

# **Community Enrichment Center**

Independent Auditor's Report and Financial Statements

December 31, 2020

**Community Enrichment Center**  
**December 31, 2020**

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## Independent Auditor's Report

The Finance Committee  
Community Enrichment Center  
North Richland Hills, Texas

We have audited the accompanying financial statements of Community Enrichment Center (the "Center"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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.

### *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 of 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 Center'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 Center'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 Community Enrichment Center as of December 31, 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.

***Emphasis of Matter***

As described in *Note 2* to the financial statements, in 2021, the Center adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

**BKD, LLP**

Fort Worth, Texas  
October 29, 2021

**Community Enrichment Center**  
**Statement of Financial Position**  
**December 31, 2020**

**Assets**

Cash and cash equivalents	\$ 1,789,052
Cash restricted for property and equipment	23,284
Tenant accounts receivable, net of allowance	93,574
Grants receivable	247,253
Certificates of deposit	313,134
Prepaid expenses	73,982
Property and equipment, net	<u>6,087,856</u>

Total assets \$ 8,628,135

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$ 116,102
Accrued expenses	63,317
Tenant security deposits	48,500
Paycheck Protection Program loan	<u>278,800</u>

Total liabilities 506,719

**Net Assets**

Without donor restrictions	7,913,830
With donor restrictions	<u>207,586</u>

Total net assets 8,121,416

Total liabilities and net assets \$ 8,628,135

**Community Enrichment Center**  
**Statement of Activities**  
**Year Ended December 31, 2020**

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<b>Revenue and Other Support:</b>			
Public support	\$ 1,716,721	\$ 107,183	\$ 1,823,904
Governmental financial assistance	480,247	-	480,247
Public support from special events	158,414	-	158,414
Rents	1,741,141	-	1,741,141
In-kind contributions	2,438,247	-	2,438,247
Interest income	7,277	-	7,277
Other income	8,697	-	8,697
Sales - Second Glance Store	271,849	-	271,849
Royalty income	5,324	-	5,324
Satisfaction of program restrictions	187,723	(187,723)	-
	<u>7,015,640</u>	<u>(80,540)</u>	<u>6,935,100</u>
<b>Expenses:</b>			
Program services:			
Homeless and family violence	729,965	-	729,965
Affordable housing	1,356,894	-	1,356,894
Community outreach	2,978,859	-	2,978,859
Employment education	381,477	-	381,477
	<u>5,447,195</u>	<u>-</u>	<u>5,447,195</u>
Supporting services:			
Management and general	598,712	-	598,712
Second Glance Store	323,360	-	323,360
Fundraising	415,973	-	415,973
	<u>1,338,045</u>	<u>-</u>	<u>1,338,045</u>
	<u>6,785,240</u>	<u>-</u>	<u>6,785,240</u>
Change in net assets	230,400	(80,540)	149,860
<b>Net Assets, Beginning of Year</b>	<u>7,683,430</u>	<u>288,126</u>	<u>7,971,556</u>
<b>Net Assets, End of Year</b>	<u>\$ 7,913,830</u>	<u>\$ 207,586</u>	<u>\$ 8,121,416</u>

**Community Enrichment Center**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2020**

	Program Services				Supporting Services					Total
	Homeless and Family Violence	Affordable Housing	Community Outreach	Employment Education	Total Program Services	Management and General	Second Glance Store	Fund-Raising	Total Supporting Services	
Direct assistance to participants - household expenses	\$ 95,968	\$ -	\$ 120,018	\$ 198,950	\$ 414,936	\$ -	\$ -	\$ -	\$ -	\$ 414,936
Direct assistance to participants - food	-	-	2,418,976	-	2,418,976	-	-	-	-	2,418,976
Repairs, maintenance, utilities, and other property costs	46,825	711,207	78,939	3,652	840,623	37,074	36,612	-	73,686	914,309
Salaries and benefits	457,226	221,324	281,490	177,773	1,137,813	270,495	190,043	334,707	795,245	1,933,058
Event costs	-	-	-	-	-	-	-	56,564	56,564	56,564
Professional fees	-	-	-	-	-	151,490	-	-	151,490	151,490
Advertising and marketing	-	-	-	26	26	108	1,035	19,436	20,579	20,605
Bank charges	3,157	309	-	-	3,466	-	9,147	5,266	14,413	17,879
Continuing education	3,345	301	-	-	3,646	359	-	-	359	4,005
Computer/network expense	-	2,902	250	-	3,152	53,125	-	-	53,125	56,277
Dues and subscriptions	534	3,335	13	-	3,882	6,061	25	-	6,086	9,968
Postage	2,387	239	1,431	239	4,296	871	-	-	871	5,167
Supplies	965	2,927	6,291	167	10,350	12,098	2,921	-	15,019	25,369
Telephone	1,685	10,019	125	-	11,829	30,389	2,500	-	32,889	44,718
Volunteer expense	-	-	-	-	-	2,725	-	-	2,725	2,725
Facilities and office machine rents	37,576	700	3,947	658	42,881	12,456	80,697	-	93,153	136,034
Capacity development	7,500	-	-	-	7,500	-	-	-	-	7,500
Meals and entertainment	185	-	35	12	232	6,374	380	-	6,754	6,986
Miscellaneous expense	-	-	-	-	-	14,877	-	-	14,877	14,877
Depreciation	72,612	403,631	67,344	-	543,587	210	-	-	210	543,797
	<u>\$ 729,965</u>	<u>\$ 1,356,894</u>	<u>\$ 2,978,859</u>	<u>\$ 381,477</u>	<u>\$ 5,447,195</u>	<u>\$ 598,712</u>	<u>\$ 323,360</u>	<u>\$ 415,973</u>	<u>\$ 1,338,045</u>	<u>\$ 6,785,240</u>

**Community Enrichment Center**  
**Statement of Cash Flows**  
**Year Ended December 31, 2020**

<b>Operating Activities</b>	
Change in net assets	\$ 149,860
Items not requiring cash	
Depreciation	543,797
Changes in	
Accounts receivable	(40,770)
Accounts receivable - grants	(59,530)
Prepaid expenses	(11,970)
Accounts payable	10,803
Accrued expenses	26,025
Tenant security deposits	<u>(2,850)</u>
Net cash provided by operating activities	<u>615,365</u>
<b>Investing Activities</b>	
Purchase of property and equipment	(84,949)
Purchase of investments	<u>(6,078)</u>
Net cash used by investing activities	<u>(91,027)</u>
<b>Financing Activities</b>	
Proceeds from PPP loan	<u>278,800</u>
Net cash provided by financing activities	<u>278,800</u>
<b>Net Increase in Cash and Cash Equivalents</b>	803,138
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,009,198</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 1,812,336</u></u>
<b>Reconciliation to Statement of Financial Position</b>	
Cash	\$ 1,789,052
Cash - restricted for property and equipment	<u>23,284</u>
	<u><u>\$ 1,812,336</u></u>



# Community Enrichment Center

## Notes to Financial Statements

December 31, 2020

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Activities***

Community Enrichment Center (the “Center”) was incorporated as a nonprofit corporation in the State of Texas in March 1988, for the two-fold purpose of empowering individuals to become productive, self-sufficient citizens, and to restore family and community support systems through a holistic approach which links available private, public, and financial community resources. The major programs of the Center include: a subsidized housing program for low-income families, homeless families, and victims of family violence in Tarrant County; community outreach, including a food pantry, employment coaching and high school equivalency classes. Using the Working Family Success model, an integrated service delivery method, the focus is on stabilizing families in crisis by providing basic necessities such as housing and food, allowing time to identify barriers to success and develop and implement a coaching strategy to overcome those barriers and help ensure participants can maintain stability and not return to a point of crisis.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, 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 to be cash equivalents. At December 31, 2020, cash equivalents consisted primarily of money market accounts held at financial institutions.

Cash and cash equivalents includes cash restricted by the donor for purchase of property and equipment.

At December 31, 2020, the Center’s cash accounts exceeded federally insured limits by approximately \$980,000.

#### ***Certificates of Deposit***

Certificates of deposit held at year-end are considered investments for reporting purposes with original maturity dates in excess of three months.

**Community Enrichment Center**  
**Notes to Financial Statements**  
**December 31, 2020**

***Grants Receivable***

Grants receivables consist of amounts due from federal and local governments and donors which are uncollected at the end of the year. Management evaluates the allowance for uncollectible receivables based upon past experience and analysis of collectability. Amounts are considered past due when not paid by the end of the following month, and are written off when deemed uncollectible by management. Management has determined that an allowance is not considered necessary at December 31, 2020.

***Tenant Accounts Receivable***

Tenant accounts receivable are stated at the amount billed to tenants. The Center provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Rent charges are ordinarily due on the first day of the month. Amounts are considered past due when not paid by the end of the following month and are written off when deemed uncollectible by management. Management has established an allowance of \$600 for 2020.

***Property and Equipment***

Property and equipment acquisitions exceeding \$5,000 are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	40 years
Rental properties	15 years
Improvements	10-20 years
Machinery and equipment	3-10 years
Furniture and fixtures	5-10 years

***Long-Lived Asset Impairment***

The Center evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Management has determined that no assets were impaired during 2020.

**Community Enrichment Center**  
**Notes to Financial Statements**  
**December 31, 2020**

**Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

**Contributions**

Contributions are provided to the Center either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Center overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

# **Community Enrichment Center**

## **Notes to Financial Statements**

### **December 31, 2020**

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor 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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

#### ***Contributed Services***

Contributed services are recognized at fair value if the services received (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. Volunteers provide valuable services throughout the year that are not recognized as contributions in the financial statements because the criteria for recognition under GAAP has not been satisfied.

#### ***In-kind Contributions***

Contributions of materials are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment (see *Note 5*).

#### ***Government Grants***

Support funded by grants is recognized as the Center meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

# Community Enrichment Center

## Notes to Financial Statements

### December 31, 2020

#### ***Income Taxes***

The Center is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provision of state law. However, the Center is subject to federal income tax on any unrelated business taxable income.

The Center files tax returns in the U.S. Federal jurisdiction.

#### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general, Second Glance Store, and fundraising categories based on the specific identification and approximate percentage of time expended.

#### **Note 2: Change in Accounting Principle**

On January 1, 2020, the Center adopted the *Financial Accounting Standards Board Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09) using a modified retrospective method of adoption to all contracts with customers not completed on January 1, 2020.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods to customers in amounts that reflect the consideration to which the Center expects to be entitled in exchange for those goods.

The amount to which the Center expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods.

Adoption of ASU 2014-09 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements. The adoption had no impact on overall change in net assets or net cash provided by operating activities. There was no impact on the December 31, 2020 financial statements.

**Community Enrichment Center**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note 3: Grant Reimbursements Receivable and Future Commitments**

The Center receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Center are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2020, have been recorded as receivables. Following are the grant commitments that extend beyond December 31, 2020:

Grant	Term	Grant Amount	Earned Through 2020	Funding Available
OVAG	9/1/2020-8/31/2021	\$ 42,000	\$ 16,348	\$ 25,652
VOCA	10/1/2020-9/30/2021	168,300	28,053	\$ 140,247
NGO- Tarrant County	3/1/2020-3/31/2021	<u>143,888</u>	<u>121,639</u>	<u>22,249</u>
		<u>\$ 354,188</u>	<u>\$ 166,040</u>	<u>\$ 188,148</u>

**Note 4: Property and Equipment**

Property and equipment consists of the following at December 31, 2020:

Land	\$ 1,873,682
Buildings and improvements	1,775,100
Furnishings and equipment	455,496
Houses, townhomes, and apartment complex	<u>8,228,911</u>
	12,333,189
Less accumulated depreciation	<u>(6,245,333)</u>
	<u>\$ 6,087,856</u>

**Community Enrichment Center**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note 5: Donated Goods and Facilities**

The Center receives the use of certain land and buildings owned by The Hills Church of Christ, and other goods and services from various local businesses. The Center also receives food donations from Tarrant Area Food Bank, local grocery stores, and other agencies and individuals throughout the year. The food donations are valued at an average of the national wholesale prices as determined by Feeding America, which was \$1.70 per pound for 2020. A summary of the in-kind contributions, which have been recorded at the estimated fair-value and reflected in the accompanying statement of activities, at December 31, 2020 are as follows:

Food	\$ 2,379,747
Facilities	42,000
Utilities	15,000
Other	<u>1,500</u>
	<u>\$ 2,438,247</u>

**Note 6: Paycheck Protection Program (PPP) Loan**

On April 8, 2020, the Center received a PPP loan in the amount of \$278,800 established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and has elected to account for the funding as a loan in accordance with ASC Topic 470, Debt. Interest is accrued in accordance with the loan agreement. As such, this debt is reflected on the accompanying statement of financial position.

Any forgiveness of the loan is recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustments could be required to any gain recognized. Subsequent to year-end, the Center was notified that the SBA had fully forgiven this loan.

**Community Enrichment Center**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note 7: Net Assets**

***Net Assets with Donor Restrictions***

Net assets with donor restrictions at December 31, 2020 are as follows:

Subject to expenditure for specified purpose	
Refresh event	\$ 59,620
Working Family Success Cohort	35,000
Empowerment fund for Emergency Financial Assistance	42,966
Property and equipment	<u>45,000</u>
	<u>182,586</u>
Subject to the passage of time	
Grants receivable that are restricted for the Pantry Plus program	<u>25,000</u>
	<u><u>\$ 207,586</u></u>

***Net Assets Released from Restrictions***

During 2020, net assets of \$187,723 were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors.



# Community Enrichment Center

## Notes to Financial Statements

December 31, 2020

### Note 8: Revenue from Contracts with Customers

#### ***Second Glance Resale Retail Sales – Performance Obligations***

The Center's revenue that is within the scope of *Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606)*, consists of retail sales of donated items in its resale shop, Second Glance. Revenue is measured as the amount of consideration the Center expects to receive in exchange for transferring distinct goods to customers. This revenue is reported net of sales discounts, and all sales are considered final at the time of purchase. The Center recognizes revenue when performance obligations under the terms of contracts with its customers are satisfied, which occurs at a point in time when control of the goods passes to a customer to enable them to direct the use of and obtain benefit from a product. This typically occurs when a customer obtains legal title, obtains the risks and rewards of ownership, and has received the goods when the purchase is complete. Payment is required at the time of purchase.

#### ***Transaction Price and Recognition***

The Center determines the transaction price for customers based on historical experience and current market conditions, which may be reduced by sales discounts offered from time to time in the store. As all sales are considered final at time of purchase, there are no reductions to revenue after the sale has occurred.

#### ***Contract Balances***

Since the sale occurs at a point in time, payment is received at the time of sale and all sales are final, there are no contract balances including contract assets or contract liabilities.

#### ***Accounting Policies and Practical Expedients Elected***

The Center is applying an accounting policy election, which allows an Center to exclude from revenue any amounts collected from customers on behalf of third parties, such as sales taxes that the Center collects concurrent with revenue-producing activities. Therefore, revenue is presented net of sales taxes.

**Community Enrichment Center**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note 9: Leasing Activities**

Rental income earned from the transitional housing program included in the statement of activities is \$1,741,141 in 2020. Due to the nature of the rental income, future minimum payments to be received cannot be determined.

The properties are comprised of the following and are recorded at cost:

Apartment complex	\$ 3,810,165
Townhomes	3,014,671
Houses	<u>1,404,075</u>
	8,228,911
Less: Accumulated depreciation	<u>(4,833,756)</u>
	<u><u>\$ 3,395,155</u></u>

**Note 10: Commitments**

The Center leases certain facilities, and office equipment under non-cancelable operating leases having remaining terms in excess of one year. Future minimum lease payments at December 31, 2020, were:

2021	\$ 95,000
2022	16,000
2023	9,000
2024	9,000
2025	9,000
Thereafter	<u>1,500</u>
	<u><u>\$ 139,500</u></u>

Rental expense was approximately \$132,000 for 2020, which includes \$42,000 of donated rent.

In addition, the Center paid approximately \$25,000 in rent expense relating to the Common Area Maintenance (CAM), taxes, and insurance for one of its leases in 2020.

**Community Enrichment Center**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note 11: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020, comprise the following:

Cash	\$ 1,789,052
Cash restricted for property and equipment	23,284
Certificates of deposit	313,134
Accounts receivable, net of allowance	93,574
Accounts receivable - grants	<u>247,253</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,466,297</u>
Less: Donor-imposed restrictions:	
Investment in property and equipment	<u>23,284</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,443,013</u>

The Center receives contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the year ended December 31, 2020, restricted contributions of \$162,586 were included in financial assets available to meet cash needs for general expenditures within one year.

The Center manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Center has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. The Center has a policy to target a year-end balance of reserves without donor restriction and which are undesignated by the board to meet 90 to 180 days of expected expenditures. To achieve these targets, the Center forecasts its future cash flows and monitors its liquidity monthly and monitors its reserves annually. During the year ended December 31, 2020, the level of liquidity and reserves was managed within the policy requirements.

**Note 12: Subsequent Events**

Subsequent events have been evaluated through October 29, 2021, which is the date the financial statements were available to be issued.

**Community Enrichment Center**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note 13: Economic Uncertainty**

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Center. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

**Note 14: Future Change in Accounting Principle**

***Accounting for Leases***

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021 and any interim periods within annual reporting periods that begin after December 15, 2022. The Center is evaluating the effect the standard will have on the financial statements; however, the standard is not expected to have a material effect on the financial statements.