Consolidated Financial Statements
June 30, 2019 and 2018

The Children's Center and Affiliates

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Trustees
The Children's Center
Salt Lake City, Utah

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of The Children's Center, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Children's Center as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1 and Note 11 of the consolidated financial statements, The Children's Center has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities.* Accordingly, the June 30, 2018 consolidated financial statements have been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

Report on Supplementary Information
The supplementary schedules on pages 23-26 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Eide Bailly LLP

Salt Lake City, Utah
November 21, 2019

	2019	2018 (Adopted Change in Accounting Principle)
Assets		
Current Assets		
Cash and cash equivalents	$ 1,403,317	$ 1,562,104
Accounts receivable, net	229,903	277,250
Unconditional promises to give, net	214,445	248,917
Prepaid expenses and other assets	34,434	36,607
Total current assets	1,882,099	2,124,878
Property and Equipment, Net	9,802,114	10,150,772
Endowment	9,122,815	9,301,442
Total assets	$ 20,807,028	$ 21,577,092
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 407,747	$ 458,268
Promise to grant space, current	15,976	15,976
Total current liabilities	423,723	474,244
Promise to Grant Space, Less Current Portion	191,712	207,688
Total liabilities	615,435	681,932
Net Assets		
Without donor restrictions		
Undesignated	1,008,480	1,030,029
Investment in property and equipment	9,802,114	10,150,772
The Children's Center Trust	6,050,841	6,281,266
	16,861,435	17,462,067
With donor restrictions	3,330,158	3,433,093
Total net assets	20,191,593	20,895,160
Total liabilities and net assets	$ 20,807,028	$ 21,577,092

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support			
Contributions	$ 546,027	$ 200,809	$ 746,836
Special events, less cost of direct benefits to donors of $124,411	675,686	-	675,686
United Way allocation	-	50,000	50,000
	1,221,713	250,809	1,472,522
Revenues			
Federal and state contracts	666,957	-	666,957
Private contracts	1,034,215	-	1,034,215
Private fees	529,899	-	529,899
	2,231,071	-	2,231,071
Less contractual allowances	(240,273)	-	(240,273)
Less bad debt	(47,114)	-	(47,114)
	1,943,684	-	1,943,684
Other federal service revenue	640,459	-	640,459
Endowment net investment return	270,069	195,304	465,373
Other revenue	30,872	-	30,872
	941,400	195,304	1,136,704
Net assets released from restriction	549,048	(549,048)	-
Total public support and revenues	4,655,845	(102,935)	4,552,910
Expenses			
Program services			
Therapeutic Preschool	2,110,952	-	2,110,952
Training, Consultation and Research	698,241	-	698,241
Outpatient Services	1,465,192	-	1,465,192
Total program services	4,274,385	-	4,274,385
Supporting Services			
Management and general	532,373	-	532,373
Fundraising	449,719	-	449,719
Total supporting services	982,092	-	982,092
Total program and supporting services expenses	5,256,477	-	5,256,477
Change in Net Assets	(600,632)	(102,935)	(703,567)
Net Assets, Beginning of Year, Adopted Change in Accounting Principle	17,462,067	3,433,093	20,895,160
Net Assets, End of Year	$ 16,861,435	$ 3,330,158	$ 20,191,593

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support			
Contributions	$ 656,572	$ 353,112	$ 1,009,684
Special events, less cost of direct benefits to donors of $109,151	708,292	-	708,292
United Way allocation	-	95,998	95,998
	1,364,864	449,110	1,813,974
Revenues			
Federal and state contracts	552,478	-	552,478
Private contracts	1,252,224	-	1,252,224
Private fees	816,793	-	816,793
	2,621,495	-	2,621,495
Less contractual allowances	(332,079)	-	(332,079)
Less bad debt	(40,913)	-	(40,913)
	2,248,503	-	2,248,503
Other federal service revenue	499,224	-	499,224
Endowment net investment return	493,031	352,214	845,245
Other revenue	49,439	-	49,439
	1,041,694	352,214	1,393,908
Net Assets Released from Restrictions	547,944	(547,944)	-
Total public support and revenues	5,203,005	253,380	5,456,385
Expenses			
Program services			
Therapeutic Preschool	2,306,082	-	2,306,082
Training, Consultation and Research	588,509	-	588,509
Outpatient Services	1,497,525	-	1,497,525
Total program services	4,392,116	-	4,392,116
Supporting Services			
Management and general	367,334	-	367,334
Fundraising	362,037	-	362,037
Total supporting services	729,371	-	729,371
Total program and supporting services expenses	5,121,487	-	5,121,487
Change in Net Assets	81,518	253,380	334,898
Net Assets, Beginning of Year	17,380,549	3,179,713	20,560,262
Net Assets, End of Year	$ 17,462,067	$ 3,433,093	$ 20,895,160

	Program Services				Supporting Services			
	Therapeutic Preschool	Training, Consultation and Research	Outpatient Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related	$ 1,522,955	$ 531,314	$ 1,169,559	$ 3,223,828	$ 377,803	$ 323,836	$ 701,639	$ 3,925,467
Professional insurance	16,912	5,412	11,500	33,824	-	-	-	33,824
Office supplies	18,275	13,487	11,980	43,742	2,862	2,147	5,009	48,751
Program materials	19,814	10,504	8,321	38,639	-	-	-	38,639
Food	14,994	-	464	15,458	-	37,944	37,944	53,402
Postage and printing	3,865	1,498	2,516	7,879	856	14,600	15,456	23,335
Publications and testing material	6,158	5,893	8,134	20,185	1,365	2,481	3,846	24,031
Utilities	55,138	14,680	31,079	100,897	10,581	7,935	18,516	119,413
Repairs and maintenance	46,415	13,218	27,984	87,617	9,527	7,145	16,672	104,289
Janitorial service and supplies	28,371	5,674	17,022	51,067	2,837	2,837	5,674	56,741
Rent	-	-	-	-	-	41,438	41,438	41,438
Property insurance	6,698	1,389	2,942	11,029	1,001	751	1,752	12,781
Professional fees	30,238	21,020	72,000	123,258	99,014	13,428	112,442	235,700
Bad debts and collection expense	7,067	-	40,047	47,114	-	-	-	47,114
Transportation	96,897	11,207	28	108,132	-	-	-	108,132
Meetings and conventions	14,251	17,984	8,731	40,966	818	818	1,636	42,602
Miscellaneous	17,388	4,366	9,162	30,916	4,121	99,762	103,883	134,799
Total expenses before depreciation	1,905,436	657,646	1,421,469	3,984,551	510,785	555,122	1,065,907	5,050,458
Depreciation	212,583	40,595	83,770	336,948	21,588	19,008	40,596	377,544
	2,118,019	698,241	1,505,239	4,321,499	532,373	574,130	1,106,503	5,428,002
Less expenses included with public support and revenues on the consolidated statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	(124,411)	(124,411)	(124,411)
Bad debt reported as contra revenue	(7,067)	-	(40,047)	(47,114)	-	-	-	(47,114)
Total expenses included in the expense section on the consolidated statement of activities	$ 2,110,952	$ 698,241	$ 1,465,192	$ 4,274,385	$ 532,373	$ 449,719	$ 982,092	$ 5,256,477

The Children's Center

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services				Supporting Services			
	Therapeutic Preschool	Training, Consultation and Research	Outpatient Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related	$ 1,429,348	$ 438,730	$ 1,288,166	$ 3,156,244	$ 263,658	$ 256,574	$ 520,232	$ 3,676,476
Professional insurance	14,599	4,672	9,927	29,198	-	-	-	29,198
Office supplies	12,090	2,382	8,173	22,645	1,021	1,021	2,042	24,687
Program materials	17,673	9,851	7,965	35,489	-	-	-	35,489
Food	15,744	473	658	16,875	-	31,485	31,485	48,360
Postage and printing	3,551	4,734	2,420	10,705	484	17,943	18,427	29,132
Publications and testing material	258	82	5,585	5,925	35	435	470	6,395
Utilities	53,199	15,137	32,438	100,774	6,488	6,488	12,976	113,750
Repairs and maintenance	44,357	13,697	29,351	87,405	5,870	5,870	11,740	99,145
Janitorial service and supplies	22,443	7,141	15,302	44,886	3,060	3,060	6,120	51,006
Rent	-	-	-	-	-	39,237	39,237	39,237
Grant of space to nonprofit	239,640	-	-	239,640	-			239,640
Property insurance	6,578	1,416	3,034	11,028	607	607	1,214	12,242
Professional fees	120,716	25,226	29	145,971	61,259	125	61,384	207,355
Bad debts and collection expense	-	6,137	34,776	40,913	-	-	-	40,913
Transportation	90,288	7,831	642	98,761	-	-	-	98,761
Meetings and conventions	7,122	13,436	3,851	24,409	524	524	1,048	25,457
Miscellaneous	15,926	3,233	6,467	25,626	2,804	88,875	91,679	117,305
Total expenses before depreciation	2,093,532	554,178	1,448,784	4,096,494	345,810	452,244	798,054	4,894,548
Depreciation	212,550	40,468	83,517	336,535	21,524	18,944	40,468	377,003
	2,306,082	594,646	1,532,301	4,433,029	367,334	471,188	838,522	5,271,551
Less expenses included with public support and revenues on the consolidated statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	(109,151)	(109,151)	(109,151)
Bad debt reported as contra revenue	-	(6,137)	(34,776)	(40,913)	-	-	-	(40,913)
Total expenses included in the expense section on the consolidated statement of activities	$ 2,306,082	$ 588,509	$ 1,497,525	$ 4,392,116	$ 367,334	$ 362,037	$ 729,371	$ 5,121,487

	2019	2018
Operating Activities		
Change in net assets	$ (703,567)	$ 334,898
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	377,544	377,003
Promise to grant space	(15,976)	223,664
Endowment net investment return	(465,373)	(845,245)
Change in operating assets and liabilities		
Accounts receivable	47,347	59,558
Unconditional promises to give	34,472	(55,097)
Prepaid expenses and other assets	2,173	(884)
Accounts payable and accrued expenses	(50,521)	127,550
Net Cash from (used for) Operating Activities	(773,901)	221,447
Investing Activities		
Purchase of property and equipment	(28,886)	(105,598)
Purchases of endowment investments	(5,893,269)	(3,695,745)
Proceeds from sales of endowment investments	5,893,269	3,695,745
Distribution from endowment	644,000	-
Net Cash from (used for) Investing Activities	615,114	(105,598)
Net Change in Cash and Cash Equivalents	(158,787)	115,849
Cash and Cash Equivalents, Beginning of Year	1,562,104	1,446,255
Cash and Cash Equivalents, End of Year	$ 1,403,317	$ 1,562,104

Note 1 - Summary of Significant Accounting Policies

Operational Purpose

Founded in 1962 by Dr. Agi Plenk, The Children's Center (TCC) provides comprehensive mental health care to enhance the emotional well-being of infants, toddlers, preschoolers, and their families. The organization operates two treatment facilities, one in Kearns and one in Salt Lake City. The only clinical agency of its kind in Utah, and one of the largest in the country, The Children's Center is the recognized local expert in evidence-based, trauma-informed treatments for preschool-aged children with emotional and behavioral concerns. The Children's Center believes in being a resource for community organizations and a training center to improve care for young children and their families. The Children's Center's programs consist of the following:

Therapeutic Preschool: Provides treatment for preschool-aged children with emotional and behavioral problems, three hours per day, five days per week, 52 weeks per year.

Training, Consultation and Research: Provides training and consultation for mental health clinicians, community professionals, and staff in child care centers and preschool providers to improve and enhance mental health services to young children in the state of Utah.

Outpatient Services: Provides psychological evaluations, mental health assessments, psychiatric evaluations, weekly therapy groups for children with emotional and behavioral problems, as well as therapy with children and families.

The Children's Center Endowment Trust (the Trust) is a separate nonprofit entity, governed by a board of seven trustees, which holds investments to provide for the future needs of The Children's Center. Earnings from the Trust's investments are not restricted by the terms of the endowment and are used for capital improvements, research, and program development.

Historic Oquirrh School Manager, Inc., a wholly-owned subsidiary, was formed on September 3, 2008. This entity was formed to own and operate the Historic Oquirrh School (the School). The Children's Center renovated the School and uses it as its administrative office and treatment center in Salt Lake City, Utah. The Children's Center moved into the School in July 2009.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and operations of The Children's Center and the Trust because The Children's Center has both control and an economic interest in the Trust. The accounts and operations of Historic Oquirrh School Manager, Inc., wholly-owned by The Children's Center, are also included in the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, the consolidated entities are hereinafter referred to as "TCC."

Cash and Cash Equivalents

TCC considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of TCC are excluded from this definition.

Property and Equipment

Property and equipment additions over $500 are recorded at cost or, if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 10 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

TCC reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2019 and 2018.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Accounts Receivable and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for therapeutic programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2019 and 2018, the allowance was $160,000.

Unconditional Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution revenue in the consolidated statements of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2019 and 2018, the allowance was $1,139. At June 30, 2019 and 2018, all unconditional promises to give are expected to be collected within one year.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to TCC's program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. TCC records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended June 30, 2019 and 2018.

Investments

Investment purchases are recorded at cost or, if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) 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. TCC reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and related professional fees, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Children’s Center and The Children’s Center Endowment Trust are organized as Utah nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), that qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under Sections 509(a)(1) and (3), respectively. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Each entity has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Historic Oquirrh School Manager, Inc. is taxed as a corporation but does not have any significant differences between book and tax accounting. Therefore, no tax provision is recorded in the accompanying consolidated financial statements.

Each entity believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The entities would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

TCC manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, TCC has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members, governmental agencies, and foundations supportive of TCC's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Trustees (the Board). Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of TCC.

Adoption of FASB Accounting Standards Update 2016-14

As of July 1, 2018, TCC adopted the provisions of FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit- Entities*. TCC believes the standard improves the usefulness and understandability of TCC's consolidated financial statement reporting. Accordingly, the accompanying consolidated financial statements and related notes follow the net asset classification, presentation, and disclosure requirements prescribed by the ASU. The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption the disclosure about liquidity and availability of resources. TCC has elected not to present comparative information for the disclosure about liquidity and availability of resources.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

TCC has evaluated subsequent events through November 21, 2019, the date the consolidated financial statements were available to be issued.

Note 2 - Liquidity and Availability

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

Cash and cash equivalents	$ 1,403,317
Accounts receivable	229,903
Promises to give	214,445
Endowment spending-rate distributions and appropriations - board designated (estimated)	1,380,892
	$ 3,228,557

Endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from the donor-restricted endowment funds and funds designated by the Board are both available for general expenditure. The endowment is subject to an annual spending rate formula as described in Note 6. Although TCC does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), the funds designated by the Board could be made available for operational purposes if necessary.

Note 3 - Property and Equipment

Property and equipment consists of the following at June 30, 2019 and 2018:

	2019	2018
Land	$ 2,051,925	$ 2,051,925
Buildings and leasehold improvements	11,210,159	11,205,979
Furniture, fixtures and equipment	1,133,735	1,134,404
Land improvements	244,233	244,233
	14,640,052	14,636,541
Less accumulated depreciation and amortization	(4,837,938)	(4,485,769)
	$ 9,802,114	$ 10,150,772

Note 4 - Endowment Net Investment Return

Endowment net investment return consists of the following for the years ended June 30, 2019 and 2018:

	2019	2018
Interest and dividends	179,787	148,231
Net realized and unrealized gain	335,229	746,155
Less investment management and custodial fees	(49,643)	(49,141)
	$ 465,373	$ 845,245

Note 5 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that TCC 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. These 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 asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, TCC develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to TCC's assessment of the quality, risk or liquidity profile of the asset or liability.

TCC's endowment investment assets are classified within Level 1 because they are comprised of common stocks with readily determinable fair values based on quoted market prices and open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis at June 30, 2019:

		Fair Value Measurements at Report Date Using		
Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and money market funds (at cost)	$ 922,963	$ -	$ -	$ -
Common stocks	2,901,673	2,901,673	-	-
Mutual funds - stocks	2,984,755	2,984,755	-	-
Mutual funds - bonds	1,921,703	1,921,703	-	-
Mutual funds - real assets	198,185	198,185	-	-
Mutual funds - alternatives	100,931	100,931	-	-
Mutual funds - other	92,605	92,605	-	-
Total assets at fair value	$ 9,122,815	$ 8,199,852	$ -	$ -

The following table presents assets measured at fair value on a recurring basis at June 30, 2018:

		Fair Value Measurements at Report Date Using		
Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and money market funds (at cost)	$ 777,199	$ -	$ -	$ -
Common stocks	3,260,868	3,260,868	-	-
Mutual funds - stocks	2,648,169	2,648,169	-	-
Mutual funds - bonds	2,200,936	2,200,936	-	-
Mutual funds - real assets	212,200	212,200		
Mutual funds - alternatives	153,089	153,089		
Mutual funds - other	48,981	48,981	-	-
Total assets at fair value	$ 9,301,442	$ 8,524,243	$ -	$ -

Note 6 - Endowment

TCC’s endowment (the Endowment) was established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain unrestricted net assets designated for quasi-endowment by the Board. Net assets associated with Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

TCC’s Board has interpreted the Utah 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, unless there are explicit donor stipulations to the contrary. At June 30, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, TCC classifies as net assets with donor restrictions (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts, 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. The remaining portion of the donor-restricted Endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by TCC in a manner consistent with the standard of prudence prescribed by UPMIFA.

TCC 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

TCC had the following Endowment net asset composition by type of fund:

	Without Donor Restriction	With Donor Restriction	Total
June 30, 2019			
Board-designated quasi-endowment	$ 6,050,841	$ -	$ 6,050,841
Donor-restricted endowment	-	3,071,974	3,071,974
	$ 6,050,841	$ 3,071,974	$ 9,122,815
June 30, 2018			
Board-designated quasi-endowment	$ 6,281,266	$ -	$ 6,281,266
Donor-restricted endowment	-	3,020,176	3,020,176
	$ 6,281,266	$ 3,020,176	$ 9,301,442

Investment and Spending Policies

The Endowment was established to support the treatment of young children with emotional and behavioral problems and their families. Amounts, once appropriated by the Board, may be distributed for the unrestricted use of TCC.

The investment objective is to preserve and grow principal. The spending policy for the Endowment was established to allow for growth in excess of the long-term inflation rate. Distributions of income and up to 25 percent of the principal may be made with approval of the Board.

Changes in Endowment net assets for the year ending June 30, 2019, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 6,281,266	$ 3,020,176	$ 9,301,442
Investment return			
Investment income, net of fees	75,530	54,614	130,144
Net realized and unrealized gain	194,539	140,690	335,229
	6,551,335	3,215,480	9,766,815
Distributions	(644,000)	-	(644,000)
Appropriation of endowment assets pursuant to spending-rate policy	143,506	(143,506)	-
Endowment net assets, end of year	$ 6,050,841	$ 3,071,974	$ 9,122,815

Changes in Endowment net assets for the year ending June 30, 2018 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 5,658,768	$ 2,797,429	$ 8,456,197
Investment return			
Investment income, net of fees	57,799	41,291	99,090
Net realized and unrealized loss	435,232	310,923	746,155
	6,151,799	3,149,643	9,301,442
Appropriation of endowment assets pursuant to spending-rate policy	129,467	(129,467)	-
Endowment net assets, end of year	$ 6,281,266	$ 3,020,176	$ 9,301,442

Endowment assets are invested as follows at June 30, 2019 and 2018:

	2019	2018
Cash and cash equivalents	$ 922,963	$ 777,199
Investments	8,199,852	8,524,243
	$ 9,122,815	$ 9,301,442

Note 7 - Promise to Grant Space

During the year ended June 30, 2018, TCC entered into a lease agreement with an unrelated nonprofit organization wherein TCC committed to lease space to the nonprofit organization rent-free for a period of 15 years. In connection with this lease agreement, TCC recorded a promise to grant space liability and is amortizing the liability over the term of the lease. The value of the promise to grant space was determined based on the estimated fair value of the leased space. At June 30, 2019 and 2018, the promise to grant space liability totals $207,688 and $223,664, respectively. During the year ended June 30, 2018, $239,640 was recorded as expense and is reflected as grant of space to nonprofit in the consolidated statement of activities and consolidated statement of functional expenses. During the years ended June 30, 2019 and 2018, $15,976 of the promise to grant space liability has been amortized and included in other revenue in the consolidated statements of activities.

Note 8 - Employee Benefits

TCC sponsors a defined contribution retirement plan (the Plan). Eligible employees can make contributions to the Plan on a pre-tax basis. TCC matches employee contributions up to 2% of their annual salary. If the employee is full-time and has achieved one year of service with TCC, an additional 3% is contributed. During the years ended June 30, 2019 and 2018, TCC contributed $102,569 and $78,578, respectively, to the Plan.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to Expenditure for Specified Purpose		
Outpatient Services, Training, Capital Improvements	$ 43,739	$ 164,000
Promises to give, the proceeds from which have been restricted by donors for specified purposes	-	75,000
Subject to the Passage of Time		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	214,445	173,917
Endowments		
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation	1,076,974	1,025,176
Perpetual in nature, not subject to spending policy or appropriation	1,995,000	1,995,000
	$ 3,330,158	$ 3,433,093

Appropriations of earnings on endowment funds are available for the unrestricted use of TCC subject to appropriation by the Board.

Note 10 - Contingencies

TCC is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not have a material adverse effect on the Company.

Note 11 - Adjustment Resulting from Change in Accounting Policy

As disclosed in Note 1, TCC adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* as of July 1, 2018. As part of the adoption, changes were made to the presentation of the consolidated financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in TCC's June 30, 2018 net assets.

The effect on TCC's consolidated statement of financial position as of June 30, 2018, is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Unrestricted net assets	$ 17,462,067	$ (17,462,067)	$ -
Temporarily restricted net assets	1,438,093	(1,438,093)	-
Permanently restricted net assets	1,995,000	(1,995,000)	-
Net assets without donor restrictions	-	17,462,067	17,462,067
Net assets with donor restrictions	-	3,433,093	3,433,093

The effect on TCC's consolidated statement of activities for the year ended June 30, 2018, is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Net Assets, Beginning of Year			
Unrestricted	$ 17,380,549	$ (17,380,549)	$ -
Temporarily restricted	1,184,713	(1,184,713)	-
Permanently restricted	1,995,000	(1,995,000)	-
Net assets without donor restrictions	-	17,380,549	17,380,549
Net assets with donor restrictions	-	3,179,713	3,179,713
Net Assets, End of Year			
Unrestricted	$ 17,462,067	$ (17,462,067)	$ -
Temporarily restricted	1,438,093	(1,438,093)	-
Permanently restricted	1,995,000	(1,995,000)	-
Net assets without donor restrictions	-	17,462,067	17,462,067
Net assets with donor restrictions	-	3,433,093	3,433,093

Supplementary Information
June 30, 2019 and 2018

The Children's Center and Affiliates

	The Children's Center	The Children's Center Endowment Trust	Historic Oquirrh School Manager, Inc.	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	$ 818,016	$ -	$ 585,301	$ -	$ 1,403,317
Accounts receivable, net	229,858	-	39,607	(39,562)	229,903
Unconditional promises to give, net	214,445	-	-	-	214,445
Prepaid expenses and other assets	34,434	-	-	-	34,434
Total current assets	1,296,753	-	624,908	(39,562)	1,882,099
Property and Equipment, Net	3,082,651	-	6,719,463	-	9,802,114
Endowment	-	9,122,815	-	-	9,122,815
Other Assets	7,069,345	-	-	(7,069,345)	-
Total assets	$ 11,448,749	$ 9,122,815	$ 7,344,371	$ (7,108,907)	$ 20,807,028
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	$ 445,202	$ -	$ 2,107	$ (39,562)	$ 407,747
Promise to grant space, current	15,976	-	-	-	15,976
Total current liabilities	461,178	-	2,107	(39,562)	423,723
Promise to Grant Space, Less Current Portion	191,712	-	-	-	191,712
Total liabilities	652,890	-	2,107	(39,562)	615,435
Net Assets					
Equity	-	-	7,342,264	(7,342,264)	-
Without donor restrictions					
Undesignated	735,561	-	-	272,919	1,008,480
Investment in property and equipment	9,802,114	-	-	-	9,802,114
The Children's Center Trust	-	6,050,841	-	-	6,050,841
	10,537,675	6,050,841	-	272,919	16,861,435
With donor restrictions	258,184	3,071,974	-	-	3,330,158
Total net assets	10,795,859	9,122,815	7,342,264	(7,069,345)	20,191,593
Total liabilities and net assets	$ 11,448,749	$ 9,122,815	$ 7,344,371	$ (7,108,907)	$ 20,807,028

	The Children's Center	The Children's Center Endowment Trust	Historic Oquirrh School Manager, Inc.	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	$ 1,125,801	$ -	$ 436,303	$ -	$ 1,562,104
Accounts receivable, net	277,250	-	37,500	(37,500)	277,250
Unconditional promises to give, net	248,917	-	-	-	248,917
Prepaid expenses and other assets	36,607	-	-	-	36,607
Total current assets	1,688,575	-	473,803	(37,500)	2,124,878
Property and Equipment, Net	3,173,333	-	6,977,439	-	10,150,772
Endowment	-	9,301,442	-	-	9,301,442
Other Assets	7,069,345	-	-	(7,069,345)	-
Total assets	$ 11,931,253	$ 9,301,442	$ 7,451,242	$ (7,106,845)	$ 21,577,092
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	$ 495,768	$ -	$ -	$ (37,500)	$ 458,268
Promise to grant space, current	15,976	-	-	-	15,976
Total current liabilities	511,744	-	-	(37,500)	474,244
Promise to Grant Space, Less Current Portion	207,688	-	-	-	207,688
Total liabilities	719,432	-	-	(37,500)	681,932
Net Assets					
Equity	-	-	7,451,242	(7,451,242)	-
Without donor restrictions					
Undesignated	648,132	-	-	381,897	1,030,029
Investment in property and equipment	10,150,772	-	-	-	10,150,772
The Children's Center Trust	-	6,281,266	-	-	6,281,266
	10,798,904	6,281,266	7,451,242	(7,069,345)	17,462,067
With donor restrictions	412,917	3,020,176	-	-	3,433,093
Total net assets	11,211,821	9,301,442	7,451,242	(7,069,345)	20,895,160
Total liabilities and net assets	$ 11,931,253	$ 9,301,442	$ 7,451,242	$ (7,106,845)	$ 21,577,092

	The Children's Center	The Children's Center Endowment Trust	Historic Oquirrh School Manager, Inc.	Eliminations	Total
Public Support					
Contributions	$ 746,836	$ -	$ -	$ -	$ 746,836
Special events, less cost of direct benefits to donors of $124,411	675,686	-	-	-	675,686
United Way allocation	50,000	-	-	-	50,000
	1,472,522	-	-	-	1,472,522
Revenues					
Federal and state contracts	666,957	-	-	-	666,957
Private contracts	1,034,215	-	-	-	1,034,215
Private fees	529,899	-	-	-	529,899
	2,231,071	-	-	-	2,231,071
Less contractual allowances	(240,273)	-	-	-	(240,273)
Less bad debt	(47,114)	-	-	-	(47,114)
	1,943,684	-	-	-	1,943,684
Other federal service revenue	640,459	-	-	-	640,459
Endowment net investment return	-	465,373	-	-	465,373
Rental income	-	-	150,000	(150,000)	-
Other revenue	30,872	-	-	-	30,872
	671,331	465,373	150,000	(150,000)	1,136,704
Total public support and revenues	4,087,537	465,373	150,000	(150,000)	4,552,910
Expenses					
Program services					
Therapeutic Preschool	2,035,065	-	141,887	(66,000)	2,110,952
Training, Consultation and Research	690,864	-	28,377	(21,000)	698,241
Outpatient Services	1,450,858	-	59,334	(45,000)	1,465,192
Total program services	4,176,787	-	229,598	(132,000)	4,274,385
Supporting services					
Management and general	524,892	-	16,481	(9,000)	532,373
Fundraising	445,820	-	12,899	(9,000)	449,719
Total supporting services	970,712	-	29,380	(18,000)	982,092
Total program and supporting services expenses	5,147,499	-	258,978	(150,000)	5,256,477
Change in Net Assets	(1,059,962)	465,373	(108,978)	-	(703,567)
Net Assets, Beginning of Year, Adopted Change in Accounting Principle	11,211,821	9,301,442	7,451,242	(7,069,345)	20,895,160
Transfer of net assets	644,000	(644,000)	-	-	-
Net Assets, End of Year	$ 10,795,859	$ 9,122,815	$ 7,342,264	$ (7,069,345)	$ 20,191,593

	The Children's Center	The Children's Center Endowment Trust	Historic Oquirrh School Manager, Inc.	Eliminations	Total
Public Support					
Contributions	$ 1,009,684	$ -	$ -	$ -	$ 1,009,684
Special events, less cost of direct benefits to donors of $109,151	708,292	-	-	-	708,292
United Way allocation	95,998	-	-	-	95,998
	1,813,974	-	-	-	1,813,974
Revenues					
Federal and state contracts	552,478	-	-	-	552,478
Private contracts	1,252,224	-	-	-	1,252,224
Private fees	816,793	-	-	-	816,793
	2,621,495	-	-	-	2,621,495
Less contractual allowances	(332,079)	-	-	-	(332,079)
Less bad debt	(40,913)	-	-	-	(40,913)
	2,248,503	-	-	-	2,248,503
Other federal service revenue	499,224	-	-	-	499,224
Endowment net investment return	-	845,245	-	-	845,245
Rental income	-	-	150,000	(150,000)	-
Other revenue	49,439	-	-	-	49,439
	548,663	845,245	150,000	(150,000)	1,393,908
Total public support and revenues	4,611,140	845,245	150,000	(150,000)	5,456,385
Expenses					
Program services					
Therapeutic Preschool	2,230,195	-	141,887	(66,000)	2,306,082
Training, Consultation and Research	581,132	-	28,377	(21,000)	588,509
Outpatient Services	1,482,019	-	60,506	(45,000)	1,497,525
Total program services	4,293,346	-	230,770	(132,000)	4,392,116
Supporting services					
Management and general	360,855	-	15,479	(9,000)	367,334
Fundraising	358,138	-	12,899	(9,000)	362,037
Total supporting services	718,993	-	28,378	(18,000)	729,371
Total program and supporting services expenses	5,012,339	-	259,148	(150,000)	5,121,487
Change in Net Assets	(401,199)	845,245	(109,148)	-	334,898
Net Assets, Beginning of Year, Adopted Change in Accounting Principle	11,613,020	8,456,197	7,560,390	(7,069,345)	20,560,262
Net Assets, End of Year	$ 11,211,821	$ 9,301,442	$ 7,451,242	$ (7,069,345)	$ 20,895,160