

**SHERWOOD CENTER
FOR THE EXCEPTIONAL CHILD**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
YEARS ENDED JUNE 30, 2020 AND 2019

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EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

David Emerick • James Flanagan • Rick Hann • Kristy Helt

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sherwood Center for the Exceptional Child
Kansas City, Missouri

We have audited the accompanying financial statements of Sherwood Center for the Exceptional Child (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and 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 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 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 Sherwood Center for the Exceptional Child as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emerich + Company, P.C.

Kansas City, Missouri
June 21, 2021

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,541,380	\$ 3,330,996
Accounts receivable	708,648	412,577
Contributions receivable	30,923	51,564
Pledges receivable	156,432	196,684
Prepaid expenses	56,846	65,185
Deposit	-	1,300
Investments	20,843	30,060
	3,515,072	4,088,366
PROPERTY AND EQUIPMENT		
Property and equipment	6,091,976	2,353,412
Accumulated depreciation	(770,394)	(845,055)
	5,321,582	1,508,357
OTHER ASSETS		
Pledges receivable	25,000	50,460
Construction in progress	-	980,174
	25,000	1,030,634
TOTAL ASSETS	\$ 8,861,654	\$ 6,627,357
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 30,351	\$ 50,749
Accrued expenses	147,738	625,546
Current portion of notes payable	65,455	17,550
Current portion of PPP loan	189,947	-
	433,491	693,845
LONG-TERM LIABILITIES		
Notes payable	870,283	469,367
PPP loan	237,053	-
	1,107,336	469,367
TOTAL LIABILITIES	1,540,827	1,163,212
NET ASSETS		
Net assets without donor restrictions		
Board designated	-	445,000
Undesignated	7,138,137	4,624,350
Net assets with donor restrictions	182,690	394,795
	7,320,827	5,464,145
TOTAL LIABILITIES AND NET ASSETS	\$ 8,861,654	\$ 6,627,357

See Notes to Financial Statements

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Adult day and family support	\$ 868,263	\$ 1,169,718
Special education	2,703,877	2,704,798
Contributions and grants	205,766	146,724
Fundraising income	122,400	144,265
Interest income	12,928	48,853
Other income	15,518	320
	<u>3,928,752</u>	<u>4,214,678</u>
TOTAL SUPPORT AND REVENUE		
Net assets released from restrictions	1,583,962	1,137,641
	<u>5,512,714</u>	<u>5,352,319</u>
EXPENSES		
Program services	2,671,015	2,637,989
Fundraising	325,410	365,565
General and administrative	512,435	409,376
	<u>3,508,860</u>	<u>3,412,930</u>
TOTAL EXPENSES		
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Unrealized loss on investments	(5,161)	(9,193)
Gain on sale of building	70,114	-
	<u>2,068,807</u>	<u>1,930,196</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,371,837	1,532,360
Net assets released from restrictions	(1,583,962)	(1,137,641)
	<u>(212,125)</u>	<u>394,719</u>
(DECREASE) INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS		
CHANGE IN NET ASSETS	1,856,682	2,324,915
NET ASSETS, BEGINNING OF YEAR	<u>5,464,145</u>	<u>3,139,230</u>
NET ASSETS, END OF YEAR	<u>\$ 7,320,827</u>	<u>\$ 5,464,145</u>

See Notes to Financial Statements

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services	Fundraising	General and Administrative	Total Expenses
Salaries and wages	\$ 1,597,931	\$ 119,819	\$ 340,095	\$ 2,057,845
Payroll taxes	118,179	9,071	24,805	152,055
Employee benefits	295,205	10,454	38,786	344,445
Professional services	176,126	49,466	44,540	270,132
Office expense	16,308	16,914	3,024	36,246
Curriculum and instruction	34,046	4,233	130	38,409
Meals and nutrition	35,732	2,350	29	38,111
Information technology	4,561	8,472	19,954	32,987
Mortgage interest	23,332	-	1,861	25,193
Gas and electric	77,817	-	1,543	79,360
Building supplies	27,376	2,315	1,780	31,471
Depreciation	110,140	1,035	630	111,805
Other utility and other occupancy	74,620	1,677	25,395	101,692
Transportation	14,951	-	246	15,197
Professional development	9,815	1,217	1,926	12,958
Insurance	23,006	969	7,315	31,290
Other	29,874	45	376	30,295
Fundraising events	-	70,331	-	70,331
In-kind expenses	1,996	27,042	-	29,038
TOTAL EXPENSES	\$ 2,671,015	\$ 325,410	\$ 512,435	\$ 3,508,860

See Notes to Financial Statements

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services	Fundraising	General and Administrative	Total Expenses
Salaries and wages	\$ 1,540,844	\$ 166,304	\$ 293,729	\$ 2,000,877
Payroll taxes	114,196	12,486	20,597	147,279
Employee benefits	301,383	11,463	22,057	334,903
Professional services	203,513	64,611	29,180	297,304
Office expense	15,019	11,522	3,625	30,166
Curriculum and instruction	49,281	363	922	50,566
Meals and nutrition	53,352	572	882	54,806
Information technology	6,391	6,531	16,154	29,076
Mortgage interest	11,041	-	3,680	14,721
Gas and electric	97,878	-	-	97,878
Building supplies	19,149	802	1,466	21,417
Depreciation and amortization	99,479	883	403	100,765
Other utility and other occupancy	83,801	2,212	5,349	91,362
Transportation	12,614	25	342	12,981
Professional development	10,468	3,245	3,814	17,527
Insurance	17,104	406	5,323	22,833
Other	1,742	1,464	403	3,609
Fundraising events	357	64,953	-	65,310
In-kind expenses	377	17,723	1,450	19,550
TOTAL EXPENSES	<u>\$ 2,637,989</u>	<u>\$ 365,565</u>	<u>\$ 409,376</u>	<u>\$ 3,412,930</u>

See Notes to Financial Statements

SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,856,682	\$ 2,324,915
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	111,805	100,575
Amortization of loan fees	-	191
Unrealized loss on investments	5,161	9,193
Gain on sale of building	(70,114)	-
Cash contributions restricted for long-term purposes	(368,761)	(337,311)
In-kind contribution of fixed assets	(41,154)	(9,545)
Changes in:		
Accounts and contributions receivable	(275,430)	(137,716)
Pledges receivable	65,712	(247,144)
Prepaid expenses	8,339	(16,052)
Deposit	1,300	(1,300)
Accounts payable	(20,398)	9,188
Accrued expenses	(477,808)	516,537
NET CASH PROVIDED BY OPERATING ACTIVITIES	795,334	2,211,531
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases and disposals of property and equipment	(2,717,236)	(102,858)
Net sales and purchases of investments	(64,391)	187,591
Construction in progress	-	(1,040,584)
NET CASH USED BY INVESTING ACTIVITIES	(2,781,627)	(955,851)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of PPP loan	427,000	-
Net proceeds and payments on notes payable	400,916	(95,593)
Contributions restricted for long-term purposes	368,761	337,311
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,196,677	241,718
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(789,616)	1,497,398
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,330,996	1,833,598
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,541,380	\$ 3,330,996
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid for interest	\$ 25,193	\$ 14,721
In-kind contribution of fixed assets	\$ 41,154	\$ 9,545

See Notes to Financial Statements

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Sherwood Center for the Exceptional Child (the Center) is a not-for-profit social service agency. The Center provides special education, daily habilitative training and community integration services for children and adults with autism who reside in the Greater Kansas City metropolitan area.

Funding for programs and services provided by the Center is provided by the Missouri Department of Mental Health, Medicaid and state and local educational agencies. The Center also receives donations from the United Way, foundations, corporations and individuals.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

Revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to any donor-imposed restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds are maintained in perpetuity. The Organization has no net assets that must be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

Change in Accounting Principles

During the year ended June 30, 2020 the Center has implemented FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, which supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new principle based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The adoption of this standard did not have a material effect on the presentation in these financial statements.

During the year ended June 30, 2020 the Center also adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. The adoption of this standard did not have a material effect on the presentation in these financial statements.

During the year ended June 30, 2019 the Center adopted FASB Accounting Standards Update (ASU) 2016-14, *Not-for Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Use of Estimates

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

Cash and Cash Equivalents

The Center considers all liquid investments with original maturities of three months or less, including money market funds, to be cash equivalents.

At various times throughout the year, the Center's cash and cash equivalent balances in its bank accounts exceed federally insured amounts.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at fair market value on the date of contribution. Depreciation is computed on the straight-line method over the assets' estimated useful lives ranging from five to 25 years. Depreciation is not recorded for artwork based on the estimated extraordinary long useful life. The Center capitalizes additions greater than \$2,000.

Revenue Recognition

Revenue from special education, daily habilitative training and community integration services is recognized in the period the services are provided. Contributions are recognized as revenue in the period the donor makes an unconditional promise to give to the Center. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributed Services

A substantial number of volunteers have donated significant amounts of their time to the activities of the Center. However, these services have not been reflected in the accompanying statements as no objective basis is available to measure the value and these do not meet the accounting standards for recording in the financial statements.

The Center records various types of in-kind support. Contributed in-kind support is recognized if professional services are received that (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, or (c) are goods donated that can be used for the Center's purpose. During the year ended June 30, 2020, the Center received donations of media equipment. During the year ended June 30, 2019, the Center received donations of architectural services.

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Income Taxes

The Center is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and had no unrelated business income subject to income tax. The Center is required to file Form 990, Return of Organization Exempt from Income Tax, yearly. The information in this return is used by the Internal Revenue Service (IRS) to substantiate the Center's continuing tax-exempt status. The last three years of these returns are open to IRS examination.

Functional Expenses

The Center allocates its expenses on a functional basis among programs, fundraising, and management. Expenses that can be identified with a specific program, management or fundraising activity are assigned directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of the resources devoted to each function. The expenses that are allocated are personnel, depreciation, and occupancy related expenses, which are based on estimates of time and effort.

Subsequent Events

Subsequent events have been evaluated through June 21, 2021, which is the date the financial statements were available to be issued.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land and buildings	\$ 5,212,864	\$ 1,704,448
Land improvements	40,366	-
Furniture and equipment	526,785	337,003
Artwork	43,000	43,000
Vehicles	<u>268,961</u>	<u>268,961</u>
	6,091,976	2,353,412
Less: Accumulated depreciation	<u>770,394</u>	<u>845,055</u>
	<u>\$ 5,321,582</u>	<u>\$ 1,508,357</u>

NOTE 3: CAPITAL CAMPAIGN PLEDGES RECEIVABLE

During the year ended June 30, 2018, the Center embarked on a capital campaign, Opportunities for a Lifetime, to raise funds for capital improvements to renovate and expand the special education school and move the adult program to the Ward Parkway Plaza location with expanded facilities. Contributions and pledges for the capital campaign were received during the year ended June 30, 2020.

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

	<u>2020</u>	<u>2019</u>
Amounts due in less than one year	\$ 156,432	\$ 196,684
Amounts due in two to three years	<u>25,000</u>	<u>50,460</u>
Total	<u>\$ 181,432</u>	<u>\$ 247,144</u>

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 3: CAPITAL CAMPAIGN PLEDGES RECEIVABLE (Continued)

Management believes that all pledges receivable are collectible and accordingly, no allowance has been recorded.

NOTE 4: NET ASSETS

Net assets with donor restrictions were as follows for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Programming	\$ -	\$ 56
Remote learning expenses	1,258	-
Capital campaign	<u>181,432</u>	<u>394,739</u>
Total	\$ <u>182,690</u>	\$ <u>394,795</u>

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

	<u>2020</u>	<u>2019</u>
Programming	\$ 56	\$ 5,020
Remote learning	19,317	-
Capital campaign	<u>1,564,589</u>	<u>1,132,621</u>
Total	\$ <u>1,583,962</u>	\$ <u>1,137,641</u>

Board designated net assets were as follows for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Capital campaign	\$ -	\$ 445,000

NOTE 5: AVAILABILITY AND LIQUIDITY

The Center strives to maintain liquid financial assets sufficient to cover operating expenditures. The following table reflects the Center's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures because of board designated and donor restrictions.

Financial assets at year end:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,541,380	\$ 3,330,996
Accounts receivable	708,648	412,577
Contributions receivable	30,923	51,564
Pledges receivable	156,432	196,684

Less amounts not available to be used within one year:

Board designated net assets	-	445,000
Net assets with donor restrictions	<u>182,690</u>	<u>394,795</u>

Financial assets available to meet general expenditures over the next twelve months

	\$ <u>3,254,693</u>	\$ <u>3,152,026</u>
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**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 6: NOTES PAYABLE

The Center holds a note payable to a bank payable in monthly installments of \$2,997 of principal and interest. The interest rate is 3.82%. The note matures at November 29, 2023. The note is secured by a building. The outstanding balance at June 30, 2020 and 2019 is \$470,694 and \$486,917, respectively.

The Center entered loan for the capital campaign construction with the Health and Educational Facilities Authority of the State of Missouri during the year ended June 30, 2020. The note is for \$500,000, interest rate of 1.50%, and requires monthly payments of \$4,489. The maturity date is September 3, 2029. The outstanding balance at June 30, 2020 is \$470,694.

Future minimum payments of notes payable are:

<u>For the year ending June 30:</u>	
2021	\$ 65,455
2022	66,877
2023	68,337
2024	463,240
2025	50,141
Thereafter	<u>221,688</u>
	<u>\$ 935,738</u>

NOTE 7: PPP LOAN

In April 2020, the Organization qualified for a loan program under CARES Act and entered into a debt agreement for \$427,000. The proceeds will be utilized to fund payroll and other operating expenses. The loan bears interest at 1% and requires monthly payments of \$24,030 beginning November 28, 2020. The balance of the loan is due April 28, 2022. Portions or all of the loan may be forgiven, provided certain requirements of the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP), including provisions of the CARES Act, are met.

<u>For the year ending June 30:</u>	
2021	\$ 189,947
2022	<u>237,053</u>
	<u>\$ 427,000</u>

NOTE 8: EMPLOYEE BENEFIT PLAN

The Center implemented a 401(k) profit sharing plan for its employees with a plan effective date on March 1, 2018. All employees are eligible to participate after being employed for three months. The Center has the discretion to match each eligible employee's contributions up to 50% of the first 4% contributed by employee. Retirement plan expense for the year ended June 30, 2020 and 2019 is \$10,458 and \$12,685 respectively.

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 9: FAIR VALUE MEASUREMENTS

GAAP defines fair value and establishes a consistent framework for measuring fair value for certain assets and liabilities. 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 conditions, regardless of whether that price is directly observable or estimated using a valuation technique. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). An asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable or future fair values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Center's assets measured at fair value on a recurring basis as of June 30, 2020 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments:				
Common stock	\$ 20,843	\$ -	\$ -	

The Center's assets measured at fair value on a recurring basis as of June 30, 2019 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments:				
Common stock	\$ 30,060	\$ -	\$ -	

Common stock

Common stock is reported at fair value based on quoted market prices.

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 10: CONDITIONAL PROMISES TO GIVE

During the year ended June 30, 2019, the Center received conditional promises to give totaling \$800,000 to be used for the capital campaign. The awards are contingent upon raising a specified amount of funds for the capital campaign. Since these promises were conditional, they were not recorded as revenue. During the year ended June 30, 2020, the conditions were met and \$800,000 was recorded as revenue.

NOTE 10: SUBSEQUENT EVENTS

In March 2021, the Center qualified for a second loan under the Coronavirus Aid, Relief and Economic Security (CARES) Act and entered into a debt agreement for \$424,575. The proceeds will be utilized to fund payroll and other operating expenses. The loan bears interest at 1% and requires one payment of principal and accrued interest at March 19, 2026. Portions or all of the loan may be forgiven, provided certain requirements of the U.S. Small Business Administration Paycheck Protection Program, including provisions of the CARES Act, are met.

Future minimum principle payments as of the date of report issuance are:

For the year ending June 30, 2026	\$ 424,575
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NOTE 11: UNCERTAINTIES

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. The COVID-19 outbreak in the United States and the related work restrictions has impacted the Center. The Center's revenue declined and operating cash flows were negatively impacted during the year ended June 30, 2020. The extent to which these events will affect the future financial position and the related changes in nets assets and cash flows is unknown.