Montrose Counseling Center Permanent Endowment, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended August 31, 2021 and 2020

Montrose Counseling Center Permanent Endowment, Inc.

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Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
Montrose Counseling Center Permanent Endowment, Inc.:

We have audited the accompanying financial statements of Montrose Counseling Center Permanent Endowment, Inc., which comprise the statements of financial position as of August 31, 2021 and 2020 and the related statements of activities and of cash flows 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. Those standards require that we plan and perform our 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 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.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montrose Counseling Center Permanent Endowment, Inc. as of August 31, 2021 and 2020 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.

Blazek & Vetterling

April 21, 2022

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Montrose Counseling Center Permanent Endowment, Inc.

Statements of Financial Position as of August 31, 2021 and 2020

	2021	2020
ASSETS		
Cash	$ 519,366	$ 300,111
Prepaid expenses	11,257	15,083
Investments *(Note 4)*	257,304	215,876
Property, net *(Note 5)*	4,396,221	4,503,903
TOTAL ASSETS	$ 5,184,148	$ 5,034,973
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 24,371	$ 13,934
Due to Montrose Center	51,912	48,847
Security deposit from Montrose Center	94,508	94,508
Total liabilities	170,791	157,289
Net assets:		
Without donor restrictions	4,504,048	4,368,375
With donor restrictions *(Note 6)*	509,309	509,309
Total net assets	5,013,357	4,877,684
TOTAL LIABILITIES AND NET ASSETS	$ 5,184,148	$ 5,034,973

See accompanying notes to financial statements.

Montrose Counseling Center Permanent Endowment, Inc.

Statement of Activities for the year ended August 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Rent income *(Note 3)*	$ 567,048		$ 567,048
Contributions	35		35
Net investment return	41,882		41,882
Total revenue	608,965		608,965
EXPENSES:			
Program expenses – building costs:			
Depreciation	192,309		192,309
Insurance and other	117,354		117,354
Building maintenance contracts and repairs	97,887		97,887
Utilities	65,742		65,742
Total program expenses	473,292		473,292
CHANGES IN NET ASSETS	135,673		135,673
Net assets, beginning of year	4,368,375	$ 509,309	4,877,684
Net assets, end of year	$ 4,504,048	$ 509,309	$ 5,013,357

See accompanying notes to financial statements.

Montrose Counseling Center Permanent Endowment, Inc.

Statement of Activities for the year ended August 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Rent income *(Note 3)*	$ 567,048		$ 567,048
Contributions	1,797		1,797
Net investment return	18,274		18,274
Total revenue	587,119		587,119
EXPENSES:			
Program expenses – building costs:			
Depreciation	190,251		190,251
Insurance and other	78,580		78,580
Building maintenance contracts and repairs	102,107		102,107
Utilities	64,241		64,241
Interest expense	2,182		2,182
Total program expenses	437,361		437,361
CHANGES IN NET ASSETS	149,758		149,758
Net assets, beginning of year	4,218,617	$ 509,309	4,727,926
Net assets, end of year	$ 4,368,375	$ 509,309	$ 4,877,684

See accompanying notes to financial statements.

Montrose Counseling Center Permanent Endowment, Inc.

Statements of Cash Flows for the years ended August 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 135,673	$ 149,758
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	192,309	190,251
Net realized and unrealized gain on investments	(37,761)	(9,619)
Changes in operating assets and liabilities:		
Prepaid expenses	3,826	(2,537)
Accounts payable, accrued expenses and due to Montrose Center	13,502	43,454
Net cash provided by operating activities	307,549	371,307
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	(84,626)	(30,983)
Net change in money market mutual funds	462	(50,677)
Proceeds from the sale of investments	79,350	50,605
Purchases of investments	(83,480)	(58,934)
Net cash used by investing activities	(88,294)	(89,989)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for building debt repayment		3,065
Repayment of note payable		(198,228)
Net cash used by financing activities		(195,163)
NET CHANGE IN CASH	219,255	86,155
Cash, beginning of year	300,111	213,956
Cash, end of year	$ 519,366	$ 300,111

Supplemental disclosure of cash flow information:

Interest paid on note payable $2,182

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Montrose Counseling Center Permanent Endowment, Inc. (the Endowment) is a nonprofit organization established in 1988 to provide support for Montrose Center (the Center). The Endowment may make distributions to the Center at the discretion of the Endowment's Board of Directors.

Federal income tax status – The Endowment is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a Type III supporting organization under §509(a)(3).

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property is reported at cost if purchased and at fair value at the date of gift if donated. Depreciation is calculated on the straight-line basis over estimated useful lives of 5 years for furniture and equipment, 5 to 15 years for building improvements, and 30 years for the building.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Rent income is recognized ratably over the term of the lease.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Management and general activities are not directly identifiable with specific program or fundraising activities.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of reported revenue and expenses. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of August 31 comprise the following:

	2021	2020
Financial assets:		
Cash	$ 519,366	$ 300,111
Investments	257,304	215,876
Total financial assets	$ 776,670	$ 515,987

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Endowment considers all expenditures related to its building costs, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of liquidity management practices, the Endowment invests excess cash in long-term investments. However, all funds are still liquid and available for use, if needed.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Endowment's property is leased to the Center under a noncancelable operating lease with annual rental payments of $567,048 through December 31, 2030. In accordance with the original lease agreement, the Center pays the expenses for building personnel and supplies, accounting and other administrative building services. Effective January 1, 2021, the lease was amended to require the Endowment to pay annually to the Center 5% of the Executive Director and Operations Director's payroll costs and 50% of the IT and Property Maintenance Specialist's payroll costs. For the year ended August 31, 2021, the Endowment paid the Center approximately $30,000 for these payroll costs.

NOTE 4 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at August 31, 2021 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Equity mutual funds:				
Large-cap growth	$ 61,436			$ 61,436
Large-cap value	57,819			57,819
Global allocation	20,888			20,888
Foreign large blend	19,994			19,994
Money market mutual funds	50,645			50,645
Bond mutual funds – intermediate-term	46,522			46,522
Total assets measured at fair value	$ 257,304	$ 0	$ 0	$ 257,304

Assets measured at fair value at August 31, 2020 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Equity mutual funds:				
Large-cap growth	$ 47,476			$ 47,476
Large-cap value	38,304			38,304
Global allocation	17,302			17,302
Foreign large blend	16,008			16,008
Money market mutual funds	51,107			51,107
Bond mutual funds – intermediate-term	45,679			45,679
Total assets measured at fair value	$ 215,876	$ 0	$ 0	$ 215,876

Mutual funds are valued at the net asset value of shares held at year end. This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Endowment believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 5 – PROPERTY

Property consists of the following:

	2021	2020
Land	$ 2,431,904	$ 2,431,904
Building	3,450,972	3,450,972
Building improvements	1,076,748	992,122
Furniture and equipment	43,185	43,185
Total property, at cost	7,002,809	6,918,183
Accumulated depreciation	(2,606,588)	(2,414,280)
Property, net	$ 4,396,221	$ 4,503,903

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted in perpetuity and are invested in the land and building, which was purchased with restricted contributions. If the land and building are sold, proceeds equal to those restricted contributions must be used to purchase other property or invested in perpetuity to benefit the Center.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 21, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.