

TRIANGLE FAMILY SERVICES, INC.

FINANCIAL STATEMENTS

***As of and for the Year Ended June 30, 2020
(with Comparative Totals for 2019)***

And Report of Independent Auditor

TRIANGLE FAMILY SERVICES, INC.
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR 1-2

FINANCIAL STATEMENTS

Statement of Financial Position 3
Statement of Activities and Changes in Net Assets..... 4
Statement of Functional Expenses 5
Statement of Cash Flows 6
Notes to the Financial Statements 7-14

Report of Independent Auditor

To the Audit Committee
Triangle Family Services, Inc.
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Triangle Family Services, Inc. (a nonprofit organization) (the “Agency”), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency’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 Agency’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 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 the Agency as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We previously audited the Agency's 2019 financial statements, and our report dated October 4, 2019 expressed an unmodified opinion on these audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cherry Boudet LLP

Raleigh, North Carolina
October 9, 2020

TRIANGLE FAMILY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,143,018	\$ 873,533
Beneficial interest in endowment fund	35,148	36,705
Individual and family counseling accounts receivable net of allowance of \$8,307 in 2020 and \$8,167 in 2019)	29,171	25,477
Other receivables	14,507	2,859
Grants receivables	299,987	192,329
Pledges receivable	105,000	70,333
Prepaid expenses and other current assets	100,272	34,037
Total Current Assets	1,727,103	1,235,273
Property and equipment, net	704,644	697,088
Total Assets	\$ 2,431,747	\$ 1,932,361
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of long-term debt	\$ 27,817	\$ 13,759
Accounts payable	10,056	37,057
Accrued expenses	93,454	118,130
Unearned revenue	8,000	7,000
Total Current Liabilities	139,327	175,946
Long-term debt, less current portion	653,187	253,467
Total Liabilities	792,514	429,413
Net Assets:		
Without Donor Restrictions:		
Net investment in property and equipment	704,644	697,088
Board-designated reserve fund	214,688	205,498
Undesignated	615,032	573,156
Total Without Donor Restrictions	1,534,364	1,475,742
With Donor Restrictions:		
Subject to purpose restrictions	104,869	27,206
Total With Donor Restrictions	104,869	27,206
Total Net Assets	1,639,233	1,502,948
Total Liabilities and Net Assets	\$ 2,431,747	\$ 1,932,361

The accompanying notes to the financial statements are an integral part of this statement.

TRIANGLE FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Revenues and Other Support:				
Grants and Contracts	\$ 2,299,551	\$ 486,556	\$ 2,786,107	\$ 2,454,012
Contributions	323,786	-	323,786	118,645
Individual and Family Counseling Fees	340,510	-	340,510	330,720
Family Safety Fees	245,840	-	245,840	229,171
Financial Wellness Fees	722	-	722	4,068
Special Events	209,613	-	209,613	132,926
Other	7,758	-	7,758	3,503
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments	408,893	(408,893)	-	-
Total Revenues and Other Support	<u>3,836,673</u>	<u>77,663</u>	<u>3,914,336</u>	<u>3,273,045</u>
Expenses:				
Program Services:				
Individual and Family Counseling	1,045,895	-	1,045,895	817,686
Financial Wellness	1,222,919	-	1,222,919	1,445,790
Family Safety	693,711	-	693,711	701,878
COVID-19	291,268	-	291,268	-
	<u>3,253,793</u>	<u>-</u>	<u>3,253,793</u>	<u>2,965,354</u>
Supporting Services:				
Management and General	363,735	-	363,735	219,449
Fundraising	160,523	-	160,523	194,418
Total Expenses	<u>3,778,051</u>	<u>-</u>	<u>3,778,051</u>	<u>3,379,221</u>
Change in net assets	58,622	77,663	136,285	(106,176)
Net assets, beginning of year	<u>1,475,742</u>	<u>27,206</u>	<u>1,502,948</u>	<u>1,609,124</u>
Net assets, end of year	<u>\$ 1,534,364</u>	<u>\$ 104,869</u>	<u>\$ 1,639,233</u>	<u>\$ 1,502,948</u>

The accompanying notes to the financial statements are an integral part of this statement.

TRIANGLE FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	Program Services					Supporting Services		Total	
	Individual and Family Counseling	Financial Wellness	Family Safety	COVID-19	Total	Management and General	Fundraising	2020	2019
Salaries and employee benefits	\$ 677,743	\$ 603,393	\$ 529,533	\$ 14,490	\$ 1,825,159	\$ 200,032	\$ 69,664	\$ 2,094,855	\$ 1,944,379
Payroll taxes and insurance	121,999	137,280	67,219	3,286	329,784	79,603	12,550	421,937	398,828
Consultant and professional services	137,305	50,797	38,271	20,722	247,095	51,767	15,441	314,303	266,995
Supplies	2,232	3,906	4,785	375	11,298	1,231	971	13,500	13,611
Telephone	2,341	6,289	1,955	801	11,386	1,322	372	13,080	10,800
Postage	-	691	606	26	1,323	333	158	1,814	2,455
Occupancy	20,521	20,256	17,721	-	58,498	12,551	3,376	74,425	90,318
Equipment rental and maintenance	3,282	3,751	3,282	-	10,315	2,785	625	13,725	15,722
Printing and publications	3,881	1,677	1,731	-	7,289	889	727	8,905	11,880
Travel	2,470	12,735	2,074	-	17,279	631	5,422	23,332	28,571
Conferences, conventions, and meetings	10,726	6,179	4,401	2,662	23,968	1,278	208	25,454	35,353
Financial assistance	51	349,843	2,649	248,861	601,404	-	-	601,404	392,835
Membership dues	32,618	8,601	4,161	45	45,425	1,244	575	47,244	53,702
Special events	-	-	-	-	-	-	47,519	47,519	28,844
Interest	3,567	4,077	3,567	-	11,211	2,208	680	14,099	14,651
Miscellaneous	9,549	694	602	-	10,845	957	110	11,912	16,314
Total Before Depreciation	1,028,285	1,210,169	682,557	291,268	3,212,279	356,831	158,398	3,727,508	3,325,258
Depreciation on property and equipment	17,610	12,750	11,154	-	41,514	6,904	2,125	50,543	53,963
Total Functional Expenses	<u>\$ 1,045,895</u>	<u>\$ 1,222,919</u>	<u>\$ 693,711</u>	<u>\$ 291,268</u>	<u>\$ 3,253,793</u>	<u>\$ 363,735</u>	<u>\$ 160,523</u>	<u>\$ 3,778,051</u>	<u>\$ 3,379,221</u>

The accompanying notes to the financial statements are an integral part of this statement.

TRIANGLE FAMILY SERVICES, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 136,285	\$ (106,176)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	50,543	53,963
(Increase) decrease in assets:		
Accounts receivable	(157,667)	347,650
Prepaid expenses	(66,235)	(22,032)
Increase (decrease) in liabilities:		
Accounts payable	(27,001)	7,843
Accrued expenses	(24,674)	3,208
Unearned revenue	1,000	7,000
Net cash flows from operating activities	<u>(87,749)</u>	<u>291,456</u>
Cash flows from investing activities:		
Investment in endowment	1,557	(128)
Purchase of property and equipment	<u>(58,100)</u>	<u>-</u>
Net cash flows from investing activities	<u>(56,543)</u>	<u>(128)</u>
Cash flows from financing activities:		
Borrowings on long-term debt	446,040	-
Payments on long-term debt	<u>(32,263)</u>	<u>(26,912)</u>
Net cash flows from financing activities	<u>413,777</u>	<u>(26,912)</u>
Net change in cash	269,485	264,416
Cash and cash equivalents, beginning of year	<u>873,533</u>	<u>609,117</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,143,018</u></u>	<u><u>\$ 873,533</u></u>
Supplemental cash flow information:		
Interest paid	<u><u>\$ 14,099</u></u>	<u><u>\$ 14,651</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

TRIANGLE FAMILY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

Note 1—Nature of organization

Triangle Family Services, Inc. (the “Agency”) is an agency that provides a variety of mental health and social services designed to preserve and strengthen families in Wake County and the Triangle area in North Carolina. These services include individual, family, and consumer credit counseling, violence and crisis intervention, prevention of homelessness, and supervised visitation and exchange services. The Agency is supported primarily through fees, grants, and donor contributions.

Note 2—Summary of significant accounting policies

Basis of Accounting – The financial statements of the Agency have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Comparative Financial Information – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Agency’s financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Basis of Presentation – For reporting purposes, the Agency’s financial statements have been prepared to focus on the Agency as a whole. Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Agency and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. These net assets may be used at the discretion of the Agency’s management and the Board of Directors. The Agency has chosen to provide further classification information about net assets without donor restrictions on the statement of financial position. The sub-classifications are as follows:

Net Investment in Property and Equipment – Represents net assets invested in buildings and equipment, net of accumulated depreciation and related debt.

Board-Designated Reserve Fund – Represents net assets designated by the Board of Directors to be set aside for reserve purposes for the Agency.

Undesignated – Represents cumulative net assets without donor restrictions excluding those net assets invested in property and equipment and designated for specific activities by the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature whereby the donor has stipulated the funds be maintained in perpetuity.

TRIANGLE FAMILY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

Note 2—Summary of significant accounting policies (continued)

Revenue Recognition – Clients may be charged according to a fee scale based on the client's income and ability to pay. All revenues are considered to be available for unrestricted use unless specifically restricted by the donor. At its discretion, the Board of Directors may designate funds for specific purposes. Such board-designated funds are included in net assets without donor restrictions.

All donor-restricted support is reported as an increase in net assets without donor restriction, depending on the nature of the restriction. When a 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 are reported in the statement of activities and changes in net assets as net assets released from donor restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Income Tax Status – The Agency is exempt from federal and state income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code ("IRC") and the applicable state tax statutes. In addition, the Agency qualifies for the charitable contributions deduction under Section 170(b)(1)(a) and has been qualified as an organization that is not a private foundation under Section 509(a)(2) of the IRC. Management has evaluated the effect of the guidance provided by U.S. GAAP. Management believes the Agency continues to satisfy the requirements of a tax-exempt organization as of June 30, 2020. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined the Agency had no significant uncertain income tax positions as of June 30, 2020. Management has also not identified any unrelated business income requiring the Agency to file a Form 990-T, *Exempt Organization Business Income Tax Return*.

In-Kind Contributions – No amount has been reflected in the statements for donated services to the extent that no objective basis is available to measure the value of these donations. A substantial number of volunteers have donated significant amounts of their time to the Agency's programs and in its fundraising campaigns. Donated services were not recorded in these financial statements as of June 30, 2020 because these services did not create or enhance nonfinancial assets or require specialized skills. There were in-kind contributions other than services made during the year of \$135,544.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and in the statement of functional expenses. Program expenses include costs to run and administer the Agency's programs. Fundraising expenses include costs to solicit funds from individual, corporate, and organizational donors, and other funding sources, as well as holding fundraising events. Directly identifiable expenses are charged to programs and support services. Expenses related to more than one function are charged to programs and supporting services on the basis of specific grant provisions for indirect costs. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency, and generally include costs to operate and administer the Agency.

While a majority of these costs are specifically identifiable to a functional expense category, other costs are allocated based on the number of full-time equivalent employees in each function, estimated by time and effort.

Cash and Cash Equivalents – Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and have an original maturity of 90 days or less. Of this balance, the Board has designated \$214,688 for specific purposes. The Agency places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Agency from time to time may have amounts on deposit in excess of the insured limits. As of June 30, 2020, the Agency had \$651,074 in uninsured cash balances above insured amounts.

TRIANGLE FAMILY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

Note 2—Summary of significant accounting policies (continued)

Unconditional Promises to Give – Contributions are recognized when the donor makes a promise to the Agency that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions. Conditional promises to give are excluded from support until the possibility that the conditions will not be met is considered remote.

Accounts Receivable – The Agency grants credit to clients, substantially all of whom are local individuals. Individual and family counseling accounts receivable are from program fees due from the client or insurance companies. Fees due from clients more than 90 days old are considered delinquent and are written off after 180 days. Fees due from insurance companies more than 180 days old are considered delinquent and are written off after 360 days. The Agency has established an allowance for doubtful accounts based on their best estimate.

Grants – The Agency receives grant funds at times from various federal, state, and local governments. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. The reimbursed costs incurred by the Agency are subject to final approval by the grantor agency. The Agency deems all grant receivables to be fully collectible based on historical collections.

Pledges – Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at fair value which is measured at the present value of their future cash flows. The Agency has determined that any discount as of June 30, 2020 for pledges receivable expected to be collected in future years is immaterial. The Agency uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of the grantor or donor. No allowance was deemed necessary as of June 30, 2020.

Property and Equipment – Property and equipment are stated at cost at the date of acquisition or, if donated, at the approximate fair value at the date of donation. The agency capitalizes all purchases of property and equipment in excess of \$5,000. Depreciation is computed using straight-line method for buildings and accelerated methods for all other assets over their respective estimated useful lives. The following are the estimated useful lives of the respective assets:

<u>Description</u>	<u>Estimated Useful Lives</u>
Building and improvements	39 Years
Furniture and fixtures	5 – 7 Years
Technology	3 Years

Unearned Revenue – Unearned revenue consists of cash received related to sponsorships for future fundraising events that will be recognized once the events occur. Unearned revenue totaled \$8,000 as of June 30, 2020.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TRIANGLE FAMILY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

Note 2—Summary of significant accounting policies (continued)

Current Pronouncements – On June 21, 2018, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU are intended to clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. An exchange transaction will be considered by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The Agency has adjusted the presentation of these statements accordingly. The ASU has been applied prospectively for the year ended June 30, 2020. The update had no impact on prior year net assets.

Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of the lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for fiscal years beginning after December 15, 2021. The Agency is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing the users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue. The Agency is in the process of evaluating the impact of the standard, and the standard will be effective for the year ended June 30, 2021.

Reclassifications – Certain amounts reported in the prior year in the financial statements have been reclassified to conform to the current year’s presentation.

Note 3—Liquidity and availability of resources

Financial assets available for general expenditures consisting of expenses for program related and management, general, and administrative expenditures, that are without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following:

Cash and cash equivalents	\$ 1,143,018
Investments	35,148
Individual and family counseling accounts receivable	29,171
Other receivables	14,507
Grant receivables	299,987
Pledges receivable	105,000
	<hr/>
	1,626,831
Less:	
Donor-restricted amounts	(104,869)
Board-designated amounts for reserves	(214,688)
	<hr/>
Amounts available for general expenditure	<u>\$ 1,307,274</u>

TRIANGLE FAMILY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

Note 4—Fair value measurements

Fair Value Hierarchy – Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. U.S. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In accordance with U.S. GAAP, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not classified within a fair value hierarchy. All of the Agency's investments as of June 30, 2020 consist of a beneficial interest in an endowment fund of \$35,148, are measured at net asset value per share and are not classified within the fair value hierarchy.

Note 5—Pledges receivable

A detail of pledges receivable as of June 30, 2020 based on when the pledges are due is as follows:

Receivable in less than one year	\$ 5,000
----------------------------------	----------

Note 6—Property and equipment

Property and equipment as of June 30, 2020 are summarized as follows:

Land	\$ 265,272
Building and improvements	531,397
Furniture and equipment	244,686
Technology	117,350
Intangible assets	9,950
	<u>1,168,655</u>
Less accumulated depreciation	<u>(464,011)</u>
	<u>\$ 704,644</u>

Depreciation expense amounted to \$50,543 for the year ended June 30, 2020.

TRIANGLE FAMILY SERVICES, INC. **NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

Note 7—Long-term debt

Long-term debt as of June 30, 2020 is summarized as follows:

Note with a related party (Fifth Third Bank) in the amount of \$500,000 with interest of 5.4%. The note is collateralized by a deed of trust on property located on Western Boulevard, Raleigh, North Carolina. Principal and interest payments of \$2,321 are payable in monthly installments until October 24, 2023, at which time the principal and interest then remaining is due and payable.

\$ 243,904

Paycheck Protection Program ("PPP") loan in the amount of \$437,100. See additional information in Note 11.

437,100

Less current portion

(27,817)

Long-term portion

\$ 653,187

Maturities of long-term debt are as follows:

Years Ending June 30,

2021

\$ 27,817

2022

452,981

2023

16,836

2024

183,370

\$ 681,004

Total interest expense on short- and long-term debt was \$14,099 in 2020.

Note 8—Bank line of credit

The Agency has a \$150,000 line of credit with Fifth Third Bank. The line automatically extends for one additional year on the expiration date unless the Lender gives notice, at least 30 days prior to expiration. Since no notice was given, the line automatically renewed on September 9, 2019 for one year. The line of credit is collateralized by a deed of trust on property located on Western Boulevard, Raleigh, North Carolina and has no covenants. Interest is paid monthly at the prime rate (3.25% as of June 30, 2020) plus 1.50%. As of June 30, 2020, there was no outstanding balance on the Agency's line of credit.

Note 9—Net assets with donor restrictions

Net assets with donor restrictions are restricted as of June 30, 2020 for the following purpose:

Restricted for COVID-19 related relief

\$ 52,788

Restricted for treatment of alcohol and substance abuse

52,081

\$ 104,869

TRIANGLE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

Note 9—Net assets with donor restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the year ended June 30, 2020:

Satisfaction of purpose restrictions	\$ 408,893
Total net assets released	<u>\$ 408,893</u>

Note 10—Commitments

The Agency leases certain property and equipment for use in its operations. The following summarizes minimum future rental payments under operating leases for the year ended June 30, 2020:

Years Ending June 30,

2021	\$ 10,204
2022	10,094
2023	6,505
2024	<u>1,462</u>
Total future minimum lease payments	<u>\$ 28,265</u>

Rental expense for the year ended June 30, 2020 was \$13,725.

Note 11—COVID-19 pandemic

On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which the Agency operates.

While it is unknown how long these conditions will last and what the complete financial impact will be to the Agency, they are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business and are unable at this time to predict the continued impact that COVID-19 will have on their business, financial position, and operating results in future periods due to numerous uncertainties.

On May 8, 2020, the Agency received a PPP loan for \$437,100 from the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). This loan was funded by Fifth Third Bank. PPP loans are considered conditional contributions, with right of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent, and utilities) incurred following the receipt of the loan funds. The Agency recognized \$437,100 as long-term debt for the year ended June 30, 2020, representing funds received.

TRIANGLE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

Note 12—Subsequent events

The Agency has evaluated subsequent events through October 9, 2020, the date which the financial statements were available to be issued.