

The Family Tree, Inc.

Financial Statements

Years Ended June 30, 2020 and 2019



The Family Tree, Inc.

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Years Ended June 30, 2020 and 2019

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Independent Auditors' Report

To the Board of Directors
The Family Tree, Inc., Inc.
Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of The Family Tree, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities and change in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

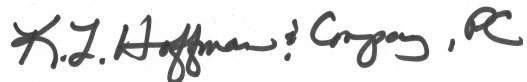
To the Board of Directors
The Family Tree, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Family Tree, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by “Government Auditing Standards”

In accordance with “Government Auditing Standards”, we have also issued our report on January 25, 2021, on our consideration of The Family Tree, Inc.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Family Tree, Inc.’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering The Family Tree, Inc.’s internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "K.J. Hoffman & Company, PC". The signature is written in a cursive style.

CERTIFIED PUBLIC ACCOUNTANTS

January 25, 2021

The Family Tree, Inc.
 Statements of Financial Position
 June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,981,221	\$ 1,601,919
Investments, at fair value (cost of \$2,719,178 in 2020 and \$2,636,103 in 2019)	2,928,285	2,950,754
Accounts receivable	50	215
Grants receivable	365,398	124,017
Contributions receivable	854,588	1,592,951
Prepaid expenses and deposits	40,821	35,312
Property and equipment, net	<u>1,430,190</u>	<u>1,500,283</u>
Total assets	<u><u>7,600,553</u></u>	<u><u>7,805,451</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	128,945	57,793
Accrued payroll	267,097	154,158
Grant advance	-	1,223
Note payable	<u>530,937</u>	<u>-</u>
Total liabilities	<u>926,979</u>	<u>213,174</u>
Net assets:		
Donor undesignated - available for general purposes	<u>5,145,651</u>	<u>5,175,569</u>
Donor designated - endowment	1,003,173	1,046,010
Donor designated	<u>524,750</u>	<u>1,370,698</u>
Total donor designated	<u>1,527,923</u>	<u>2,416,708</u>
Total net assets	<u>6,673,574</u>	<u>7,592,277</u>
Total liabilities and net assets	<u><u>\$ 7,600,553</u></u>	<u><u>\$ 7,805,451</u></u>

See the independent auditors' report and accompanying notes.

The Family Tree, Inc.

Statements of Activities and Change in Net Assets
Years Ended June 30, 2020 and 2019

	2020			2019		
	Donor Undesignated	Donor Designated	Total	Donor Undesignated	Donor Designated	Total
Revenues, gains, and other support:						
Public support:						
Received directly:						
Contributions and grants	\$ 1,049,168	\$ 45,000	\$ 1,094,168	\$ 1,160,469	\$ 656,163	\$ 1,816,632
Special events	595,949	-	595,949	897,543	502,719	1,400,262
Grants from governmental agencies	1,477,751	-	1,477,751	731,573	-	731,573
Other revenue:						
Program fees	123,676	-	123,676	50,835	-	50,835
Interest and dividend income, net fees of \$19,535 for 2020 and \$24,084 for 2019	61,798	24,350	86,148	66,541	26,721	93,262
Realized and unrealized (losses) on investments	(32,287)	(16,187)	(48,474)	(30,855)	(9,335)	(40,190)
	153,187	8,163	161,350	86,521	17,386	103,907
Net assets released from designations by satisfaction of designations	941,948	(941,948)	-	440,184	(440,184)	-
Total revenues, gains, and other support	4,218,003	(888,785)	3,329,218	3,316,290	736,084	4,052,374
Expenses:						
Program services	3,212,706	-	3,212,706	2,498,356	-	2,498,356
Supporting services:						
Management and general	547,066	-	547,066	471,029	-	471,029
Fund raising	405,097	-	405,097	324,539	-	324,539
Cost of direct benefits to donors	83,052	-	83,052	145,930	-	145,930
	1,035,215	-	1,035,215	941,498	-	941,498
Total expenses	4,247,921	-	4,247,921	3,439,854	-	3,439,854
Change in net assets	(29,918)	(888,785)	(918,703)	(123,564)	736,084	612,520
Net assets - beginning of year	5,175,569	2,416,708	7,592,277	5,299,133	1,680,624	6,979,757
Net assets - end of year	\$ 5,145,651	\$ 1,527,923	\$ 6,673,574	\$ 5,175,569	\$ 2,416,708	\$ 7,592,277

See the independent auditors' report and accompanying notes.

The Family Tree, Inc.

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (918,703)	\$ 612,520
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	79,601	80,135
Realized and unrealized loss on investments	48,474	40,190
Donated securities	(36,755)	(46,073)
Decrease (increase) in:		
Accounts receivable	165	35
Grants receivable	(241,381)	15,064
Contributions receivable	738,363	(790,247)
Prepaid expenses and deposits	(5,509)	(17,181)
(Decrease) increase in:		
Accounts payable	71,152	20,176
Accrued payroll	112,939	11,003
Grant advance	(1,223)	(1,476)
Net cash used in operating activities	<u>(152,877)</u>	<u>(75,854)</u>
Cash flows from investing activities:		
Capital expenditures	(9,508)	(38,215)
Purchase of investments and reinvested dividends	(355,073)	(1,438,571)
Proceeds from sale of investments	<u>365,823</u>	<u>1,566,578</u>
Net cash provided by investing activities	<u>1,242</u>	<u>89,792</u>
Cash flows from financing activities -		
Note payable proceeds	<u>530,937</u>	<u>-</u>
Net cash provided by financing activities	<u>530,937</u>	<u>-</u>
Net increase in cash and cash equivalents	379,302	13,938
Cash and cash equivalents - beginning of year	<u>1,601,919</u>	<u>1,587,981</u>
Cash and cash equivalents - end of year	<u>\$ 1,981,221</u>	<u>\$ 1,601,919</u>

See the independent auditors' report and accompanying notes.

The Family Tree, Inc.

Statements of Functional Expenses
Years Ended June 30, 2020 and 2019

	2020					2019				
	Supporting Services				Total	Supporting Services				Total
	Program Services	Management and General	Fund Raising	Cost of Direct Benefits to Donors		Program Services	Management and General	Fund Raising	Cost of Direct Benefits to Donors	
Payroll and payroll related	\$ 2,287,274	\$ 393,029	\$ 323,005	\$ -	\$ 3,003,308	\$ 1,794,916	\$ 328,184	\$ 262,688	\$ -	\$ 2,385,788
Professional fees	332,701	68,200	23,471	-	424,372	271,133	59,836	5,368	68,782	405,119
Staff training and development	15,668	525	525	-	16,718	28,094	604	3,529	-	32,227
Volunteer support	16,724	-	-	-	16,724	897	-	910	-	1,807
Travel	34,716	786	447	-	35,949	31,696	3,437	683	2,551	38,367
Supplies	118,210	11,024	3,797	-	133,031	80,795	9,899	3,933	-	94,627
Communications	26,557	4,976	2,321	-	33,854	23,994	3,378	3,363	-	30,735
Equipment rental and maintenance	191,741	17,503	27,543	-	236,787	89,686	18,997	20,542	-	129,225
Occupancy	81,884	5,473	6,241	-	93,598	68,976	5,480	6,250	-	80,706
Insurance	27,843	4,834	3,973	-	36,650	26,574	4,941	3,955	2,050	37,520
Other	11,552	35,224	7,501	-	54,277	13,303	30,745	7,003	-	51,051
Catering and supplies	-	-	-	83,052	83,052	-	-	-	72,547	72,547
Depreciation	67,836	5,492	6,273	-	79,601	68,292	5,528	6,315	-	80,135
	<u>\$ 3,212,706</u>	<u>\$ 547,066</u>	<u>\$ 405,097</u>	<u>\$ 83,052</u>	<u>\$ 4,247,921</u>	<u>\$ 2,498,356</u>	<u>\$ 471,029</u>	<u>\$ 324,539</u>	<u>\$ 145,930</u>	<u>\$ 3,439,854</u>

See the independent auditors' report and accompanying notes.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Family Tree, Inc. (Organization) leads Maryland in preventing child abuse, connects caring communities, and builds strong families to improve society for generations. The Organization educates and empowers parents to help them make good decisions when raising their families - the ultimate result is to help children. More than 24,000 people receive help through evidenced-based programs and parenting classes each year. In addition, the Organization provides professional trainings, community education, and advocacy for legislation that prevents child abuse and neglect. The Organization is a 4-star rated charity by Charity Navigator and the Maryland Chapter of Prevent Child Abuse America and Parents Anonymous®. For more information, visit www.familytreemd.org.

Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three (3) months or less to be cash equivalents.

Investments

Investments consist of mutual funds, exchange-traded funds, and common stocks with readily determined fair values and an interest in a partnership reported at fair value in the statements of financial position. Interest and dividend income and realized and unrealized gains or losses on investments are recorded in the period in which the investment income or gains or losses occur and are included in the financial statements as undesignated activities unless designated by the donor.

Accounts Receivable

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are believed to be uncollectible by the time the financial statements are issued. Accounting principles generally accepted in the United States of America (GAAP) requires the allowance method for accounting for bad debts, but the differences between the two methods is immaterial.

Property and Equipment

The Organization capitalizes substantial expenditures for property and equipment having a useful life of three (3) or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of three (3) to forty (40) years using the straight-line method. The Organization uses the direct expensing method to account for planned major maintenance activities.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Revenue

Contributions received are recorded as donor undesignated or donor designated support, depending on the existence and/or nature of any donor designation.

Support that is designated by the donor is reported as an increase in donor undesignated net assets if the designation expires in the reporting period in which the support is recognized. All other donor designated support is reported as an increase in donor designated net assets, depending on the nature of the designation. When a designation expires (that is, when a stipulated time designation ends or purpose designation is accomplished), donor designated net assets are reclassified to donor undesignated net assets and reported in the statement of activities and change in net assets as net assets released from designations. Governmental grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

Contributions Receivable

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 in future years are recorded at the present value of their estimated future cash flows. When material, the discount on those amounts are computed using rates applicable to the facts and circumstances applicable to each of the promises to give. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Donated Services

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.

Impairment of Long-Lived Assets

The Organization reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended June 30, 2020 and 2019.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to program or supporting services. Management's estimate of the allocations of expenses to program service, management and general, and fund raising is based on appropriate allocation factors such as estimated time spent in those areas or square footage used.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 2 - INCOME TAXES

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

The Internal Revenue Service has not examined (audited) any income tax returns of the Organization; thus, the previous three (3) years are subject to examination. The Organization has not taken any questionable tax positions with respect to unrelated business income tax or anything that would jeopardize its 501(c)(3) status.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following unconditional promises to give at June 30,:

	<u>2020</u>	<u>2019</u>
Collectible in less than 1 year	\$ 854,588	\$ 1,101,490
Collectible in 1 - 5 years	-	491,461
	<u>\$ 854,588</u>	<u>\$ 1,592,951</u>

An immaterial amount of discount is included in contributions receivable (collectible in 1 - 5 years).

NOTE 4 - USE OF ESTIMATES IN FINANCIAL STATEMENTS

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

NOTE 5 - DONOR DESIGNATED NET ASSETS

Donor designated net assets consisted of the following at June 30,:

	<u>2020</u>	<u>2019</u>
Time	\$ 509,750	\$ 1,281,460
Biobehavioral catch up intervention	15,000	-
Furniture	-	20,000
Technology upgrades	-	69,238
Endowment	1,003,173	1,046,010
	<u>\$ 1,527,923</u>	<u>\$ 2,416,708</u>

See the independent auditors' report.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 6 - DONOR DESIGNATED ENDOWMENTS

The Organization's endowment consists of one (1) donor designated fund (designated in perpetuity) established to strengthen families and prevent child abuse and neglect. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed designations.

The Board of Directors of the Organization has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor designated endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor designated net assets (a) the original value of gifts donated to the donor designated endowment, (b) the original value of subsequent gifts to the donor designated endowment, and (c) accumulations to the donor designated endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor designated endowment fund that is not classified as designated in perpetuity is classified as donor designated net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor designated endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor designated endowment funds, (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 the Organization, and (7) the Organization's investment policies.

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets 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. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to exceed the median return of managed funds with the following asset allocations for the years ended June 30,:

	<u>2020</u>	<u>2019</u>
Domestic large capital equities	35%	35%
Domestic mid capital equities	10%	10%
Domestic small capital equities	10%	10%
International equities	15%	15%
Domestic fixed income securities	30%	30%
	<u>100%</u>	<u>100%</u>

See the independent auditors' report.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 6 - DONOR-DESIGNATED ENDOWMENTS (continued)

Actual returns and asset allocations in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization targets a diversified asset allocation that mirrors the asset allocation of its baseline portfolio listed above to achieve its long-term return objectives within prudent risk parameters. The Organization's spending policy for the fund is to spend 5% of the average fund principal during the preceding fiscal year per the terms of the fund agreement.

Currently, the Organization only has donor designated endowment funds, with original endowment gifts totaling \$1,130,266. The donor designated endowment balances and changes in the endowment net assets as of and for the years ended June 30, 2020 and 2019, are as follows:

	<u>Total Net Endowment Assets</u>
Endowment net assets, June 30, 2018	\$ 1,080,624
Contributions	-
Investment income	26,721
Realized and unrealized gains and (losses)	(9,335)
Amounts appropriated for expenditure - released from designations	<u>(52,000)</u>
Endowment net assets, June 30, 2019	1,046,010
Contributions	-
Investment income	24,350
Realized and unrealized gains and (losses)	(16,187)
Amounts appropriated for expenditure - released from designations	<u>(51,000)</u>
Endowment net assets, June 30, 2020	<u>\$ 1,003,173</u>

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 7 - INVESTMENTS

Investments are carried at fair value (as determined by quoted prices in an active market for identical assets).

Investments consisted of the following at June 30,:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 1,355,091	\$ 1,461,235	\$ 1,267,707	\$ 1,403,252
Exchange-traded funds	1,064,087	1,167,050	1,065,484	1,244,590
Common stocks	-	-	2,912	2,912
Investment in partnership (donated)	300,000	300,000	300,000	300,000
	<u>\$ 2,719,178</u>	<u>\$ 2,928,285</u>	<u>\$ 2,636,103</u>	<u>\$ 2,950,754</u>

NOTE 8 - DONATED SERVICES

Donated services consisted of assistance in the following areas for the years ended June 30,:

	<u>2020</u>	<u>2019</u>
Parent Education; 1444 hours at \$25.43 per hour in 2020 and 3,333 hours at \$24.69 per hour in 2019	\$ 36,721	\$ 82,292
Parent's Anonymous; 1,110 hours at \$25.43 per hour in 2020 and 400 hours at \$24.69 per hour in 2019	28,240	9,864
Children's Program; 1,075 hours at \$25.43 per hour in 2020 and 1,584 hours at \$24.69 per hour in 2019	27,337	39,109
Information technology; 923 hours at \$65.00 per hour for 2020 and 923 hours at \$65.00 per hour for 2019	\$ 60,000	\$ 60,000

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 8 - DONATED SERVICES (continued)

	<u>2020</u>	<u>2019</u>
Executive Consultants; 1,313 hours at \$25.43 per hour for 2020 and 978 hours at \$24.69 per hour for 2019	\$ 33,390	\$ 24,134
Development Consultants; 734 hours at \$25.43 per hour for 2020 and 0 hours at \$24.69 per hour for 2019	18,653	-
Community Engagement Consultants; 173 hours at \$25.43 per hour for 2020 and 1,022 hours at \$24.69 per hour for 2019	4,399	25,221
	<u>\$ 208,740</u>	<u>\$ 240,620</u>

NOTE 9 - DONOR DESIGNATED NET ASSETS RELEASED FROM DESIGNATIONS

Donor designated net assets released from donor designations consisted of the following for the years ended June 30,:

	<u>2020</u>	<u>2019</u>
Time	\$ 801,710	\$ 238,184
MD Connect Program	-	150,000
Furniture	20,000	
Technology upgrades	69,238	
Endowment - appropriated expenditures	51,000	52,000
	<u>\$ 941,948</u>	<u>\$ 440,184</u>

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 10 - FAIR VALUE MEASUREMENT

The accounting codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the assets or liabilities. The hierarchy requires the use of observable market data when available. The three levels of the fair value hierarchy are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities and market-corroborated inputs.

If the assets or liabilities have a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the assets or liabilities.

Level 3 - Inputs to the valuation methodology are unobservable for the assets or liabilities and are significant to the fair value measurement.

The assets or liabilities' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2020 and 2019.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 10 - FAIR VALUE MEASUREMENT (continued)

Fair values of assets measured on a recurring basis at June 30 are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2020				
Mutual funds	\$ 1,461,235	\$ 1,461,235	\$ -	\$ -
Exchange-traded funds	1,167,050	1,167,050	-	-
Common stocks	-	-	-	-
Investment in partnership	300,000	-	-	300,000
	<u>2,928,285</u>	<u>2,628,285</u>	<u>-</u>	<u>300,000</u>
June 30, 2019				
Mutual funds	1,403,252	1,403,252	-	-
Exchange-traded funds	1,244,590	1,244,590	-	-
Common stocks	2,912	2,912	-	-
Investment in partnership	300,000	-	-	300,000
	<u>\$ 2,950,754</u>	<u>\$ 2,650,754</u>	<u>\$ -</u>	<u>\$ 300,000</u>

NOTE 11 - CREDIT RISK

The Organization had a cash balance with one (1) bank in excess of \$250,000 as of June 30, 2020. Cash balances in excess of \$250,000 with one (1) bank are not insured by the FDIC.

NOTE 12 - RELATED PARTY TRANSACTIONS

The following represent transactions with related parties for the years ended June 30,:

	<u>2020</u>	<u>2019</u>
Donated Services - information technology	<u>\$ 60,000</u>	<u>\$ 60,000</u>

See the independent auditors' report.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 13 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30,:

	<u>2020</u>	<u>2019</u>	<u>Useful Life Years</u>
Land	\$ 74,515	\$ 74,515	
Building and improvements	2,466,363	2,456,855	40
Equipment	234,489	234,489	3 - 5
Furniture and fixtures	261,001	261,001	5 - 10
	<u>3,036,368</u>	<u>3,026,860</u>	
Less accumulated depreciation	<u>1,606,178</u>	<u>1,526,577</u>	
	<u><u>\$ 1,430,190</u></u>	<u><u>\$ 1,500,283</u></u>	

NOTE 14 - ACCOUNTING PRONOUNCEMENTS

The Organization adopted the requirements in FASB ASU 2016-18, Statement of Cash Flows, Restricted Cash. The primary changes include the Statement of Cash Flows shall explain the change during the period in the total of cash, cash and cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the cash flows.

The Organization adopted the requirements in FASB ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions made. The ASU amends the definition of a donor-imposed condition to state it must include both (a) one or more barriers that must be overcome before the organization is entitled to the promised assets, and (b) a right of return to the contributor of assets transferred or a right of release from its obligation to transfer assets or to reduce, settle, or cancel liabilities.

NOTE 15 - NOTE PAYABLE

The Organization was issued a note in the amount of \$530,937 under the Coronavirus Aid, Relief, and Economic Security Act's (the "CARES Act") Paycheck Protection Program. All or a portion of the loan may be forgiven in accordance with the program requirements. The balance of the loan not forgiven will convert to an amortizing term loan payable in two (2) years. The note has a one percent (1%) interest rate.

NOTE 16 - CONTINGENCIES

The Organization is subject to an audit by its funding sources. Accordingly, all costs charged to grants/contracts are subject to verification.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 17 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed designations within one year of the statement of financial position date.

	<u>2020</u>	<u>2019</u>
Financial assets at year-end	\$ 6,129,542	\$ 6,269,856
Less those unavailable for general expenditures within one year,		
due to donor designations	1,527,923	1,755,222
due to contributions receivable due in more than one year	<u>-</u>	<u>491,461</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,601,619</u>	<u>\$ 4,023,173</u>

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in mutual funds, bond funds, and money market accounts.

NOTE 18 - RECLASSIFICATION

Certain amounts pertaining to fiscal year 2019 have been reclassified to conform with current year presentation.

NOTE 19 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date the financial statements were available to be issued on January 25, 2021, and determined the following transaction to disclose:

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, potential shortages of personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this report.