions Receivable, Net	$ 534,426	$ 1,121,226

Unconditional promises to give were scheduled to be received as follows at September 30, 2020:

	Promises to Give	Allowance	Promises to Give, Net
Within One Year	$ 334,426	$ -	$ 334,426
Two to Five Years	200,000	-	200,000
Totals	$ 534,426	$ -	$ 534,426

6. Land, Buildings and Equipment

Land, buildings and equipment consisted of the following at:

	September 30, 2020	March 31, 2020
Land and Improvements	$ 93,676	$ 93,676
Buildings and Improvements	283,097	283,097
Furniture, Equipment, and Software	1,018,474	935,331
Vehicles	637,968	637,968
Leasehold Improvements	383,605	383,605
Total Land, Buildings and Equipment	2,416,820	2,333,677
Accumulated Depreciation	(1,127,939)	(1,009,981)
Land, Buildings and Equipment, Net	$ 1,288,881	$ 1,323,696

Depreciation expense totaled $117,958 and $192,207 for the six-months ended September 30, 2020 and the year ended March 31, 2020, respectively.

7. Assets Held for Endowment

An endowment fund was established to provide growth and income to the Organization. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law—Endowment funds are regulated by the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as enacted by the State of Minnesota. The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the original gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary. The original gift is valued at fair value on the date of the gift. As a result of this interpretation, the Organization classifies as net assets with donor restrictions—perpetual in nature the original value of the gift donated to the endowment. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

7. Assets Held for Endowment (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Organization had the following assets held for its endowment at:

	September 30, 2020	March 31, 2020
Beneficial Interest in NCF Charitable Fund	$ 281,665	$ 258,705
Cash Held for Endowment	476,638	476,638
Totals	$ 758,303	$ 735,343

The fair value of the beneficial interest in NCF Charitable Fund (beneficial interest) was measured based on level 3 fair value inputs.

Changes in the fair value of the Organization's Level 3 assets consisted of the following for the six-months ended September 30, 2020 and the year ended March 31, 2020:

	September 30, 2020	March 31, 2020
Level 3 Assets, Beginning of Year	$ 258,705	$ 264,948
Net Increase (Decrease) in Fair Value of Beneficial Interest	22,960	(6,243)
Level 3 Assets, End of Year	$ 281,665	$ 258,705

The net increase (decrease) in the value of beneficial interest is recognized in net assets with donor restrictions on the Statements of Activities and Changes in Net Assets and is a part of the endowment assets.

7. Assets Held for Endowment (Continued)

The fair value of the beneficial interest is reported by the organization holding the underlying investments based on its valuation of those investments and the Organization's interest in the fund. The fund holds various investments including fixed income, equity and alternative investments. The alternative investment values are generally subject to the judgment of the investment managers. Such values may differ significantly from the values that would have been used had a ready market existed for these assets, and the differences could be material.

Assets Held for Endowment as of September 30, 2020 and March 31, 2020, and changes in endowment net assets for the six-months ended September 30, 2020 and the year ended March 31, 2020 are as follows:

	Restricted by Purpose or Location	Held in Perpetuity	Total
April 1, 2019	$ 107,869	$ 633,717	$ 741,586
Depreciation of Beneficial Interest	(6,243)	-	(6,243)
March 31, 2020	101,626	633,717	735,343
Appreciation of Beneficial Interest	22,960	-	22,960
September 30, 2020	$ 124,586	$ 633,717	$ 758,303

Return Objectives and Risk Parameters—The Board of Directors has adopted an Endowment Investment policy designed to maintain the purchasing power of the endowment assets and to maintain a predictable amount of annual distributions that will keep pace with increasing funding needs. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as the cumulative earnings on those funds that the board has not appropriated for expenditure.

For those endowment funds held by NCF, the Organization is subject to the investment policy of NCF. Based on this policy, NCF has developed a diversified investment portfolio. The Organization expects its endowment fund, over time, to provide an average annual rate of return of 8%. Actual returns in any given year may vary from this amount.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of investments will occur in the near term and such changes could materially affect account balances and the amounts reported in the Statements of Changes in Activities and Net Assets.

7. Assets Held for Endowment (Continued)

Strategies Employed for Achieving Objectives—To satisfy its long-term rate-of-return objectives, the Organization's strategy is one in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and the Relationship of Investment Objectives to the Spending Policy—Under the Organization's spending policy, approximately 5% of the fair market value of the endowment fund is available for distribution annually, consistent with the restrictions of the endowment contributions. In establishing this policy, the Organization considered 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 grow at an average of 3% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

8. PPP Loan

The Organization obtained a $783,290 loan from Tradition Capital Bank under the Paycheck Protection Program (PPP) in April 2020. Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. The Organization applied for forgiveness with the lender in October 2020 and received forgiveness of $783,290 from the Small Business Administration (SBA) on November 2, 2020 The amount of loan forgiveness will be reported as a component of operating income in the year ended September 30, 2021.

9. Note Payable—Related Party

The Organization obtained a note for $750,000 from a member of management of the Organization, during the year ended March 31, 2020. No payments are scheduled on the note and interest is stated at 1%, to be paid quarterly.

10. Lease Commitments

The Organization leases office equipment under operating leases which expire at various dates through March 2023. The Organization leases its administrative office space under a lease agreement expiring March 2029. The Organization also leases program space at certain locations under monthly lease agreements that can be canceled with notification.

10. Lease Commitments (Continued)

Future minimum lease payments required under the non-cancelable leases were as follows for the years ending September 30:

Year	Amount
2021	$ 298,519
2022	324,008
2023	326,581
2024	332,069
2025	337,558
Thereafter	1,223,991
Totals	$ 2,842,726

A portion of the leased office space is subleased to an unaffiliated organization. Lease revenues due under the sublease is as follows for the years ending September 30:

Year	Amount
2021	$ 17,909
2022	19,832
2023	20,172
2024	20,511
2025	3,452
Totals	$ 81,876

Rent expense, including the Organization's share of property taxes and operating expenses totaled approximately $349,000 and $830,000 for the six-months ended September 30, 2020 and the year ended March 31, 2020, respectively. Rental income under the sublease was approximately $16,000 and $8,000 for the six-months ended September 30, 2020 and the year ended March 31, 2020, respectively. Rent expense includes $76,656 and $137,912 of donated use of facilities for TreeHouse programming for each of six-months ended September 30, 2020 and the year ended March 31, 2020, respectively.

11. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at:

	September 30, 2020	March 31, 2020
Endowment Funds	$ 758,303	$ 735,343
Scholarship Funds	87,701	84,227
Various Individual Houses	187,761	219,675
Comprehensive Campaign	373,093	799,765
Totals	$ 1,406,858	$ 1,839,010

12. Donated Materials and Services

Donated materials and services and the related recorded values consisted of the following for the six-months ended September 30, 2020 and the year ended March 31, 2020:

	September 30, 2020	March 31, 2020
Goods and Services for Special Events	$ 800	$ 65,201
Use of Facilities	76,656	137,912
Program Outreach Goods and Services	-	19,031
Miscellaneous	-	6,158
Totals	$ 77,456	$ 228,302

Donated materials and services, included in contributions on the Statements of Activities and Changes in Net Assets, were used in the Organization's activities as follows:

Programs	$ 76,656	$ 156,943
Fund Development, Including Other Event Costs	800	65,201
Management and General	-	6,158
Totals	$ 77,456	$ 228,302

13. Retirement Plan

All employees of the Organization who have attained age 18, completed 6 months of service and have worked at least 1,000 hours or 20 hours per week are eligible to make contributions to a 403(b) retirement plan. For employees who have attained age 19 and completed one year of service, the Organization may make discretionary contributions. There were no employer contributions for the six-months ended September 30, 2020 and the year ended March 31, 2020.

14. Related Party Transactions

The Organization received a $750,000 (Note 8) loan from a member of management during the year ended March 31, 2020. There are no payment terms and the stated interest is 1% due quarterly.

Approximately 19% of the balance of contributions receivable was due from a board member as of September 30, 2020. Approximately 18% of the balance of contributions receivable was due from a board member and a member of management as of March 31, 2020.

Approximately 19% of contribution revenue was from board members and a member of management during the six-months ended September 30, 2020. Approximately 24% of contribution revenue was received from board members and a member of management during the year ended March 31, 2020.

15. Concentrations

Contributions Receivable

Approximately 75% of the balance of contributions receivable was due from two donors as of September 30, 2020. Approximately 71% of the balance of contributions receivable was due from two donors as of March 31, 2020.

Contributions

Approximately 10% of total contribution revenue was from one donor during the six-months ended September 30, 2020. Approximately 31% of total contribution revenue was from three donors during the year ended March 31, 2020.

Credit Risk

The Organization places its cash deposits with high-quality financial institutions and seeks to limit the amount of credit exposure to any one financial institution. At various times during the year, the amount on deposit may exceed federally insured limits. The Organization has not experienced any losses related to these deposits.

16. Uncertainty

Prior to and continuing after September 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19). Most industries are experiencing disruption to business operations, fundraising and the impact of reduced consumer spending and charitable giving. There is uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Organization as of March 17, 2021, management believes that a material impact on the Organization's financial position and results of future operations is reasonably possible.

17. Subsequent Event

Subsequent to the six months ended September 30, 2020, the Organization obtained a $885,727 loan from Tradition Capital Bank under a second draw PPP. The second draw PPP loan was established to provide loans to qualifying businesses. The loans and accrued interest are forgivable as long as the borrower used the loan proceeds for eligible purposes. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness might be reduced if the borrower terminates employees or reduces salaries during the measured period.

The unforgiven part of the second draw PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.